



MINUTES

**Quarterly Meeting of the Administration Committee
of the Board of Trustees of the
State Universities Retirement System
Friday, March 7, 2025, 10:15 a.m.
State Universities Retirement System – Main Conference Room – Champaign, IL
*Optional Remote Connection for Members of the Public***

This meeting was held in person at State Universities Retirement System in Champaign, IL.

The following trustees were present: Dr. Andriy Bodnaruk, Dr. Fred Giertz, Mr. Scott Hendrie, Mr. John Lyons, Mr. Herbert Pitman, Dr. Steven Rock, Mr. Collin Van Meter (chair) and Mr. Antonio Vasquez.

Others present: Ms. Suzanne Mayer, Executive Director; Mr. Michael Schlachter, Chief Investment Officer (CIO); Mr. Jefferey Saiger, Chief Strategy & Technology Officer; Ms. Jackie Hohn, Chief Internal Auditor; Ms. Tara Myers, Chief Financial Officer; Ms. Bianca Green, General Counsel; Ms. Nichole Hemming, Chief Human Resources Officer; Mr. Albert Lee, Associate General Counsel; Ms. Heather Kimmons, Associate Legal Counsel; Ms. Anna Dempsey, Investment Counsel; Ms. Kristen Houch, Director of Legislative and Stakeholder Relations; Ms. Amanda Baker, Organizational Strategy Analyst; Ms. Kelly Carson, Ms. Chelsea McCarty and Ms. Annette Ackerman, Executive Assistants; Mr. Michael Calabrese of Foley; Ms. Catherine Jackson of Mosaic, Mr. Joe Rice of CBIZ, and Ms. Erica Oropeza of Linea.

Administrative Committee roll call attendance was taken. Trustee Bodnaruk, present; Trustee Kothari absent; Trustee Rock, present; Trustee Van Meter, present; and Trustee Vasquez present.

APPROVAL OF MINUTES

Trustee Van Meter presented the minutes from the Administration Committee meeting of December 6, 2024.

Trustee Rock made the following motion:

- That the minutes from the December 6, 2024, Administration Committee meeting be approved as presented.

Trustee Vasquez seconded the motion, and it passed with all trustees present voting in favor of the motion.

CHAIRPERSON'S REPORT

Trustee Van Meter did not have a chairperson's report.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (EDUCATIONAL SESSION)

Ms. Tara Myers presented the 83rd Annual Comprehensive Financial Report educational session for the trustees.

The Educational session lasted 15 minutes and concluded at 10:45 a.m.

A copy of the report titled “Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024” is incorporated as part of these minutes as **Exhibit 1**.

STRATEGIC PLANNING TIMELINE (EDUCATIONAL SESSION)

Mr. Jefferey Saiger provided an update regarding the latest activities relating to strategic planning at SURS and he introduced SURS Organizational Strategy Analyst, Ms. Amanda Baker and Ms. Catherine Jackson from Mosaic, the strategic planning advisory firm that is assisting SURS in this effort. Ms. Jackson shared her presentation that included the overall strategic planning process and timeline, benchmarking, recommendations, and next steps.

The Educational session lasted 30 minutes and concluded at 11:15 a.m.

A copy of the staff memorandum and the presentation from Mosaic titled “Org Strategy” and “SURS Board Best Practice Report” are incorporated as part of these minutes as **Exhibit 2** and **Exhibit 3**.

DISCUSSION OF FISCAL YEAR 2026 COMPENSATION ADJUSTMENTS

Ms. Nichole Hemming and Mr. Joe Rice of CBIZ presented information concerning the SURS staff compensation package. Discussion followed regarding recommendations for appropriately setting and approving a budget amount for staff increases.

Trustee Rock made the following motion:

- That a 4.25 percent salary increase be budgeted to fund the salary program.

Trustee Vasquez seconded the motion, and it passed via the following roll call vote:

| | | |
|-------------------|---|--------|
| Trustee Bodnaruk | - | aye |
| Trustee Kothari | - | absent |
| Trustee Rock | - | aye |
| Trustee Van Meter | - | aye |
| Trustee Vasquez | - | aye |

Trustee Rock made the following motion:

- That all pay ranges be moved upward by 3.25 percent.

Trustee Vasquez seconded the motion which led to further discussion. Ms. Hemming and Mr. Rice provided additional information regarding how the process would work if the pay ranges were moved by that rate. Trustee Rock then withdrew his motion.

Next, Trustee Bodnaruk made the following motion:

- That all pay ranges be moved upward by 3.1 percent.

Trustee Vasquez seconded the motion, and it passed via the following roll call vote:

| | | |
|-------------------|---|--------|
| Trustee Bodnaruk | - | aye |
| Trustee Kothari | - | absent |
| Trustee Rock | - | aye |
| Trustee Van Meter | - | aye |
| Trustee Vasquez | - | aye |

Trustee Rock made the following motion:

- That an additional \$25,000 be allocated to fund the SURS Star Award Program.

Trustee Bodnaruk seconded the motion, and it passed via the following roll call vote:

| | | |
|-------------------|---|--------|
| Trustee Bodnaruk | - | aye |
| Trustee Kothari | - | absent |
| Trustee Rock | - | aye |
| Trustee Van Meter | - | aye |
| Trustee Vasquez | - | aye |

A copy of the report titled “CBIZ SURS Compensation Planning Guide” and the “FY 2026 Compensation Adjustments” memo is incorporated as part of these minutes as [Exhibit 4](#) and [Exhibit 5](#).

MAJOR BUDGET INITIATIVES FOR FISCAL YEAR 2026

Mr. Saiger presented the Budgetary Plan for FY2026. He highlighted and explained specific areas of the plan including proposed member services program projects, security projects, administration program projects, IT operations/infrastructure and facilities projects.

Copies of the documents titled “FY26 Initiatives” and “Project Planning FY26” are incorporated as part of these minutes as [Exhibit 6](#) and [Exhibit 7](#).

QUARTERLY PENSION ASSESSMENT SYSTEM (PAS) UPDATE

Mr. Saiger, along with Ms. Erica Oropeza of Linea provide a quarterly updated on the Velocity PAS Project. The group discussed the possibility of extending of the timeline for completing the project and potential cost implications of an extension.

A copy of the SURS presentation titled “Quarterly Project Velocity Update” and “SURS Project Velocity Update” have been incorporated into these minutes as [Exhibit 8](#) and [Exhibit 9](#).

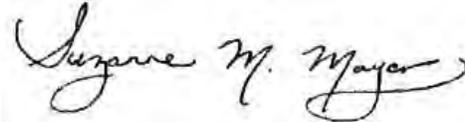
PUBLIC COMMENT

There was no public comment presented to the Administration Committee.

There was no further business brought before the committee and Trustee Rock moved that the meeting be adjourned. The motion was seconded by Trustee Vasquez, and it passed via the following roll call vote.

| | | |
|-------------------|---|--------|
| Trustee Bodnaruk | - | aye |
| Trustee Kothari | - | absent |
| Trustee Rock | - | aye |
| Trustee Van Meter | - | aye |
| Trustee Vasquez | - | aye |

Respectfully submitted,



Ms. Suzanne M. Mayer
Executive Director and Secretary, Board of Trustees

SMM:

A Component Unit of the State of Illinois

20
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INVESTING IN THE
FUTURE

The Annual Comprehensive Financial Report
for Fiscal Year Ended June 30, 2024



Prepared by the SURS Accounting Department

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INVESTING IN THE FUTURE

OUR MISSION

To secure and deliver the benefits promised to our members.

OUR VISION

To be recognized as a respected leader among public pension plans.

OUR GOALS

- Assure the financial soundness of the System.
- Achieve high levels of member and stakeholder satisfaction.
- Be a great place to work with an emphasis on learning, growth, diversity, equity, and inclusion.
- Develop and sustain efficiency, high-quality processes, tools, and technology.
- Protect SURS assets through sound risk-management and ethical practices.

OUR CORE STRATEGIES

- Secure the annual required contribution, manage expenses, produce risk-adjusted investment returns that exceed our benchmarks and provide effective oversight of defined contribution plans.
- Deliver accurate, timely, cost-effective, and empathetic service by meeting or exceeding our service standards.
- Recruit and retain quality talent, develop leaders, and commit to being a diverse, equitable, and inclusive organization.
- Enhance communication, workflow processing, systems sustainability, and record keeping.
- Strengthen SURS internal controls and risk-management programs, and continue our ethics training and compliance efforts.

THE SURS WAY

VALUES

Honesty
Ethical
Professional
Trustworthy

SERVICE

Accountable
Efficient
Accurate
Empathetic

RELATIONSHIPS

Caring
Collaborative
Supportive
Inclusive



INTRODUCTION

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Board of Trustees

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Organizational Chart and Executive Team

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Advisors, Auditors, and Administrators

❖ Awards



 Awards

INTRODUCTION



Public Pension Coordinating Council

**Recognition Award for Administration
2024**

Presented to

State Universities Retirement System

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Letter of Transmittal



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800-275-7877 • 217-378-8800 • (Fax) 217-378-9800
www.surs.org

December 13, 2024

SURS Board of Trustees and Members
State Universities Retirement System
1901 Fox Drive
Champaign, IL 61820

We are pleased to present the 83rd Annual Comprehensive Financial Report for the State Universities Retirement System of Illinois (SURS or the System) a component unit of the state of Illinois for the fiscal year ended June 30, 2024.

The System's mission is to secure and deliver the benefits promised to our members – current and former employees of state universities, community colleges, and certain other state educational and scientific agencies. SURS staff works hard to perform at the highest customer service level for our members, who dedicate their careers to higher education.

The management of SURS is responsible for the compilation and accuracy of the financial, investment, actuarial and statistical information contained in this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of SURS.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. SURS internal controls over financial reporting are designed to provide reasonable assurance regarding safekeeping of assets and reliability of financial records in accordance with generally accepted accounting principles. These controls include appropriate segregation of duties and responsibilities, and sound practices in the performance of those duties. The cost of a control should not exceed the benefits likely to be derived. The valuation of costs and benefits requires estimates and judgments by management. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

SURS maintains an internal audit program that employs the services of three internal auditors to determine that all controls implemented are as designed. The internal audit personnel use a detailed internal audit program to provide a continuing review of the SURS internal controls and to report audit findings and recommendations for improvements to the SURS Board of Trustees. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of controls.

The Illinois Pension Code requires an annual audit of the financial statements of the System by independent accountants selected by the state auditor general. This requirement has been complied with, and the independent auditor's unmodified report on the System's 2024 financial statements has been included in this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found starting on page 16 of the report.

Profile

SURS is the administrator of a cost-sharing, multiple-employer public employee retirement system. It was established July 21, 1941, and provides retirement annuities and other benefits for employees, survivors, and other beneficiaries of those employees of state universities, community colleges, and certain other state educational and scientific agencies in Illinois. SURS services 61 employers and approximately 255,000 members and annuitants. The plans administered by SURS include a traditional defined benefit plan established in 1941, a portable defined benefit plan established in 1998, a defined contribution plan established in 1998, and a deferred compensation plan established in 2021. SURS is governed by an 11-member board of trustees that includes four elected active members, two elected annuitants, and five individuals appointed by the governor, of which one is the appointed chair of the Illinois Board of Higher Education.

Letter of Transmittal

Funding

SURS is funded through contributions from non-employer, employer, and employee contributions as well as investment earnings. The state of Illinois, a non-employer contributing entity, provides recurring funding from two sources: the General Revenue Fund and the State Pensions Fund.

Annually, the SURS actuary determines the annual statutory contribution needed to meet current and future benefit obligations in accordance with the Illinois Pension Code, which sets forth the manner of calculating the statutory contribution under the Statutory Funding Plan. The Statutory Funding Plan requires the state to contribute annually an amount equal to a constant percent of pensionable (capped) payroll necessary to allow the System to achieve a 90% funded ratio by the end of fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or changes in actuarial assumptions. The fiscal year 2024 certified state of Illinois contribution of \$2,133,335,000 was received in full by June 4, 2024. As of June 30, 2024, the plan net position as a percentage of the total pension liability was 44.6%. The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2024, the Statutory Funding Policy creates a perpetual contribution variance of underfunding the System in earlier years. In later years, the statutory contribution would exceed a contribution equal to normal cost plus a 30-year closed period level percent of pay amortization of the unfunded liability. Further information is presented in the Required Supplementary Information related to employer contributions and the funding of the plan.

Investments

Investments are made under the authority of the prudent expert rule, which states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. This standard has enabled the System to invest in different types of asset classes seeking to increase return while lowering risk through diversification.

The System retains professional investment firms who serve as fiduciaries and are afforded full discretion to manage the assets entrusted to them in accordance with written policies and guidelines established by the SURS Board of Trustees. The goal is to optimize the long-term return of the System's investments. SURS has a diverse investment portfolio designed to protect against market risk and produce steady returns over a long-term period.

SURS investment assets held in trust increased to \$24.3 billion. Assets in the Retirement Savings Plan (RSP) and the Deferred Compensation Plan (DCP), which are administered by a third-party and are not included in SURS Statement of Fiduciary Net Position, are valued at approximately \$4.3 billion and \$67.4 million, respectively. During fiscal year 2024 the SURS portfolio returned 8.3%, net of fees, above the long-term 6.5% assumed rate of return but below the return for the policy benchmark of 9.0%. However, SURS investment program has a long-term horizon. Portfolio returns, net of fees, are 7.4% over the last five years and 6.6% over the last 10 years, each exceeding both the long-term assumed rate and the policy benchmark.

The Investment section of this report contains yield information, a summary of SURS investment portfolio and a summary of the investment objectives and policies.

Legislation

The following key bills that impact SURS became effective between July 1, 2023, and June 30, 2024:

- Public Act 103-0548 eliminates the requirement that a participant be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. Public Act 103-0548 also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years.
- Public Act 103-0468 authorizes the Illinois State Treasurer to vote proxies on behalf of a state-funded retirement system, if directed to do so by the board of trustees of the retirement system, until January 1, 2027. It also requires each state-funded retirement system to produce an annual report detailing its guidelines for proxy voting and how it considers sustainability factors, beginning September 1, 2023.
- Public Act 103-0324 requires investment managers, beginning January 1, 2024, to disclose the following: a description of any process through which the manager prudently integrates the sustainability factors into their investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership to maximize anticipated risk-adjusted financial returns, identify projected risk, and execute the manager's fiduciary duties. It also requires investment managers to provide this disclosure to each public agency, pension fund, retirement system, or governmental unit for whom the investment manager is seeking selection as a fiduciary before acting in this official capacity.

Letter of Transmittal

Major Initiatives

Board of Trustees

Election

SURS held a trustee election April 2–May 1, 2024. The election was conducted by YesElections, an impartial election services company. The election results were certified on May 2, 2024.

Current SURS board members Steven Rock, Collin Van Meter and Antonio Vasquez were reelected by the System's members. All will serve six-year terms that began July 15, 2024.

Steven Rock, elected by SURS annuitant members, is a retired economics professor from Western Illinois University. He has served on the board since 2015.

Collin Van Meter, elected by active SURS members, is employed in Technology Services at the University of Illinois Urbana-Champaign. He has served on the board since 2018.

Antonio Vasquez, also elected by active SURS members, is a professor of economics at Wilbur Wright College. He has served several terms on the board. He began as an appointed board member in June 2008 before winning his first six-year term as an elected active SURS member in 2009. He was elected to a second term in 2015 and served through July 15, 2021. In 2022 he was selected by a majority vote of the other elected trustees to serve out an open term through 2024.

Appointments

There was also a three-year, active-member term open on the board. The vacancy was the result of the outcome of the May 1, 2024, trustee election. On June 12, 2024, Herbert Pitman was selected by a majority vote of the other five eligible elected trustees from many applicants to fill the vacant three-year seat. His term began July 15, 2024. Pitman is a full-time lecturer of Health Administration at Governors State University in University Park, IL.

In November 2023, Illinois Gov. JB Pritzker appointed John Lyons to chair the SURS Board of Trustees. He replaced John Atkinson who stepped down as chair to head Intersect Illinois. Lyons has served as an appointed SURS trustee since 2019 and was elected board treasurer by his fellow trustees. He is a partner at the law firm DLA Piper LLP (US).

In October 2023, Pranav Kothari joined the SURS Board of Trustees after he was appointed chair of the Illinois Board of Higher Education (IBHE) by Gov. Pritzker. State statute dictates that the IBHE chair also serves on the SURS Board of Trustees. Kothari is the founder and CEO of Revolution Impact, which focuses on helping empower social sector organizations to achieve their goals.

Systems Development and Security

SURS has completed approximately 50% of the pension administration system replacement project, Project Velocity, which began in July 2021. This project will replace legacy technology with a modern framework, provide opportunities for improved processing for all SURS employers, and enhance customer service for members.

SURS continues to enhance our security portfolio to safeguard our members' data. In addition to new investments in technologies to aid with detection, mitigation and remediation of security issues, significant time has been devoted to increasing staff awareness via new training opportunities.

Member Service

In fiscal year 2024 the Member Service teams calculated 7,055 claims, answered 81,960 calls and 6,043 member emails, held 4,497 counseling sessions and 61 educational webinars and other member outreach events, conducted 55 employer trainings and two employer seminars, and responded to 3,859 employer emails.

The Communications team sent 1,547,175 informational emails to members, added 57 posts to social media, and made thousands of informational updates to surs.org.

Deferred Compensation Plan (DCP)

Participation in SURS DCP, our 457(b) supplemental savings plan, has grown exponentially since it became available three and a half years ago. We continue to communicate to members the importance of saving and investing for a secure retirement beyond their SURS core benefit plan.

Letter of Transmittal

Auto-enrollment

Beginning July 1, 2023, per Public Act 102-0540, all newly certified SURS members are automatically enrolled in the DCP at 3% of their salary and begin saving and investing 30 days after they are hired unless they opt out during the 30-day opt-out window. For the first year of automatic enrollment (through June 30, 2024), 82% of newly hired members were enrolled into the DCP after the 30-day window. Eighteen percent opted out or ended employment prior to deductions beginning. Of the members who enrolled in the plan (either default or voluntary) 77% remain in the plan and 98% remain in the default investment option, SURS Lifetime Income Strategy.

Auto-escalation

On March 1, 2024, SURS board voted to implement auto-escalation effective July 1, 2024, for members who were automatically enrolled in the DCP, and who were still contributing at the default rate of 3%. Members will see an increase of 1% each year up to a maximum of 10% of their salary. Members can change their default rate at any time.

DCP assets were \$67.4 million, and the current enrollment was 12,440, as of June 30, 2024.

Awards and Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SURS for its component unit financial report for the fiscal year ended June 30, 2023. This is the 40th consecutive year the System has earned this award.

To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

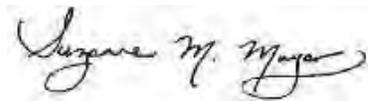
The Public Pension Coordinating Council (PPCC), a coalition of three national associations that represents more than 500 of the largest pension plans in the U.S., awarded SURS the Public Pension Standards Award for Funding and Administration. Public Pension Standards are a benchmark to measure public defined benefit plans in the areas of retirement system management, administration, and funding.

Acknowledgements

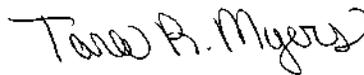
This report was prepared through the combined effort of the SURS staff under the leadership of the SURS Board of Trustees. It is intended to provide reliable information to its users for making decisions and for determining responsible stewardship for the assets contributed by the members, employers and the state of Illinois.

The report is made available to the governor, the state auditor general, the members of the General Assembly, participating employers and to other interested persons by request. We thank all those whose impact on Illinois' universities and community colleges guide the future. We hope they will find this report informative. A copy of this report and our Annual Report Summary will be available on our website, www.surs.org.

Respectfully submitted,



Suzanne M. Mayer
Executive Director



Tara R. Myers
Chief Financial Officer

Board of Trustees



John Lyons
Chairperson
Appointed



Collin Van Meter
Vice Chairperson
Elected



Scott Hendrie
Treasurer
Appointed



Andriy Bodnaruk
Elected



Richard Figueroa
Appointed



Jamie-Claire Flaherty
Appointed



J. Fred Giertz
Elected



Pranav Kothari
Appointed



Steven Rock
Elected



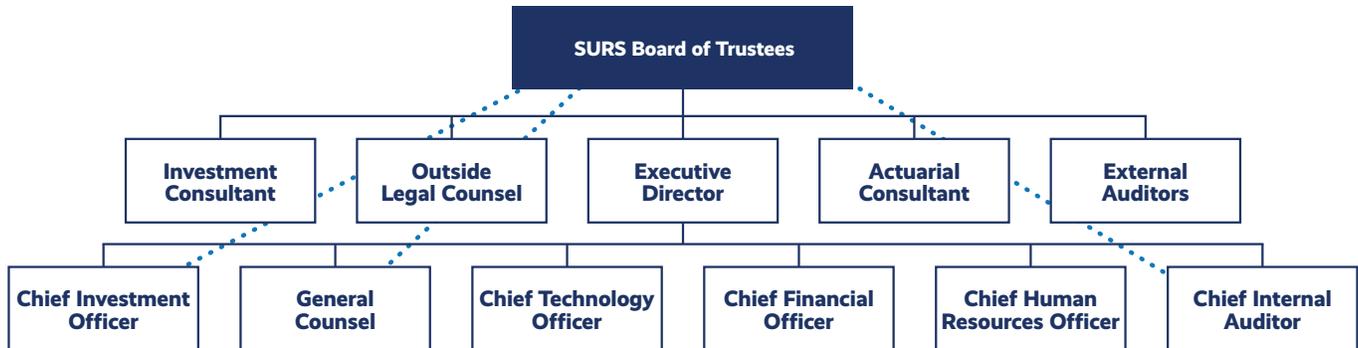
Antonio Vasquez
Elected



Mitchell Vogel
Elected

Organizational Chart

INTRODUCTION



Executive Team

| | |
|------------------------------------|--------------------|
| Executive Director..... | Suzanne Mayer |
| Chief Investment Officer | Michael Schlachter |
| General Counsel | Bianca Green |
| Chief Technology Officer..... | Jefferey Saiger |
| Chief Financial Officer..... | Tara Myers |
| Chief Human Resources Officer..... | Nichole Hemming |
| Chief Internal Auditor | Jacqueline Hohn |

Advisors, Auditors, and Administrators

Actuary
Gabriel, Roeder, Smith & Co.

Master Trustee and Custodian
The Northern Trust Company

External Auditor
RSM US LLP (Acting as Special Assistant Auditor for the Illinois Office of Auditor General)

Plan Service Provider
Voya Financial
Teachers Insurance Annuity Association

Investment fees are listed on pages 67–69, investment commissions are listed on pages 73–74.



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Auditor's Report



Independent Auditor's Report

Honorable Frank J. Mautino, Auditor General – State of Illinois
Board of Trustees, State Universities Retirement System of Illinois

RSM US LLP

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the State Universities Retirement System of Illinois (the System), a component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System, as of June 30, 2024, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note V of the financial statements, the actuarially determined total pension liability, calculated as required by GASB Statement No. 67, is dependent on several assumptions, including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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•• Auditor's Report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of investment returns, the schedule of contributions from employers and other contributing entities and the notes to the required supplemental information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information including the summary schedule of administrative expenses, the summary schedule of investment expenses, the combining statement of fiduciary net position custodial funds and the combining statement of changes in fiduciary net position custodial funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information, including the summary schedule of administrative expenses, the summary schedule of investment expenses, the combining statement of fiduciary net position custodial funds and the combining statement of changes in fiduciary net position custodial funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Schaumburg, Illinois
December 13, 2024

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial statements of the State Universities Retirement System (SURS or System) and the major factors affecting the operations and investment performance of the System during the year ended June 30, 2024, with comparative reporting entity totals for the year ended June 30, 2023. Please read this section in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements, and other information that is presented in the Financial Section of the Annual Comprehensive Financial Report.

Financial Highlights

- Contributions from the State and employers were \$2,252.4 million, an increase of \$19.1 million, or 0.9% from fiscal year 2023.
- The System's benefit payments were \$3,084.0 million, an increase of \$86.1 million, or 2.9% for fiscal year 2024.
- The System's time-weighted return on investment, net of investment management fees, was 8.3% for fiscal year 2024.
- The System's fiduciary net position at the end of fiscal year 2024 was \$24.5 billion, an increase of \$1.2 billion, or 4.9%.

Overview of Financial Statements and Accompanying Information

The Financial Section has four components: (1) Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information, and (4) Other Supplementary Information.

- The financial statements presented in this report are the Statement of Fiduciary Net Position as of June 30, 2024, and the Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2024. These statements present separate totals for the System's three fiduciary fund types.
 - The Statement of Fiduciary Net Position details the net position (assets less liabilities) available for the payment of benefits and other fiduciary activities of the System.
 - The Statement of Changes in Fiduciary Net Position presents the additions to and deductions from fiduciary net position during the fiscal year. Over time the increase or decrease in fiduciary net position is a useful indicator of the health of SURS financial position.
- The Notes to the Financial Statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Disclosures include the description of the plans, summary of significant accounting policies, and detailed presentations of major assets and liabilities.
- Required Supplementary Information presents schedules related to employer net pension liability, employer contributions, and investment returns.
- Other Supplementary Information consists of supporting schedules of administrative expenses, investment expenses, and fees paid to consultants.

General Market Risk

SURS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on SURS investment portfolios depends in large measure on how deep a potential market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could significantly impact SURS financial condition.

Financial Analysis of the System

The System serves 228,105 members in its defined benefit plan and 26,684 members in its retirement savings plan. Additionally, 10,493 members have balances in the supplemental deferred compensation plan. The funds needed to finance the benefits provided by SURS are accumulated through the collection of member and employer contributions and through income on investments. The fiduciary net position of the System increased from \$23.4 billion as of June 30, 2023, to \$24.5 billion as of June 30, 2024. This \$1.2 billion increase was due to an increase in the fair value of the System's investments.

Management's Discussion and Analysis

Fiduciary Net Position

A summary of the System's fiduciary net position is presented below:

Condensed Statement of Fiduciary Net Position

| REPORTING ENTITY TOTAL (\$ in millions) | 2024 | 2023 | Change | |
|---|--------------------|--------------------|-------------------|-------------|
| | | | Amount | % |
| Cash and short-term investments | \$ 230.2 | \$ 244.3 | \$ (14.1) | (5.8)% |
| Receivables and prepaid expenses | 95.9 | 302.1 | (206.2) | (68.3) |
| Pending investment sales | 150.5 | 28.6 | 121.9 | 426.2 |
| Investments and securities lending collateral | 27,632.5 | 26,173.7 | 1,458.8 | 5.6 |
| Capital assets, net | 31.5 | 22.2 | 9.3 | 41.9 |
| Total assets | 28,140.6 | 26,770.9 | 1,369.7 | 5.1 |
| Payable to brokers-unsettled trades | 142.4 | 56.4 | 86.0 | 152.5 |
| Securities lending collateral | 3,426.3 | 3,311.9 | 114.4 | 3.5 |
| Other liabilities | 55.3 | 42.1 | 13.2 | 31.4 |
| Total liabilities | 3,624.0 | 3,410.4 | 213.6 | 6.3 |
| TOTAL FIDUCIARY NET POSITION | \$ 24,516.6 | \$ 23,360.5 | \$ 1,156.1 | 4.9% |

The investment allocation strategy for the reporting entity as of June 30, 2024, and 2023, is as follows:

Investment Allocation Strategy

| | 2024 | 2023 |
|-------------------------------|---------------|---------------|
| Traditional Growth | | |
| Global Public Equity | 36.0% | 36.0% |
| Stabilized Growth | | |
| Core Real Assets | 8.0 | 8.0 |
| Public Credit Fixed Income | 6.5 | 6.5 |
| Private Credit | 2.5 | 2.5 |
| Non-Traditional Growth | | |
| Private Equity | 11.0 | 11.0 |
| Non-Core Real Assets | 4.0 | 4.0 |
| Inflation Sensitive | | |
| U.S. TIPS | 5.0 | 5.0 |
| Principal Protection | | |
| Core Fixed Income | 10.0 | 10.0 |
| Crisis Risk Offset | | |
| Systematic Trend Following | 10.0 | 10.0 |
| Alternative Risk Premia | 3.0 | 3.0 |
| Long Duration | 2.0 | 2.0 |
| Long Volatility/Tail Risk | 2.0 | 2.0 |
| TOTAL | 100.0% | 100.0% |

Management's Discussion and Analysis

Proper implementation of the investment policy requires that periodic adjustments, or rebalancing, of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among investment managers who are hired to manage assets with a specified strategy. SURS rebalancing policy calls for rebalancing, as soon as practical, if a strategy either exceeds or falls below its target allocation by three percentage points. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of the System's cash flows.

Changes in Fiduciary Net Position

A summary of the changes in the System's fiduciary net position is presented below:

Condensed Statement of Changes in Fiduciary Net Position

| REPORTING ENTITY (\$ in millions) | 2024 | 2023 | Change | |
|---|--------------------|--------------------|-------------------|-------------|
| | | | Amount | % |
| Employer contributions | \$ 80.3 | \$ 76.0 | \$ 4.3 | 5.7% |
| Non-employer contributing entity contributions | 2,172.1 | 2,157.3 | 14.8 | 0.7 |
| Member contributions | 486.2 | 425.9 | 60.3 | 14.2 |
| Net investment income | 1,859.6 | 1,338.1 | 521.5 | 39.0 |
| Total additions | 4,598.2 | 3,997.3 | 600.9 | 15.0 |
| Benefits | 3,084.0 | 2,997.9 | 86.1 | 2.9 |
| Refunds | 78.8 | 79.2 | (0.4) | (0.5) |
| Contributions sent to third-party administrator | 253.8 | 218.3 | 35.5 | 16.3 |
| Administrative expense | 25.5 | 25.3 | 0.2 | 0.8 |
| Total deductions | 3,442.1 | 3,320.7 | 121.4 | 3.7 |
| Net increase in fiduciary net position | 1,156.1 | 676.6 | 479.5 | 70.9 |
| Fiduciary net position, beginning of year | 23,360.5 | 22,683.9 | 676.6 | 3.0 |
| FIDUCIARY NET POSITION, END OF YEAR | \$ 24,516.6 | \$ 23,360.5 | \$ 1,156.1 | 4.9% |

Additions to Fiduciary Net Position

Additions to fiduciary net position come from employer contributions, member contributions and returns on investment funds. For fiscal year 2024, the System's non-employer contributing entity — the State of Illinois — contributed \$2,172.1 million, which included a supplemental contribution of \$38.8 million from the Pension Stabilization Fund pursuant to Public Act 102-698. Employer contributions increased by \$4.3 million, or 5.7%, to \$80.3 million. Member contributions increased by \$60.3 million, or 14.2%, to \$486.2 million. Net investment gain for fiscal year 2024 was \$1,859.6 million for the System, representing a \$521.5 million increase from the prior year. The System's investment rate of return was 8.3% (time weighted, net of all investment management fees).

Given the long-term orientation of the SURS investment program, it is important to track investment returns over several time periods to correctly assess performance, especially given recent market volatility. SURS investment portfolio returns are as follows:

| TIME PERIOD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | 20-YEAR | 30-YEAR |
|--|--------|--------|--------|---------|---------|---------|
| Time-Weighted Annualized Return | 8.3% | 4.0% | 7.4% | 6.6% | 7.2% | 8.1% |

The annualized rate of return over a 30-year period of 8.1% was higher than the actuarial rate of return assumption of 6.5% in effect for fiscal year 2024. Under the direction of the Illinois Auditor General, the State Actuary recommends that the Board of Trustees annually review the interest rate, payroll growth, and inflation assumptions, should changes in market conditions or plan demographics call for such an adjustment.

Management's Discussion and Analysis

Deductions from Fiduciary Net Position

Deductions from fiduciary net position relate to the provision of retirement annuities and other benefits, refunds to inactive members, remittance of defined contribution plan contributions to a third-party administrator, and the cost of administering the System. These deductions for fiscal year 2024 totaled \$3.4 billion, an increase of \$121.4 million, or 3.7% over deductions for 2023. This increase is primarily due to the \$86.1 million increase in retirement and survivor annuity payments made to defined benefit plan members. Portable lump sum distributions and refunds decreased by \$0.4 million, or 0.5%. Administrative expenses increased by \$0.2 million, or 0.8% from fiscal year 2023 to 2024.

Accelerated Pension Payment Programs

Adhering to Public Act 100-0587 signed into law in 2018, SURS continues to administer two accelerated pension benefit programs for members. By the end of fiscal year 2024, a total of \$45.5 million had been received from bond proceeds and paid to members that elected to participate in the accelerated pension payment programs. The programs are funded by bonds issued by the State of Illinois, and the liabilities and expenses related to the bonds are recognized by the State of Illinois. For these two programs, SURS essentially serves as a payment agent on behalf of the State of Illinois and recognizes neither revenue nor expense in its financial statements for these programs. The programs are available until June 20, 2026.

Future Outlook

The experience review for the years June 30, 2020 to June 30, 2023, was completed in June 2024, and the assumptions adopted as of June 30, 2024. The next experience study will be completed in 2027 using June 30, 2023 to June 30, 2026 data.

Public Act 96-0889 implemented a limit on pensionable earnings for Tier 2 members. This limit is set annually by the Illinois Department of Insurance and increases each year by the lesser of 3% or one-half of the change in the Consumer Price Index. The limit for calendar year 2023 (applied to SURS fiscal year 2024) was \$123,489, and the limit for calendar year 2024 (fiscal year 2025) is \$125,774. This limit on Tier 2 members' pensionable earnings decreases the anticipated amount of future payroll and contributions.

Excluding supplemental contributions received in fiscal year 2024, combined employer and State contributions are projected to increase by about 3.3% (\$73.2 million) in fiscal year 2025.

Benefit payments are projected to continue to grow due to increasing numbers of retirees, the 3% annual increase, and the impact of salary increases at the participating employers. SURS will continue to structure its portfolio with the objective of maximizing returns over the long term to help offset the shortage in employer contributions.

Public Act 103-0548, which was signed into law on August 11, 2023, eliminates the requirement that a participant in SURS be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. The law also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years. This applies to SURS participants beginning on September 1, 2024.

On July 1, 2024, SURS implemented automatic escalation for Deferred Compensation Plan (DCP) participants. Members that are automatically enrolled in the DCP and are still contributing at the default 3% pre-tax contribution rate will see an automatic 1% increase in their pre-tax contribution each year, up to a maximum default contribution cap of 10% of their salary. Members can change their default rate at any time.

Requests for Information

This financial report is designed to provide a general overview of the System's finances. For questions concerning the information in this report or for additional information, contact State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois 61820.

Financial Statements

Statement of Fiduciary Net Position as of June 30, 2024

| | Defined Benefit Pension Plan | Other Employee Benefit Plan | Custodial Funds | Total |
|--|---------------------------------|--------------------------------|----------------------|--------------------------|
| ASSETS | | | | |
| Cash and short-term investments | \$ 222,101,688 | \$ 1,433,618 | \$ 6,699,279 | \$ 230,234,585 |
| Receivables | | | | |
| Members | 13,613,380 | - | 4,798,922 | 18,412,302 |
| Non-employer contributing entity | 164,327 | - | - | 164,327 |
| Federal, trust funds, and other | 5,793,003 | - | 76,501 | 5,869,504 |
| Pending investment sales | 149,376,543 | 980,553 | 103,712 | 150,460,808 |
| Interest and dividends | 69,734,718 | 457,760 | 48,417 | 70,240,895 |
| Total receivables | 238,681,971 | 1,438,313 | 5,027,552 | 245,147,836 |
| Prepaid expenses | 1,197,286 | - | - | 1,197,286 |
| Investments, at fair value | | | | |
| Equity investments | 8,290,427,778 | 54,420,869 | 5,756,061 | 8,350,604,708 |
| Fixed income investments | 5,997,537,452 | 39,369,645 | 4,164,103 | 6,041,071,200 |
| Real asset investments | 2,688,812,726 | 17,650,178 | 1,866,848 | 2,708,329,752 |
| Alternative investments | 7,054,985,282 | 46,311,052 | 4,898,291 | 7,106,194,625 |
| Total investments | 24,031,763,238 | 157,751,744 | 16,685,303 | 24,206,200,285 |
| Securities lending collateral | 3,401,560,164 | 22,328,867 | 2,361,710 | 3,426,250,741 |
| Capital assets, at cost, net of accum deprec | 31,513,528 | - | - | 31,513,528 |
| TOTAL ASSETS | 27,926,817,875 | 182,952,542 | 30,773,844 | 28,140,544,261 |
| LIABILITIES | | | | |
| Benefits payable | 16,522,947 | 109,304 | - | 16,632,251 |
| Refunds payable | 4,806,416 | - | - | 4,806,416 |
| Securities lending collateral | 3,401,560,164 | 22,328,867 | 2,361,710 | 3,426,250,741 |
| Payable to brokers for unsettled trades | 141,334,651 | 927,763 | 98,129 | 142,360,543 |
| Reverse repurchase agreements | 1,943,648 | 12,759 | 1,349 | 1,957,756 |
| Investment expenses payable | 11,669,246 | 76,600 | 8,102 | 11,753,948 |
| Administrative expenses payable | 8,806,624 | - | 58,187 | 8,864,811 |
| Contributions due to third-party administrator | - | - | 11,364,884 | 11,364,884 |
| TOTAL LIABILITIES | 3,586,643,696 | 23,455,293 | 13,892,361 | 3,623,991,350 |
| FIDUCIARY NET POSITION | | | | |
| Restricted for pensions | 24,340,174,179 | - | - | 24,340,174,179 |
| Restricted for other employee benefits | - | 159,497,249 | - | 159,497,249 |
| Restricted for other governments | - | - | 16,881,483 | 16,881,483 |
| TOTAL FIDUCIARY NET POSITION | \$ 24,340,174,179 | \$ 159,497,249 | \$ 16,881,483 | \$ 24,516,552,911 |

See accompanying Notes to the Financial Statements section.

Financial Statements

Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2024

| | Defined Benefit Pension Plan | Other Employee Benefit Plan | Custodial Funds | Total |
|---|---------------------------------|--------------------------------|----------------------|-------------------------|
| ADDITIONS | | | | |
| Contributions | | | | |
| Employers | \$ 66,619,594 | \$ - | \$ 13,643,718 | \$ 80,263,312 |
| Non-employer contributing entity | 2,082,878,551 | - | 89,215,749 | 2,172,094,300 |
| Members | 335,418,684 | - | 150,811,545 | 486,230,229 |
| Total contributions | 2,484,916,829 | - | 253,671,012 | 2,738,587,841 |
| Investment Income | | | | |
| Net appreciation | | | | |
| in fair value of investments | 1,470,365,768 | 9,790,784 | 907,013 | 1,481,063,565 |
| Interest | 212,484,023 | 1,427,945 | 132,284 | 214,044,252 |
| Dividends | 286,707,571 | 1,926,745 | 178,493 | 288,812,809 |
| Securities lending | 8,009,917 | 53,829 | 4,987 | 8,068,733 |
| | 1,977,567,279 | 13,199,303 | 1,222,777 | 1,991,989,359 |
| Less investment expense | | | | |
| Asset management expense | 130,891,999 | 879,581 | 81,484 | 131,853,064 |
| Securities lending expense | 556,398 | 3,739 | 346 | 560,483 |
| Net investment income | 1,846,118,882 | 12,315,983 | 1,140,947 | 1,859,575,812 |
| TOTAL ADDITIONS | 4,331,035,711 | 12,315,983 | 254,811,959 | 4,598,163,653 |
| DEDUCTIONS | | | | |
| Benefits | 3,081,323,542 | 2,686,415 | - | 3,084,009,957 |
| Refunds of contributions | 78,824,843 | - | - | 78,824,843 |
| Contributions sent to third-party administrator | - | - | 253,769,997 | 253,769,997 |
| Administrative expense | 23,961,048 | - | 1,531,782 | 25,492,830 |
| TOTAL DEDUCTIONS | 3,184,109,433 | 2,686,415 | 255,301,779 | 3,442,097,627 |
| Net increase (decrease) | 1,146,926,278 | 9,629,568 | (489,820) | 1,156,066,026 |
| Fiduciary Net Position | | | | |
| Beginning of year | 23,193,247,901 | 149,867,681 | 17,371,303 | 23,360,486,885 |
| FIDUCIARY NET POSITION END OF YEAR | \$24,340,174,179 | \$ 159,497,249 | \$ 16,881,483 | \$24,516,552,911 |

See accompanying Notes to the Financial Statements section.

Notes to the Financial Statements

I. Description of SURS

The State Universities Retirement System (SURS or System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and two multiple-employer defined contribution plans. SURS was established on July 21, 1941, and provides retirement annuities and other benefits for employees of the state universities and community colleges, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes. The Illinois General Assembly has the authority to establish and amend the benefit provisions of the plans offered by SURS. The operation of SURS and the direction of its policies are the responsibility of the SURS Board of Trustees. The Board of Trustees consists of six elected and five appointed board members. There are no statutory provisions for termination of the System. The Illinois Constitution provides that the pension obligation of the State shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.

The membership, contributions, and benefit provisions related to the System's three plans are presented in the following summary of the provisions of SURS in effect as of June 30, 2024, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the statutes for more complete information.

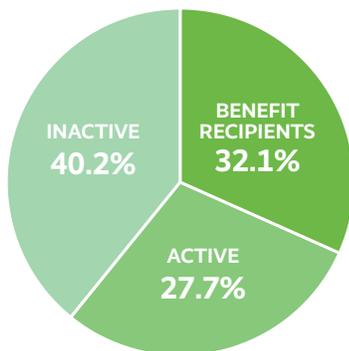
The financial statement presentation of the System's benefit plans is driven by accounting standards for fiduciary activities issued by the Governmental Accounting Standards Board. An explanation of how these standards affect the presentation of the System's three plans can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Plan

As of June 30, 2024, two benefit packages are offered by the defined benefit plan: the traditional benefit package and the portable benefit package. The traditional benefit package is the System's original benefit offering and was established in 1941. Public Act 90-0448 was enacted effective January 1, 1998, which established an alternative defined benefit program known as the portable benefit package. This portable benefit option is offered in addition to the traditional benefit option. New employees are allowed 6 months after their date of hire to make an irrevocable election to participate in either the traditional benefit package, portable benefit package, or the Retirement Savings Plan (RSP).

The System's fiduciary net position and changes in fiduciary net position related to the defined benefit plan are shown in the Defined Benefit Pension Plan column on the financial statements.

Defined Benefit Plan



At June 30, 2024, the number of participating employers was:

| | |
|--------------------|----|
| Universities | 9 |
| Community Colleges | 39 |
| Allied Agencies | 11 |
| State Agencies | 2 |
| | 61 |

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

At June 30, 2024, defined benefit plan membership consisted of:

| | |
|--------------------|---------|
| Benefit Recipients | 73,303 |
| Active Members | 63,063 |
| Inactive Members | 91,739 |
| | 228,105 |

1. Membership

Participation is required as a condition of employment. Employees are ineligible to participate if (a) employed less than full-time and attending classes with an employer; (b) receiving a retirement annuity from SURS; or (c) excluded by subdivision (a) (7)(f) or (a)(19) of Section 210 of the Federal Social Security Act from the definition of employment given in that Section.

2. Benefit Provisions

The traditional and portable benefit packages are offered in two different tiers. Tier I is offered to members who began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit packages for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system credit. The revised plan is referred to as Tier II. The following is a summary of the benefit provisions as of June 30, 2024.

Notes to the Financial Statements

| | Tier I | Tier II |
|--|---|--|
| Retirement Vesting Traditional Plan and Portable Plan | 5 years of service | 10 years of service |
| Full Retirement Age Traditional Plan and Portable Plan | Age 62, with 5 years of service; Age 60, with 8 years of service; Any age with 30 years of service | Age 67, with 10 years of service |
| Final Rate of Earnings Traditional Plan and Portable Plan | Average earnings during 4 highest consecutive academic years; or Average earnings of the last 48 months prior to termination | Average earnings during the 8 highest consecutive academic years of the last 10; or Average earnings of the highest 96 consecutive months of the last 120 (if applicable) |
| Retirement Automatic Annual Increase (AAI) Traditional Plan and Portable Plan | 3% compounded annually | Lesser of the 3% or one-half of the change in the consumer price index, not compounded |
| Survivor Benefits Traditional Plan | Minimum of 50% of the member's earned retirement annuity | 66 2/3% of the member's earned retirement annuity |
| Portable Plan | Selection at retirement of 50%, 75%, or 100% of the member's earned retirement annuity | Selection at retirement of 50%, 75%, or 100% of the member's earned retirement annuity |
| Survivor Automatic Annual Increase (AAI) Traditional Plan and Portable Plan | 3% compounded annually | Lesser of the 3% or one-half of the change in the consumer price index, not compounded |

Public Act 101-610, effective January 1, 2020, allows Tier II police officers and firefighters to retire at age 60 (instead of age 67) without a reduced retirement annuity under the special formula for police officers and firefighters.

Public Act 103-0548, which was signed into law on August 11, 2023, eliminates the requirement that a participant in SURS be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. The law also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years. This applies to SURS participants beginning on September 1, 2024.

SURS also provides disability, death, and refund benefits as authorized in Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to a physical or mental impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. Members are not required to exhaust vacation leave nor resign their position in order to claim the benefit. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments received under the Workers' Compensation or the Occupational Diseases Act. Benefits have a lifetime cap of 50% of a member's total accumulated pensionable earnings. RSP members are not eligible for a disability retirement annuity. If a member remains disabled after receiving the maximum benefits due, they may be eligible for a disability retirement annuity equal to 35% of the monthly rate of compensation on the date the disability began.

Death benefits are payable to named beneficiaries upon the death of any member of this System. Under the traditional benefit package, monthly survivor benefits may be paid to eligible survivors if the member established a minimum of 1.5 years of service credit prior to the date of death. If no qualified survivor exists at the date of retirement, the member is paid a refund of all survivor contributions plus interest. Under the portable benefit package, survivor benefits are available through a reduction of the retirement annuity calculated as described above. No refund of survivor contributions is available if there is no qualified survivor at the time of retirement. These provisions are designed to allow the impact of the portable benefit package's enhanced refund opportunity to be cost neutral.

Upon the death of an annuitant, SURS will pay either a death benefit to a non-survivor beneficiary or a monthly survivor benefit to an eligible survivor. The amount of the monthly survivor benefit will differ depending upon whether the annuitant had selected the traditional benefit package or the portable benefit package.

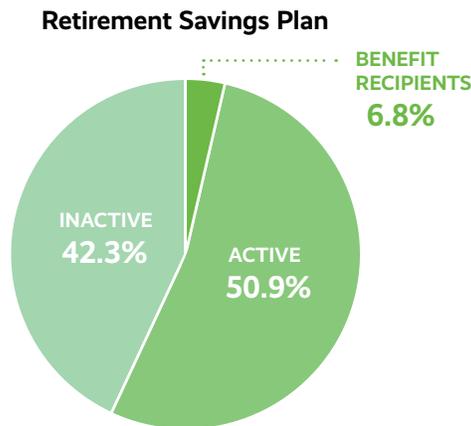
Notes to the Financial Statements

Upon termination of service, a lump sum refund is available to all members. Under the traditional benefit package, the refund consists of all member contributions, plus interest at 4.5%. Under the portable benefit package, the refund consists of all member contributions and total interest credited, plus, for those members with greater than or equal to 5 years of service credit, an equal amount of employer contributions. Under both defined benefit plan options, a member with at least 5 years of service credit (10 years for Tier II) who does not apply for a refund may apply for a normal retirement benefit payable at age 62.

B. Retirement Savings Plan

SURS is the plan sponsor and administrator of a defined contribution plan called the SURS Retirement Savings Plan (RSP). The RSP was established as of January 1, 1998, by the Illinois General Assembly as an amendment to the Illinois Pension Code through Public Act 90-0448. The plan was originally called the Self-Managed Plan (SMP). The name change to Retirement Savings Plan was effective September 1, 2020, at the conclusion of an extensive plan redesign. The RSP is offered to employees of all SURS employers who elect to participate. This plan is a qualified money purchase pension plan under Section 401(a) of the Internal Revenue Code. The assets of the RSP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

Important information about the financial statement presentation of the Retirement Savings Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.



At June 30, 2024, the number of RSP participating employers was:

| | |
|--------------------|-----------|
| Universities | 9 |
| Community Colleges | 39 |
| Allied Agencies | 8 |
| State Agencies | 2 |
| | 58 |

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

1. Membership

A member may elect participation in the RSP if (a) all participation criteria for the defined benefit plan are met; (b) the employer has elected through Board action to offer the Retirement Savings Plan; (c) the employee is on active status at the plan offering date; and (d) the employee is not eligible to retire as of the employer plan offering date. The member election is irrevocable. New employees are allowed 6 months from the date of hire in which to make their election. If no election is received, members are defaulted into the defined benefit plan, under the traditional benefit package.

At June 30, 2024, the RSP membership consisted of:

| | |
|--------------------|---------------|
| Benefit Recipients | 1,808 |
| Active Members | 13,574 |
| Inactive Members | 11,302 |
| | 26,684 |

2. Benefit Provisions

The RSP provides retirement, disability, death, and survivor benefits as authorized in Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, and amended by Public Act 90-0448.

Retirement benefits are payable to members meeting minimum vesting requirements of 5 years of service credit at age 62, 8 years of service credit at age 55, or 30 years of service credit regardless of age. The plan offers a lump sum option and two lifetime income options for distributions upon reaching retirement eligibility. The lump sum distribution option is a payment of all employee and employer contributions and related investment earnings in either a one-time payment or multiple distributions. One lifetime distribution option is utilization of the full account balance to purchase one of the following types of annuities: a single life annuity; a 50% or 100% joint and survivor annuity; single life annuity with a guaranteed period of 10, 15, or 20 years as elected by the member; or a 50% or 100% joint and survivor annuity with a guaranteed period of 10, 15, or 20 years as elected by the member. The second lifetime distribution option is utilization of the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account

Notes to the Financial Statements

balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. All or a portion of the account balance remains available for ad-hoc distributions as needed.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to physical impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. Members are not required to exhaust vacation leave nor resign their position in order to claim the benefit. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments under Workers' Compensation or the Occupational Diseases Act. Benefits have a lifetime cap of 50% of a member's total accumulated pensionable earnings. RSP members are not eligible for a disability retirement annuity.

Upon termination of service with less than 5 years of service credit, a lump sum distribution is available which consists of employee contributions and related investment earnings. The employer contributions and related investment earnings are forfeited. Upon termination of service with greater than 5 years of service credit, but where the member is not yet eligible for retirement, a lump sum distribution is available which consists of employee and employer contributions and related investment earnings.

Death benefits are payable to named beneficiaries upon the death of any member of this plan. If the member has less than 1.5 years of service credit, the death benefit payable is the employee contributions and related investment earnings. If the member has 1.5 or more years of service credit, the death benefit payable is the employee and employer contributions and related investment earnings.

C. Deferred Compensation Plan

Public Act 100-769, effective August 10, 2018, required SURS to introduce an optional supplemental defined contribution plan. This optional defined contribution plan is known as the SURS Deferred Compensation Plan (DCP) and began accepting contributions on March 1, 2021. This plan is a governmental deferred compensation plan under Section 457(b) of the Internal Revenue Code. All SURS employers were required to adopt the plan by September 1, 2021.

Beginning July 1, 2023, per Public Act 102-540, all newly certified SURS members are automatically enrolled in the DCP. Auto-enrolled DCP participants are given an opt-out window of 30 days, after which they default to a pre-tax contribution of 3% of earnings. The assets of the DCP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

As of June 30, 2024, 10,493 members had balances in the DCP.

Important information about the financial statement presentation of the Deferred Compensation Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

1. Membership

A member may elect participation in the DCP if (a) all participation criteria for the defined benefit plan are met; (b) the employee is on active status at the plan offering date; and (c) the employee is not eligible to retire as of the employer plan offering date.

2. Benefit Provisions

The DCP provides retirement benefits to participating members.

Distributions from the DCP are allowed upon separation from SURS-covered employment, attainment of age 59½, disability, an unforeseeable emergency, or death. The DCP offers a lifetime distribution option called the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. The account balance remains available for ad-hoc distributions as needed. Members must be at least 60 years old to start receiving guaranteed monthly retirement income from the LIS.

DCP participants are always 100% vested in all contributions and investment earnings (including employer contributions and related investment earnings), regardless of years of service credit attained.

Notes to the Financial Statements

II. Summary of Significant Accounting Policies

A. Reporting Entity

Accounting standards promulgated by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as consisting of a primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Financial accountability is defined as:

1. Appointment of a voting majority of the organization's board and either (a) the ability to impose will by the primary government or (b) the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government and potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

According to these criteria, SURS is a component unit of the State of Illinois.

Additional fiduciary activity and component unit criteria were introduced by GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These new criteria affect determination of voting majority appointment, fiscal dependency, control of assets, and the relationship between pension plans and their plan administrators. SURS reevaluated its financial reporting entity in response to these standards.

SURS financial reporting entity consists of three types of fiduciary funds.

- The defined benefit pension plan reflects the activities and financial position of the defined benefit plan (a fiduciary component unit).
- The other employee benefit plan reflects the activities and financial position of the Retirement Savings Plan's disability benefit only. This plan is not an OPEB plan; eligible members are not required to terminate their employment to claim this benefit. The plan is an "other" plan as described in paragraph 15(b) of GASB Statement No. 84, *Fiduciary Activities*.
- The custodial funds reflect the activities and financial position of the Retirement Savings Plan's and Deferred Compensation Plan's retirement, death, and survivor benefits and plan administration. Aspects of these plans that have been assigned to a third-party administrator (such as custody of member investment assets, recordkeeping of investment gain/loss on those assets, and distributions made to members) are not included in SURS reporting entity per governmental accounting standards.

B. Measurement Focus and Basis of Accounting

Transactions are recorded using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as fiduciary fund additions when due to SURS, pursuant to statutory or contractual requirements. Benefits and refunds are recognized as fiduciary fund deductions when due and payable in accordance with the terms of the plans.

C. Use of Estimates

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and those differences could be material. The System uses an actuary to determine the actuarial accrued liability for the defined benefit pension plan and to determine the actuarially determined contribution.

D. Risks and Uncertainties

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near-term, and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Notes to the Financial Statements

E. Cash and Short-Term Investments

Included in the \$230,234,585 of cash and short-term investments presented in the Statement of Fiduciary Net Position is \$105,182,588 of short-term investments with original maturities of less than 90 days. For purposes of the data tables presented in Note IV, this group of short-term investments is included as part of fixed income investments. Short-term investments are generally reported at cost, which approximates fair value.

F. Investments

Investments are governed by Chapter 40, Act 5, Articles 1 and 15, of the Illinois Compiled Statutes. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. Purchases and sales of securities are recorded on a trade-date basis. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments are generally reported at fair value. Marketable securities (stocks, bonds, warrants, and options) are traded on public exchanges. The Northern Trust Company, SURS custodial bank, establishes these prices using third-party pricing services. Generally, these values are reported at the last reported sales price. Certain investments that do not have an established fair value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the CFA Institute or other industry standards, values non-marketable securities. These methods generally include detailed property level appraisals and discounted cash flow analysis.

G. Capital Assets

Capital assets are classified as either tangible capital assets or intangible right-to-use assets.

- Tangible capital assets are owned by the System, not held for investment, and have an indefinite right-of-use period. These assets include land (and related improvements), buildings (and related improvements), equipment, software, furniture, and fixtures. Tangible capital assets are recorded at historical cost and depreciated over the estimated useful life of each asset using the straight-line method.
- Intangible right-to-use assets are assets that are provided by another entity and for which the System's use is subject to a lease, contract, or other agreement. These assets include leased property as described by GASB Statement No. 87, *Leases*, and subscription-based software and infrastructure as described by GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The cost of intangible right-to-use assets is recorded at the sum of (a) the present value of future payment commitments as of contract inception and (b) expenditures incurred before contract inception to prepare the asset for in-service use. Intangible right-to-use assets are amortized over the terms of their underlying contracts using the straight-line method.

Expenditures for tangible capital assets with a useful life of less than one year are expensed as incurred. Expenditures for right-to-use assets for which either the System or the asset provider can terminate the agreement at any time without the other party's consent are expensed as incurred.

Additional information about capital asset additions, disposals, and estimated useful lives can be found in Note VI, *Capital Assets*.

H. Lease and Subscription Liabilities

Lease and subscription liabilities are measured at the present value of future payment commitments as of contract inception and are included in administrative expenses payable in the Statement of Fiduciary Net Position.

Interest expense is recognized ratably over the relevant contract term based on the outstanding lease or subscription liability. Depending on the nature of the related right-to-use assets, this expense is included in either asset management expense or administrative expense in the Statement of Changes in Fiduciary Net Position.

Additional information about lease and subscription liabilities and related interest expense can be found in Note X, *Right-to-use Agreements*.

🍃 Notes to the Financial Statements

I. Administrative Expenses

System administrative expenses are budgeted and approved by the System's Board of Trustees. Funding for these expenses is included in the non-employer contribution as determined by the annual actuarial valuation and appropriated by the State of Illinois.

J. New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*, is effective for financial reporting periods beginning after June 15, 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. The System will implement these requirements at the time when an accounting change or error correction is deemed necessary.

GASB Statement No. 101, *Compensated Absences*, is effective for financial reporting periods beginning after December 15, 2023. The objective of this statement is to align the recognition and measurement guidance for compensated absences under a unified model and amend required disclosures. The System does not expect this statement to have a material impact on future financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide information about risks related to an entity's vulnerabilities due to certain concentrations and constraints. The System is evaluating the impact of these requirements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal year beginning after June 15, 2025. The objective of this statement is to improve key components of the financial model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The System will implement these requirements, as appropriate and relevant, beginning with the financial reporting period ending June 30, 2026.

III. Contributions and Fiduciary Net Position Designations

SURS financial statements are presented according to the specific fiduciary activities being conducted by SURS. Each section of this footnote includes a Composition section to establish which SURS plan(s) comprises each fiduciary activity. Important information about the financial statement presentation of SURS benefit plans is found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Pension Plan

1. Composition

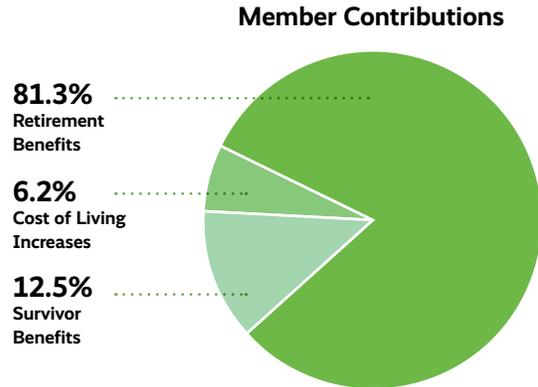
The defined benefit pension plan presented in SURS financial statements reflects the activities and fiduciary net position of the defined benefit plan.¹

¹This fund also contains the activity of the SURS Board of Trustees, though it is negligible in comparison to the defined benefit plan.

Notes to the Financial Statements

2. Membership Contributions

In accordance with Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, members of the traditional benefit package contribute 8% of their gross earnings; 6.5% of those are designated for retirement annuities, 0.5% for post-retirement increases, and 1% for survivor benefits. Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution. Members of the portable benefit package contribute 8% of their gross earnings; 6.5% of those are designated for retirement annuities, 0.5% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution. These statutes assign the authority to establish and amend the contribution provisions of the plan to the Illinois General Assembly. The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, military service payments, and the employee portion of Early Retirement Option payments, are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases, or unless the payments are made in installments through employer deductions from payroll. Previously taxed contributions will be recovered tax-free when distributed to the member in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.



3. Interest Credited on Member Contributions

For the traditional and portable benefit packages, the interest rate credited is approved by the Board of Trustees and is 6.5% for the year ended June 30, 2024. For purposes of lump sum refunds to former members, the traditional benefit package offers an interest rate of 4.5%, compounded annually, and the portable benefit package offers an interest rate equal to the credited rate, compounded annually. A change brought forth by the enactment of Public Act 94-0004 and effective July 1, 2005, calls for the Comptroller of the State of Illinois to set the interest rate credited to member contribution balances for purposes of the calculation of retirement annuities under the money purchase formula. That rate is 7.0% for the year ended June 30, 2024, and will be 7.5% for the year ended June 30, 2025.

Members certified after July 1, 2005, will not be eligible for the money purchase formula calculation. Rather, their retirement annuity will be calculated using the general formula.

4. Employer Contributions

On an annual basis, an actuarial valuation is performed to determine the amount of statutorily required contributions from the State of Illinois (a non-employer contributing entity) and the normal cost. Public Act 99-0232 requires an actuarial experience study to be performed every 3 years to determine the assumptions to be used in the annual valuation. An actuarial experience study was completed in June 2024. To determine the funding method, Public Act 88-0593 was passed by the Illinois General Assembly in 1994. This Act, which took effect on July 1, 1995, provides a 50-year schedule of State contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. This plan requires the State as the non-employer contributing entity to make continuing appropriations to meet the normal actuarially determined cost of the System, plus amortize the unfunded accrued liability. In fiscal year 2024 the State of Illinois contributed \$2,082,878,551 to the defined benefit pension plan.

The employer normal cost calculation is based on the same actuarial results, assumptions, and methods used to calculate the State contribution and results in the employer contribution rate that is applied to all earnings paid from federal, grant, and trust funds. The Board of Trustees adopted 12.53% of covered earnings as the employer normal cost for fiscal year 2024. In compliance with Public Act 94-0004, employers must pay the System the present value of the increase in benefits resulting from the portion of increase in earnings that is in excess of 6%. In compliance with Public Act 100-0023, employers must pay the System the normal cost of the portion of a member's earnings that exceed the amount of salary set for the Governor of Illinois. In fiscal year 2024, total employer contributions to the defined benefit pension plan were \$66,619,594.

Notes to the Financial Statements

5. Fiduciary Net Position Accounts

The System maintains two designated accounts for the assignment of fiduciary net position:

- The Member Contributions account contains the pension assets contributed by each member and the interest income earned by those contributions.
- The Benefits from Member and Employer Contributions account contains the fiduciary net position available for annuities in force and available for future retirement, death and disability benefits, the undistributed investment income, the unexpended administrative expense allocation, and the variations in actuarial assumptions.

Balances in these designated accounts as of June 30, 2024 are as follows:

| | |
|---|--------------------------|
| Member contributions | \$ 7,109,524,542 |
| Benefits from member and employer contributions | 17,230,649,637 |
| TOTAL FIDUCIARY NET POSITION | \$ 24,340,174,179 |

6. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

B. Other Employee Benefit Plan

1. Composition

The other employee benefit plan presented in SURS financial statements reflects the activities and fiduciary net position of the disability benefit offered to members in the Retirement Savings Plan. This plan is not an OPEB plan; members are not required to terminate their employment to claim this benefit. This plan is an "other" plan as described in paragraph 15(b) of GASB Statement No. 84, *Fiduciary Activities*.

2. Membership Contributions

Member contributions to the Retirement Savings Plan relate to the plan's retirement benefit only. As a result, this fund does not receive member contributions.

3. Employer Contributions

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP disability benefit at a rate of no more than 1% of the member's gross earnings. The employer contribution for RSP disability benefits was reduced to 0% of member gross earnings effective July 1, 2021. Employers are responsible for making contributions on earnings paid from the employer's federal, grant and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

As a result of the 0% disability contribution rate, both State of Illinois and employer contributions were zero for fiscal year 2024.

4. Fiduciary Net Position Accounts

The other employee benefit plan maintains one designated fiduciary net position account, which reflects the fiduciary net position available for both RSP disability benefits in force and future RSP disability benefits. The balance in this account was \$159,497,249 as of June 30, 2024.

Assets related to RSP disability benefits are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2024, the investment income credited to these balances was \$12,315,983.

5. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

Notes to the Financial Statements

C. Custodial Funds

1. Composition

The custodial funds presented in SURS financial statements reflect the activities and fiduciary net position related to SURS role in the provision of the Retirement Savings Plan's retirement, death, and survivor benefits; the Deferred Compensation Plan's retirement benefit; and the administration of both plans. SURS maintains separate custodial funds for the RSP and the DCP.

SURS utilizes a third-party administrator for certain aspects of the RSP and DCP, including custody of member assets, contributions and gain/loss recordkeeping, and member distributions. Fiduciary activities assigned to and assets held by the third-party administrator are not included in SURS financial reporting entity.

2. Membership Contributions

a. Retirement Savings Plan

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, members contribute 8% of their gross earnings. These statutes assign the Illinois General Assembly the authority to establish and amend the contribution provisions of the plan.

The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

Service credit purchase payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or refunds, or to his or her beneficiary as a death and/or survivor benefit.

Member contributions to the RSP totaled \$118,012,397 for the year ending June 30, 2024.

b. Deferred Compensation Plan

Member contributions to the plan are allowed up to IRS limits. Members can designate contributions as Traditional (pretax) or Roth (post-tax). Contributions to the DCP are for supplemental retirement savings and do not provide service credit to members. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

For the year ending June 30, 2024, members contributed \$32,799,148 to the plan.

3. Employer Contributions

a. Retirement Savings Plan

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP at a rate of 7.6% of the member's gross earnings. Contributions are received and verified by SURS, and then, remitted to the third-party administrator for members' investment. The amount of employer contributions available for member investment is net of the amount retained by SURS to provide disability benefits (0% since July 1, 2021).

Employers are responsible for making contributions on earnings paid from the employer's federal, grant, and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

For fiscal year 2024, the State of Illinois contributed \$88,770,541 toward RSP member accounts, while employers contributed \$13,582,917. The State of Illinois also contributed \$1,086,574 to the RSP for administrative expenses.

b. Deferred Compensation Plan

Employers are allowed to make matching and/or discretionary contributions to member accounts up to IRS limits. These contributions totaled \$60,801 in fiscal year 2024. The State of Illinois contributed \$445,208 to the DCP for

🍃 Notes to the Financial Statements

administrative expenses during the year.

4. Fiduciary Net Position Accounts

a. Retirement Savings Plan

The RSP's custodial fund maintains one designated fiduciary net position account, which relates to employer forfeitures. This account reflects employer contributions that were forfeited from member accounts due to termination prior to reaching five years of service. Future State of Illinois contributions are reduced by the assets held in this custodial fund. The balance in this account was \$16,881,483 as of June 30, 2024.

Assets related to employer forfeitures are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2024, the investment income credited to these balances was \$1,140,947.

b. Deferred Compensation Plan

The DCP's custodial fund does not maintain any fiduciary net position accounts. Member and employer contributions are immediately due to the third-party administrator. Administrative expenses incurred are funded by State of Illinois contributions.

5. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

IV. Deposits and Investments

Fair Value Measurement

The System categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table on page 34 shows the fair value leveling of the investments for the System.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest, which approximates fair value.

Debt and debt derivative instruments classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index-linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio. Level 2 debt securities have non-proprietary information that was readily available to market participants from multiple independent sources which are known to be actively involved in the market. Level 3 debt securities use proprietary information or single source pricing. Equity and equity derivative instruments classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

The valuation method for certain equity, real asset, and marketable alternatives investments is based on the investments' NAV per share (or its equivalent) provided by the investee. The table on page 35 shows the investments of the System measured at the NAV per share.

🌱 Notes to the Financial Statements

Commingled Equity Funds

This type of investment consists of equities diversified across all sectors. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Real Asset Funds

This type includes investments in open-end funds and real asset limited partnerships. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Limited partnerships do not offer redemptions. The nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. The System has no plans to liquidate the total portfolio. As of June 30, 2024, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Private Equity Partnerships

This type of investment generally consists of limited partnerships. The types of strategies included in this portfolio are venture capital, buyouts, special situations, mezzanine, and distressed debt. Private equity partnerships have an approximate life of 10-12 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2024, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Private Credit Partnerships

This type of investment consists of limited partnerships. The types of funds include both open-end and closed-end funds. Investments in open-end funds have limited redemption availability, typically semi-annually, and are typically distributed on a pro-rata share. Closed-end funds do not offer redemptions. Strategies included in this portfolio are currently special situations, multi-strategy, specialty lending, and direct lending. The closed-end private credit partnerships have an approximate life of 5-10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2024, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Diversifying Strategy Funds

This type of investment provides diversification benefits to the total portfolio and includes investments that show little to no correlation to traditional economic growth assets. The investments include allocations to both systematic trend following and alternative risk premia. The fair value of these investments has been determined using the NAV per share of the investments.

Notes to the Financial Statements

Investments and Short-Term Holdings Measured at Fair Value (\$ in thousands)

| | As of June 30, 2024 | Fair Value Measurements Using | | |
|---|---------------------|-------------------------------|--------------|-----------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level | | | | |
| Debt securities | | | | |
| U.S. government | \$ 2,764,332 | \$ 2,676,402 | \$ 87,930 | \$ - |
| U.S. agency obligations | 1,111,747 | - | 1,111,518 | 229 |
| U.S. municipal obligations | 105,296 | - | 105,296 | - |
| U.S. corporate obligations | 652,048 | - | 652,043 | 5 |
| U.S. asset backed | 246,416 | - | 190,209 | 56,207 |
| Fixed income funds | 10,264 | 10,264 | - | - |
| Foreign obligations | 735,434 | - | 727,349 | 8,085 |
| Total debt securities | \$ 5,625,537 | \$ 2,686,666 | \$ 2,874,345 | \$ 64,526 |
| Equity securities | | | | |
| U.S. equity securities | \$ 4,074,269 | \$ 4,072,279 | \$ 1,090 | \$ 900 |
| Foreign equity securities | 2,017,878 | 2,017,134 | - | 744 |
| Total equity securities | \$ 6,092,147 | \$ 6,089,413 | \$ 1,090 | \$ 1,644 |
| Investment Derivative Instruments | | | | |
| U.S. fixed income derivatives | \$ 822 | \$ - | \$ 822 | \$ - |
| Foreign fixed income derivatives | (6) | - | (6) | - |
| U.S. equity derivatives | 160 | 62 | - | 98 |
| Total investment derivative instruments | \$ 976 | \$ 62 | \$ 816 | \$ 98 |
| Investments Measured at the Net Asset Value (NAV) | | | | |
| Commingled equity funds | \$ 605,951 | | | |
| Commingled foreign equity funds | 1,652,347 | | | |
| Private real asset funds | 2,708,330 | | | |
| Private equity funds | 3,298,630 | | | |
| Private credit funds | 909,792 | | | |
| Diversifying strategy funds | 2,897,772 | | | |
| Total investments measured at the NAV | \$ 12,072,822 | | | |
| Short-term securities and cash adjustments | | | | |
| | \$ 519,901 | | | |
| Total investments by fair value level and measured at the NAV | \$ 24,311,383 | | | |
| Invested Securities Lending Collateral | \$ 3,426,251 | \$ - | \$ 3,426,251 | \$ - |

Notes to the Financial Statements

Investments Measured at the Net Asset Value (\$ in thousands)

| | As of June 30, 2024 | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|------------------------|-------------------------|--|-----------------------------|
| International equity and global equity funds ⁽¹⁾ | \$ 2,258,298 | \$ - | Daily, Monthly | 2-5 Days |
| Private real asset funds ⁽²⁾ | 2,708,330 | 768,777 | Quarterly, if Eligible | 45-90 Days, if Eligible |
| Private equity funds ⁽³⁾ | 3,298,630 | 1,528,626 | Not Eligible | N/A |
| Private credit funds ⁽⁴⁾ | 909,792 | 734,150 | Annually, if Eligible | 90 Days, if Eligible |
| Diversifying strategy funds ⁽⁵⁾ | 2,897,772 | - | Daily, Monthly, Quarterly, Semi-Annually, Annually | 3-90 Days |
| | \$ 12,072,822 | \$ 3,031,553 | | |

- ⁽¹⁾ **Commingled funds.** Five international equity funds and two global equity funds are considered to be commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- ⁽²⁾ **Private real asset funds.** The real assets investments are 49 core value-add, and opportunistic funds which includes exposure to real estate, infrastructure, and farmland. Core open-end real assets funds generally provide liquidity possibilities through redemption opportunities. Real assets closed-end funds are not eligible for redemption.
- ⁽³⁾ **Private equity funds.** The private equity funds are 112 limited partnership interests in equity or debt securities of privately held companies. Private equity funds are not eligible for redemption.
- ⁽⁴⁾ **Private credit funds.** The private credit portfolio currently consists of 16 funds invested in a mix of strategies, both yield-oriented and opportunistic, with an emphasis on yield-oriented. Sub-categories currently include multi-strategy, special situations, speciality lending, and direct lending funds. Funds are a mix of open-end and closed-end funds. Open-end funds generally provide liquidity possibilities through redemption opportunities. Closed-end funds are not eligible for redemption.
- ⁽⁵⁾ **Diversifying strategy funds.** Nine funds invest in a select group of underlying managers that implement a number of different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies and other investment entities.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, SURS deposits may not be returned. Cash held in the investment-related bank account in excess of \$250,000 is uninsured. SURS has a formal policy to address custodial credit risk. Deposits are under the custody of The Northern Trust Company, which has an Aa2 Long Term Bank Deposit rating by Moody's and an AA rating by Fitch. At June 30, 2024, the carrying amount of cash was \$230,234,585. The bank balance was \$129,644,445, of which \$5,757,999 was foreign currency deposits and was exposed to custodial credit risk. The carrying amount of cash includes \$105,182,588 of short-term bills and notes, which are considered to be investments for the purpose of assessing custodial credit risk.

Overlay Program

SURS employs a manager to provide an overlay program to ensure the System's major asset classes remain within a certain percentage of their targeted weights. Market movements can lead to significant implicit tilts within the portfolio. For example, a sharp decline in equities will many times be accompanied by stability within fixed income. Consequently, the equity position will decrease as a percentage of assets while fixed income will increase. This causes an implicit tilt towards fixed income. The overlay program brings these implicit tilts back within an acceptable band and is a cost-effective way to rebalance assets.

Investment Policies

Investments are governed by Chapter 40, Act 5, Articles 1 and 15 of the Illinois Compiled Statutes. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. The SURS Board of Trustees has adopted an Investment Policy that contains general policies for investments. Furthermore, the SURS Board of Trustees establishes specific investment guidelines in the investment management agreement of each investment

Notes to the Financial Statements

mandate and monitors each mandate's investment manager accordingly. The Board has also adopted an Investment Procurement Policy which addresses the bid solicitation process for investment advisers, investment consultants, and providers of other investment services. The Investment Policy and the Investment Procurement Policy can be found at <https://surs.org/business/investments/policy-and-procurement-practices>.

Investments

The carrying values of investments by type at June 30, 2024, are summarized below:

PUBLIC EQUITY INVESTMENTS

| | |
|--|-------------------------|
| U.S. equities | \$ 4,680,219,587 |
| Non-U.S. equities | 3,670,225,146 |
| U.S. equity derivatives | 159,975 |
| Total public equity investments | \$ 8,350,604,708 |

PUBLIC FIXED INCOME INVESTMENTS

| | |
|--|-------------------------|
| U.S. government obligations | 2,659,149,785 |
| U.S. agency obligations | 1,111,747,305 |
| U.S. corporate fixed income | 1,014,023,119 |
| Non-U.S. fixed income securities | 735,434,089 |
| U.S. short-term investments | 818,336,710 |
| Non-U.S. short-term investments | (193,252,980) |
| U.S. fixed income derivatives | 821,563 |
| Non-U.S. fixed income derivatives | (5,803) |
| Total public fixed income investments | \$ 6,146,253,788 |

REAL ASSET INVESTMENTS

| | |
|-------------------------------------|-------------------------|
| U.S. real assets funds | 2,301,379,553 |
| Non-U.S. real assets funds | 406,950,199 |
| Total real asset investments | \$ 2,708,329,752 |

ALTERNATIVE INVESTMENTS

| | |
|--------------------------------------|-------------------------|
| U.S. diversifying strategy funds | 2,625,528,018 |
| Non-U.S. diversifying strategy funds | 272,244,243 |
| U.S. private credit funds | 735,813,419 |
| Non-U.S. private credit funds | 173,978,551 |
| U.S. private equity | 2,729,101,484 |
| Non-U.S. private equity | 569,528,910 |
| Total alternative investments | \$ 7,106,194,625 |

| | |
|--------------------------|--------------------------|
| TOTAL INVESTMENTS | \$ 24,311,382,873 |
|--------------------------|--------------------------|

- (a) U.S. short-term investments principally consist of money market funds and options.
- (b) Fixed income investments presented in this table include commingled funds, derivatives, cash, and cash equivalent holdings.
- (c) Fixed income investments presented in this table include \$105,182,588 of short-term investments with maturities of less than 90 days, which are included in the cash and short-term investments total on the financial statements.
- (d) Fixed income investments presented in this table include \$290,977,693 of short-term investments with maturities greater than 90 days.
- (e) Negative fair values are a result of margin liabilities, gross negative derivative positions, and/or pending purchases.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. SURS has adopted a formal policy specific to custodial credit risk. To minimize custodial credit risk, SURS performs due diligence on service providers, provides investment parameters for investment vehicles, monitors the financial condition of the custodian, endeavors to have all investments held in custodial accounts through specific sources, and requires the custodian to meet certain requirements. At June 30, 2024, no investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

Notes to the Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue. SURS has not adopted a formal policy specific to concentration of credit risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties.

The System's investment portfolios are managed by professional investment management firms. These firms must maintain diversified portfolios and must comply with risk management guidelines specific to each of their investment management agreements. Excluding U.S. government and agency issues, the portfolios are limited to a 5% allocation in any single investment grade U.S. issuer. Allocation limits also apply to international issuers. At June 30, 2024, SURS had no investments in any one issuer that represented 5% or more of the System's total investments.

Credit Risk of Debt Securities

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill obligations. SURS has not adopted a formal policy specific to credit risk of debt securities. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties. The quality ratings of investments in fixed income securities of the System as described by Standard & Poor's rating agency at June 30, 2024, are as follows:

| Quality Rating: Standard & Poor's | Domestic | International | Total |
|---|-------------------------|-----------------------|-------------------------|
| AAA | \$ 135,911,438 | \$ 4,752,653 | \$ 140,664,091 |
| AA+ * | 1,107,877,410 | 4,970,687 | 1,112,848,097 |
| AA | 33,981,210 | 13,198,522 | 47,179,732 |
| AA- | 53,163,348 | 3,542,351 | 56,705,699 |
| A+ | 25,039,536 | 18,493,569 | 43,533,105 |
| A | 30,418,233 | 10,714,905 | 41,133,138 |
| A- | 55,727,326 | 31,533,470 | 87,260,796 |
| BBB+ | 84,568,379 | 50,997,943 | 135,566,322 |
| BBB | 60,932,430 | 85,321,712 | 146,254,142 |
| BBB- | 78,563,185 | 94,166,833 | 172,730,018 |
| BB+ | 54,692,373 | 75,303,095 | 129,995,468 |
| BB | 47,894,712 | 69,673,117 | 117,567,829 |
| BB- | 46,528,604 | 83,232,255 | 129,760,859 |
| B+ | 45,564,939 | 35,881,470 | 81,446,409 |
| B | 82,857,549 | 29,267,824 | 112,125,373 |
| B- | 44,788,179 | 52,535,409 | 97,323,588 |
| CCC+ | 14,796,172 | 10,686,506 | 25,482,678 |
| CCC | 11,270,084 | 18,727,002 | 29,997,086 |
| CCC- | 768,971 | 4,478,879 | 5,247,850 |
| CC | 1,859,206 | 4,885,229 | 6,744,435 |
| C | 62,032 | - | 62,032 |
| D | 1,136,914 | 10,473,999 | 11,610,913 |
| Not Rated * | 64,686,085 | 22,596,659 | 87,282,744 |
| Total credit risk: debt securities | \$ 2,083,088,315 | \$ 735,434,089 | \$ 2,818,522,404 |
| U.S. government & agencies ** | 2,796,750,782 | - | 2,796,750,782 |
| TOTAL DEBT SECURITIES INVESTMENTS | \$ 4,879,839,097 | \$ 735,434,089 | \$ 5,615,273,186 |

* The credit risk by quality ratings does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no quality rating.

** Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government agencies Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), and Small Business Administration (SBA) are not considered to have credit risk.

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. The System has not adopted a formal policy specific to interest rate risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties.

At June 30, 2024, the segmented time distribution of the various types of debt securities of the System are as follows:

| Investment | 2024 Fair Value | Maturities in Years | | | | |
|--|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| | | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 20 years | More than 20 years |
| U.S. government & agency fixed income | \$ 3,876,079,677 | \$ 440,697,451 | \$ 1,150,335,339 | \$ 667,860,358 | \$ 404,756,521 | \$ 1,212,430,008 |
| U.S. corporate fixed income | 1,003,759,420 | 14,937,184 | 530,583,215 | 209,782,672 | 135,168,834 | 113,287,515 |
| Non-U.S. fixed income | 735,434,089 | 21,795,473 | 282,788,442 | 225,845,545 | 88,604,708 | 116,399,921 |
| TOTAL * | \$ 5,615,273,186 | \$ 477,430,108 | \$ 1,963,706,996 | \$ 1,103,488,575 | \$ 628,530,063 | \$ 1,442,117,444 |

* The segmented time distribution of debt securities does not include commingled funds, derivatives, cash and cash equivalent holdings for which there is no maturity date.

Notes to the Financial Statements

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SURS has not adopted a formal policy specific to foreign currency risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties. International investment management firms maintain portfolios with diversified foreign currency risk for SURS. The System's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity and fixed income investments.

At June 30, 2024, the System's exposure to foreign currency risk is as follows:

| Currency | Alternative | Equity | Fixed Income * | Total |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| Argentine peso | \$ - | \$ - | \$ 37 | \$ 37 |
| Australian dollar | - | 56,692,512 | 33,103,889 | 89,796,401 |
| Brazilian real | - | 17,922,806 | 2,062,827 | 19,985,633 |
| British pound | 9,427,660 | 242,172,257 | (3,952,240) | 247,647,677 |
| Canadian dollar | - | 53,111,420 | 9,930,617 | 63,042,037 |
| Chilean peso | - | - | 20,229 | 20,229 |
| Chinese yuan renminbi | - | - | (2,116,146) | (2,116,146) |
| Chinese yuan renminbi offshore | - | - | (13,925,057) | (13,925,057) |
| Colombian peso | - | - | 837 | 837 |
| Czech koruna | - | - | 3,375,947 | 3,375,947 |
| Danish krone | - | 61,302,501 | 2 | 61,302,503 |
| Euro | 136,229,676 | 610,285,378 | (38,970,358) | 707,544,696 |
| Hong Kong dollar | - | 86,926,426 | (1,263,410) | 85,663,016 |
| Hungarian forint | - | - | 2,839,613 | 2,839,613 |
| Indian rupee | - | - | 10,453,617 | 10,453,617 |
| Indonesian rupiah | - | 9,572,819 | 84,237 | 9,657,056 |
| Japanese yen | - | 359,680,351 | (2,559,276) | 357,121,075 |
| Mexican peso | - | 3,795,413 | 12,526,798 | 16,322,211 |
| New Israeli shekel | - | 2,750,441 | (9,661,920) | (6,911,479) |
| New Taiwan dollar | - | 72,572,193 | (2,614,085) | 69,958,108 |
| New Zealand dollar | - | - | (3,663,832) | (3,663,832) |
| Norwegian krone | - | 2,721,400 | 5,713,686 | 8,435,086 |
| Peruvian sol | - | - | (47,928) | (47,928) |
| Polish zloty | - | 1,627,862 | (7,897,483) | (6,269,621) |
| Singapore dollar | - | 14,934,772 | (846,968) | 14,087,804 |
| South African rand | - | 7,970,047 | 1,386,079 | 9,356,126 |
| South Korean won | - | 58,969,649 | (1,975,156) | 56,994,493 |
| Swedish krona | - | 20,681,249 | (21,512,122) | (830,873) |
| Swiss franc | - | 116,219,221 | (474,478) | 115,744,743 |
| Thai baht | - | 2,177,254 | 23 | 2,177,277 |
| Turkish lira | - | 2,027,441 | 5,130,454 | 7,157,895 |
| United Arab Emirates dirham | - | 2,670,892 | - | 2,670,892 |
| Total securities subject to foreign currency risk | \$ 145,657,336 | \$ 1,806,784,304 | \$ (24,851,567) | \$ 1,927,590,073 |
| Foreign investments denominated in U.S. dollars | 1,277,044,566 | 1,863,440,841 | 567,026,873 | 3,707,512,280 |
| TOTAL FOREIGN INVESTMENT SECURITIES | \$ 1,422,701,902 | \$ 3,670,225,145 | \$ 542,175,306 | \$ 5,635,102,353 |

* Includes Swaps, Options, and Short Term Investments. These derivatives and pending transactions have resulted in negative totals for certain currencies.

Notes to the Financial Statements

Derivative Instruments

The System invests in derivative instruments through its investment managers. A derivative instrument is an investment whose value is derived from other financial instruments such as commodity prices, bond and stock prices, or a market index. The System's derivative instruments are considered investments. The fair value of all derivative instruments is reported in the Statement of Fiduciary Net Position, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Position as net appreciation (depreciation) in fair value of investments.

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle.

The market risk associated with derivative instruments, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements.

As of June 30, 2024, SURS derivative instruments included foreign currency forward contracts, rights and warrants, futures, options, and swaps. At June 30, 2024, SURS investments in derivative instruments had the following balances:

| | Notional Value 2024 | Fair Value 2024 | Fair Value 2023 | Change in Fair Value |
|---------------------|------------------------|--------------------|--------------------|-------------------------|
| Forwards | \$ - | \$ 3,307,119 | \$ (1,373,784) | \$ 4,680,903 |
| Rights and warrants | \$ 144,961 | \$ 98,357 | \$ 110,678 | \$ (12,321) |
| Futures | | | | |
| Equity | | | | |
| Long | \$ 616,302,617 | \$ (596,895) | \$ 1,950,207 | \$ (2,547,102) |
| Short | (192,528,590) | 302,979 | (1,371,991) | 1,674,970 |
| Fixed income | | | | |
| Long | 655,932,794 | (2,013,665) | (294,271) | (1,719,394) |
| Short | (831,341,693) | 26,106 | (32,072) | 58,178 |
| Commodity | | | | |
| Long | 283,229,031 | 1,505,053 | 1,024,551 | 480,502 |
| Short | (116,714,072) | 1,066,611 | (889,839) | 1,956,450 |
| Foreign exchange | | | | |
| Long | 379,135,849 | 393,248 | 1,632,590 | (1,239,342) |
| Short | (668,152,819) | (240,024) | (1,013,872) | 773,848 |
| Total futures | \$ 125,863,117 | \$ 443,413 | \$ 1,005,303 | \$ (561,890) |
| Options | | | | |
| Equity | | | | |
| Call | \$ 204,700 | \$ 61,618 | \$ - | \$ 61,618 |
| Fixed Income | | | | |
| Call | (1,000) | (156) | - | (156) |
| Put | (1,000) | (344) | - | (344) |
| Swaptions | | | | |
| Call | (3,300,000) | (4,993) | - | (4,993) |
| Put | (3,300,000) | (14,529) | - | (14,529) |
| Total options | \$ (6,397,300) | \$ 41,596 | \$ - | \$ 41,596 |
| Swaps | | | | |
| Credit default | | | | |
| Selling protection | \$ 31,417,750 | \$ 1,252,223 | \$ 482,968 | \$ 769,255 |
| Interest rate | | | | |
| Pay fixed | 79,485,768 | (1,032,725) | (4,532,409) | 3,499,684 |
| Receive fixed | 192,446,316 | 616,284 | 1,835,445 | (1,219,161) |
| Total swaps | \$ 303,349,834 | \$ 835,782 | \$ (2,213,996) | \$ 3,049,778 |

Notes to the Financial Statements

Foreign currency forward contracts are used to protect against the currency risk in SURS foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the fair value of foreign currency forward contracts are marked to market on a daily basis. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the investment income in the Statement of Changes in Fiduciary Net Position. At June 30, 2024, SURS investments in foreign currency forward contracts are as follows:

| Currency | Pending Foreign Exchange Purchases | Pending Foreign Exchange Sales | Fair Value 2024 | Fair Value 2023 | Change in Fair Value |
|---|------------------------------------|--------------------------------|---------------------|-----------------------|----------------------|
| Australian dollar | \$ 1,413,961 | \$ (815,112) | \$ 598,849 | \$ (33,106) | \$ 631,955 |
| Brazilian real | - | - | - | 233,851 | (233,851) |
| British pound | 83,344 | (348,029) | (264,685) | (703,151) | 438,466 |
| Canadian dollar | 39,298 | (80,062) | (40,764) | 193,410 | (234,174) |
| Chilean peso | - | (71,398) | (71,398) | 4,907 | (76,305) |
| Chinese yuan renminbi | - | (23,737) | (23,737) | - | (23,737) |
| Czech koruna | 27,956 | (149,124) | (121,168) | (8,865) | (112,303) |
| Euro | 12,411 | (118,915) | (106,504) | (1,535,096) | 1,428,592 |
| Hungarian forint | - | (3) | (3) | (26,350) | 26,347 |
| Indian rupee | 23,950 | - | 23,950 | - | 23,950 |
| Indonesian rupiah | 161 | - | 161 | - | 161 |
| Japanese yen | - | (221) | (221) | 16,467 | (16,688) |
| South Korean won | 8,353 | (3,281) | 5,072 | 499 | 4,573 |
| Mexican peso | 29,704 | (6,976) | 22,728 | (29,894) | 52,622 |
| New Taiwan dollar | - | (5,877) | (5,877) | - | (5,877) |
| New Zealand dollar | 310,297 | (45,315) | 264,982 | 66,572 | 198,410 |
| Norwegian krone | 512,004 | (192,702) | 319,302 | (49,755) | 369,057 |
| Polish zloty | - | (9,298) | (9,298) | 6,847 | (16,145) |
| Swedish krona | 879,987 | (481,072) | 398,915 | 1,279 | 397,636 |
| Swiss franc | 271,894 | (302,792) | (30,898) | 50,207 | (81,105) |
| Singapore dollar | 631 | (679) | (48) | - | (48) |
| South African rand | 38,556 | (110,934) | (72,378) | - | (72,378) |
| Thai baht | - | - | - | (1) | 1 |
| Turkish lira | 48,170 | - | 48,170 | - | 48,170 |
| Total securities subject to foreign currency risk | \$ 3,700,677 | \$ (2,765,527) | \$ 935,150 | \$ (1,812,179) | \$ 2,747,329 |
| Foreign investments denominated in U.S. dollars | 8,701,106 | (6,329,137) | 2,371,969 | 438,395 | 1,933,574 |
| TOTAL FOREIGN INVESTMENT SECURITIES | \$ 12,401,783 | \$ (9,094,664) | \$ 3,307,119 | \$ (1,373,784) | \$ 4,680,903 |

Rights and warrants provide SURS investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights normally are issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is included in the investments in the Statement of Fiduciary Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Fiduciary Net Position.

SURS investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, SURS investment managers use futures contracts to improve the yield or adjust the duration of the fixed income portfolio. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing the System's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. The cash or securities to fulfill these obligations are held in the investment portfolio. As the fair value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Fiduciary Net Position.

Notes to the Financial Statements

SURS investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability on the System's financial statements. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

SURS fixed income managers invest in swaps and swaptions to manage exposure to credit, inflation, interest rate, and volatility risks. Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. Swap agreements are privately negotiated agreements with a counterparty to exchange or swap investment cash flows, assets, foreign currencies, or market-linked returns at specified, future intervals. In connection with swap agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default, bankruptcy, or insolvency. Swaps are marked to market daily based upon values from third-party vendors or quotations from market makers to the extent available and any change in value is recorded as an unrealized gain or loss. SURS investment managers have entered into credit default and interest rate swap agreements.

Swaps and Credit Risk

| | Counterparty Credit Rating | Notional Value 2024 | Fair Value 2024 | Fair Value 2023 | Change in Fair Value |
|------------------|-------------------------------|------------------------|--------------------|-----------------------|-------------------------|
| Swaps | | | | | |
| Credit default | A | \$ 8,000,000 | \$ 24,050 | \$ (253,154) | \$ 277,204 |
| | No Rating | 23,417,750 | 1,228,173 | 736,122 | 492,051 |
| | | 31,417,750 | 1,252,223 | 482,968 | 769,255 |
| Interest rate | No Rating | 271,932,084 | (416,441) | (2,696,964) | 2,280,523 |
| | | \$ 303,349,834 | \$ 835,782 | \$ (2,213,996) | \$ 3,049,778 |
| Swaptions | | | | | |
| | A | \$ (6,200,000) | \$ (18,387) | \$ - | \$ (18,387) |
| | No Rating | (400,000) | (1,135) | - | (1,135) |
| | | \$ (6,600,000) | \$ (19,522) | \$ - | \$ (19,522) |
| Forwards | | | | | |
| | No Rating | \$ - | \$ 3,307,119 | \$ (1,373,784) | \$ 4,680,903 |

Swaps and Maturities

| | Maturities in Years | | | | | Fair Value 2024 |
|------------------|---------------------|---------------------|-------------------|--------------------|-----------------------|--------------------|
| | Less than 1 year | 1 to 5 years | 6 to 10 years | 10 to 20 years | More than 20 years | |
| Swaps | | | | | | |
| Credit default | \$ 46,343 | \$ 1,205,880 | \$ - | \$ - | \$ - | \$ 1,252,223 |
| Interest rate | (720,294) | 167,815 | 158,517 | (38,674) | 16,195 | (416,441) |
| | \$ (673,951) | \$ 1,373,695 | \$ 158,517 | \$ (38,674) | \$ 16,195 | \$ 835,782 |
| Swaptions | | | | | | |
| | \$ (19,522) | \$ - | \$ - | \$ - | \$ - | \$ (19,522) |
| Forwards | | | | | | |
| | \$ 3,307,119 | \$ - | \$ - | \$ - | \$ - | \$ 3,307,119 |

Notes to the Financial Statements

Credit default swap agreements involve one party making a stream of payments (the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation, or index. The seller of protection generally receives from the buyer of protection a fixed rate of income throughout the term of the swap, provided there is no credit event. The seller effectively adds leverage to its portfolio as it is subject to investment exposure on the notional amount of the swap.

Interest rate swap agreements involve the exchange of a set of variable and fixed-rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. These agreements are used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would be available without the swap. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position.

Volatility swap agreements involve two parties taking opposite sides of the future volatility of an underlying instrument (e.g., an index, individual security, or exchange rate) without the influence of its price. Payoff is determined by the future realized volatility. At expiry the holder of the long position in a volatility swap receives (or owes) the difference between the realized volatility and the volatility strike that was agreed upon at contract initiation. Volatility swaps are often utilized to trade the spread between realized and implied volatility or to hedge the volatility exposure of other positions in a portfolio.

| SURS Rate | Counterparty Rate | Gross Notional Value 2024 | Fair Value 2024 | Pay Fixed / Receive Fixed |
|---|--|---------------------------|-----------------------|---------------------------|
| 0.25% to 4.50% | 1 Day U.S. dollar SOFR ¹ | \$ 69,300,000 | \$ (911,349) | Pay Fixed |
| 3.75% | 1 day Canadian dollar CORRA ² | 1,096,211 | (6,473) | Pay Fixed |
| 10.28% | 1 day Brazilian real DIO ³ | 2,123,182 | (77,924) | Pay Fixed |
| 2.75% | 6 month Euro EURIBOR ⁴ | 6,966,375 | (36,979) | Pay Fixed |
| | | \$ 79,485,768 | \$ (1,032,725) | |
| 1 Day U.S. dollar SOFR ¹ | 3.75% to 4.50% | \$ 175,300,000 | \$ 536,006 | Receive Fixed |
| 6 month Euro EURIBOR ⁴ | 2.50% | 2,893,725 | 16,196 | Receive Fixed |
| 1 day British pound SONIA ⁵ | 4.00% | 7,963,831 | 32,333 | Receive Fixed |
| 1 day Japanese yen TONAR ⁶ | 0.85% | 2,548,800 | 21,708 | Receive Fixed |
| 6 month Australian dollar BBSW ⁷ | 4.75% | 3,739,960 | 10,041 | Receive Fixed |
| | | \$ 192,446,316 | \$ 616,284 | |

¹ Secured Overnight Financing Rate (SOFR)

² Canadian Overnight Repo Rate Average (CORRA)

³ DI-OVER-EXTRA Grupo (DIO)

⁴ Euro Interbank Offered Rate (EURIBOR)

⁵ Sterling Overnight Interbank Average Rate (SONIA)

⁶ Tokyo Overnight Average Rate (TONAR)

⁷ Bank Bill Swap Rate (BBSW)

Derivative instruments which are exchange-traded are not subject to credit risk. No derivative instruments held are subject to custodial credit risk. SURS maximum loss that would be recognized at June 30, 2024, if all of its derivative instruments counterparties failed to perform as contracted, is \$14.5 million. This maximum exposure is reduced by approximately \$10.2 million in liabilities and approximately \$0.9 million in collateral held, resulting in \$3.4 million net exposure to credit risk.

Notes to the Financial Statements

Securities Lending

SURS Board of Trustees policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Mitsubishi UFJ Trust and Banking Corporation, the System's third-party agent lender in fiscal year 2024, lent securities in exchange for cash collateral at 101% for U.S. securities. Cash collateral received for lent securities is shown on the Statement of Fiduciary Net Position as both an asset (fair value of collateral) and liability (collateral owed to borrower after lent securities are returned). SURS does not have the authority to pledge or sell collateral securities with default, therefore non-cash collateral is not reported in SURS financial statements in accordance with the GASB Statement No. 28. Types of securities on loan include corporate bonds, government and agency bonds, and domestic equities. At year end, the System had no credit risk as a result of its securities lending program as the collateral received exceeded the fair value of the securities loaned. The contract with the System's third-party agent lender requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are out on loan. All securities loans can be terminated on demand by either the System or the borrower. The average loan term was 9.29 days. Cash collateral is invested in money market funds and repurchase agreements at par value, which at year end had a weighted average reset of 1.0 day, and a fair value of \$3,426.3 million.

Collateral as of June 30, 2024 (\$ in millions)

| | Collateral Received | Securities on Loan | Collateral % |
|----------------------------|---------------------|--------------------|---------------|
| Cash Collateral | \$ 3,426.3 | \$ 3,400.6 | 100.8% |
| Non-cash Collateral | 238.9 | 236.5 | 101.0 |
| Total | \$ 3,665.2 | \$ 3,637.1 | 100.8% |
| Reinvested cash collateral | \$ 3,426.3 | | |

Reverse Repurchase Agreements

SURS held \$2.0 million in reverse repurchase agreements on June 30, 2024. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The fair value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in fair value of the securities. If the counterparty defaults on their obligations to sell these securities back to SURS or provide cash of equal value, SURS could suffer an economic loss equal to the difference between the fair value of the underlying securities plus accrued interest and the agreement obligation including accrued interest. At June 30, 2024, the System's credit exposure was \$0.5 million.

SURS may enter into reverse repurchase agreements with various counterparties and such transactions are governed by Master Repurchase Agreements (MRA). MRAs are negotiated contracts and contain terms in which SURS seeks to minimize counterparty credit risk. SURS also controls credit exposures by limiting trades with any one counterparty to stipulated amounts. The counterparty credit exposure is monitored daily and managed through the transfer of margin, in the form of cash or securities, between SURS and the counterparty.

The cash proceeds from reverse repurchase agreements are reinvested. The maturities of the purchases made with the proceeds of reverse repurchase agreements are not necessarily matched to the maturities of the agreements. At June 30, 2024, the agreed-upon yields earned by the counterparty were both variable and fixed ranging between 4.8% and 5.15%. The reverse repurchase agreements had open maturities, whereby a maturity date is not established upon entering into the agreement; however, interest rates on the agreements are negotiated daily. The agreements can be terminated at the will of either SURS or the counterparty.

Notes to the Financial Statements

V. Net Pension Liability

The net pension liability for the defined benefit plan as of June 30, 2024 is as follows:

Employer Net Pension Liability (\$ in millions)

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability | Fiduciary Net Position as a % of Total Pension Liability |
|------|-------------------------|------------------------|-----------------------|--|
| 2024 | \$ 54,571.1 | \$ 24,340.2 | \$ 30,230.9 | 44.60% |

The net pension liability represents the defined benefit pension plan's total pension liability determined in accordance with GASB Statement No. 67, less the plan's fiduciary net position. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was completed in June 2024. The total pension liability as of June 30, 2024, is based on the results of an actuarial valuation date of June 30, 2023, and rolled forward using generally accepted actuarial procedures.

A summary of the actuarial methods and assumptions used to determine the net pension liability are presented below:

Summary of Actuarial Assumptions

| | |
|--|---|
| Financial reporting date | June 30, 2024 |
| Actuarial valuation date | June 30, 2023 |
| Actuarial cost method | Individual entry age |
| Actuarial assumptions | |
| Single discount rate | 6.35% |
| Expected rate of return | 6.50% |
| Municipal bond rate | 3.97% (based on fixed-income municipal bonds reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2024) |
| Inflation | 2.40% |
| Projected salary increases | 3.15% to 15.00% including inflation |
| Post-retirement cost of living adjustments | 3.00% |
| Mortality table | Rates are based on generational mortality using the following tables: Academic: Pub-2010 Healthy Retiree Mortality Table (for Teachers), sex distinct, projected from 2010 using MP-2021 mortality improvement scale. Non-Academic: Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex distinct, projected from 2010 using MP-2021 mortality improvement scale. Police: Pub-2010 Healthy Retiree Mortality Table (for Safety Employees), sex distinct, projected from 2010 using MP-2021 mortality improvement scale. |

Single Discount Rate

A single discount rate of 6.35% was used to measure the total pension liability as of June 30, 2024. This single discount rate was based on an expected return on pension plan investments of 6.5% and a municipal bond rate of 3.97%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Estimated contributions, of which the majority (approximately 97% in 2025) are provided by the State of Illinois, are projected to be \$2.3 billion in 2025 and growing to \$4.0 billion in 2045 based on current statutory requirements for current members. Based on these assumptions, the defined benefit pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Notes to the Financial Statements

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability calculated using a single discount rate of 6.35%, as well as impact on the net pension liability of increasing the single discount rate by 1% and decreasing the single discount rate by 1%.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption as of June 30, 2024 (\$ in millions)

| | 1% Decrease 5.35% | Current Discount Rate 6.35% | 1% Increase 7.35% |
|-----------------------|-------------------------|-----------------------------------|-------------------------|
| Net Pension Liability | \$ 36,700.2 | \$ 30,230.9 | \$ 24,839.8 |

Long-Term Expected Rate of Return

The asset allocation of SURS Defined Benefit investment portfolio is approved by the Board of Trustees in accordance with SURS Investment Policy. Investment assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the defined benefit pension plan. The table displayed below is the Board-approved asset allocation policy for fiscal year 2024 and the long-term expected real rates of return. The long-term expected rate of return on investment assets was determined using a building-block method in accordance with the Actuarial Standards of Practices (ASOP) 27 Section 3.6.2(a) in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

| | Strategic Policy Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------------|-----------------------------|--|
| Traditional Growth | | |
| Global Public Equity | 36.0% | 7.13% |
| Stabilized Growth | | |
| Core Real Assets | 8.0 | 5.06 |
| Public Credit Fixed Income | 6.5 | 4.10 |
| Private Credit | 2.5 | 7.36 |
| Non-Traditional Growth | | |
| Private Equity | 11.0 | 10.92 |
| Non-Core Real Assets | 4.0 | 9.09 |
| Inflation Sensitive | | |
| U.S. TIPS | 5.0 | 2.12 |
| Principal Protection | | |
| Core Fixed Income | 10.0 | 1.34 |
| Crisis Risk Offset | | |
| Systematic Trend Following | 10.0 | 2.90 |
| Alternative Risk Premia | 3.0 | 2.62 |
| Long Duration | 2.0 | 2.84 |
| Long Volatility/Tail Risk | 2.0 | (1.22) |
| Total | 100.0% | 5.63% |
| Inflation | | 2.80 |
| Expected arithmetic return* | | 8.43% |

*The geometric expected rate of return includes volatility and correlation estimates, while the expected arithmetic return does not.

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of fees, was 8.22%. The money weighted rate of return expresses investment performance, net of fees, adjusted for the changing amounts actually invested.

Notes to the Financial Statements

VI. Capital Assets

Capital assets activity for the year ended June 30, 2024, was as follows:

| | Beginning Balance | Additions/ Transfers in | Disposals/ Transfers out | Ending Balance |
|--|----------------------|----------------------------|-----------------------------|----------------------|
| Land and improvements | \$ 719,041 | \$ - | \$ - | \$ 719,041 |
| Office building | 15,057,954 | 856,458 | 3,236 | 15,911,176 |
| Information system equipment and software | 17,261,079 | 478,148 | 268,497 | 17,470,730 |
| Furniture and fixtures | 1,328,193 | 114,185 | 19,782 | 1,422,596 |
| Intangible right-to-use assets | 651,861 | 262,273 | 94,869 | 819,265 |
| Construction in progress | 10,247,448 | 9,006,298 | 7,551 | 19,246,195 |
| Total capital assets | 45,265,576 | 10,717,362 | 393,935 | 55,589,003 |
| Less accumulated depreciation and amortization: | | | | |
| Land and improvements | 30,921 | 12,480 | - | 43,401 |
| Office building | 6,104,469 | 628,761 | 1,079 | 6,732,151 |
| Information system equipment and software | 15,903,191 | 458,278 | 257,145 | 16,104,324 |
| Furniture and fixtures | 762,881 | 119,671 | 19,782 | 862,770 |
| Intangible right-to-use assets | 226,976 | 200,722 | 94,869 | 332,829 |
| Total accumulated depreciation | 23,028,438 | 1,419,912 | 372,875 | 24,075,475 |
| CAPITAL ASSETS, NET | \$ 22,237,138 | \$ 9,297,450 | \$ 21,060 | \$ 31,513,528 |

The average estimated useful lives for tangible capital assets are as follows:

| | |
|--|-----------|
| Information and communications equipment | 3-5 years |
| Furniture and fixtures | 7 years |
| Information systems software | 10 years |
| Land and building improvements | 15 years |
| Office buildings | 40 years |

Intangible right-to-use assets are amortized over the contract term. The contract term includes extension periods which are exercisable by only one party and are likely to be exercised. The contract term excludes any periods during which a termination option is exercisable by only one party and is likely to be exercised. The contract term excludes periods during which either party can terminate the contract without the other party's consent, regardless of likelihood. The contract term excludes extension periods that require both parties to exercise, regardless of likelihood.

As of June 30, 2024, remaining amortization periods for in-service right-to-use assets ranged from 3 months to 5 years, with a weighted average period of 3.5 years.

Notes to the Financial Statements

VII. Compensated Absences

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is two times the annual earnable hours of vacation, and one-half of unused sick time earned between January 1, 1984, and December 31, 1997. No sick time earned after December 31, 1997, will be compensable at termination.

At June 30, 2024, the System had a liability of \$1,549,285 for compensated absences, based upon the vesting method used for calculation of sick leave payable. The liability is included in the administrative expenses payable on the Statement of Fiduciary Net Position, and the annual increase or decrease in liability is reflected in the financial statements as an increase or decrease in salary expense.

Compensated absences payable for the year ended June 30, 2024, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Estimate Amount Due Within One Year |
|------------------------------|----------------------|--------------|--------------|-------------------|--|
| Compensated absences payable | \$ 1,680,698 | \$ 1,322,930 | \$ 1,454,343 | \$ 1,549,285 | \$ 65,989 |

VIII. Insurance Coverage

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The employee health claims are administered through the State of Illinois. The System has minimized the risk of loss through private insurance carriers for commercial, business owners, and automobile policies. The deductible for this insurance coverage ranges from \$100 to \$50,000 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The System has not had any insurance claims filed or paid in the past five fiscal years.

IX. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services (CMS). Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State-sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute toward health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the System do not contribute toward health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State; therefore, those annuitants with 20 or more years of credited service do not have to contribute toward health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the System's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Annual Comprehensive Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing CMS, Stratton Building, Room 715, 401 E. Spring St., Springfield, IL 62706.

Notes to the Financial Statements

X. Right-to-use Agreements

Amortization expense and interest expense related to right-to-use assets are classified as either asset management expense or administrative expense on the Statement of Changes in Fiduciary Net Position based on the nature of the assets.

As of June 30, 2024, the System's amortization expense and interest expense related to right-to-use assets were classified as follows:

| | Amortization Expense | Interest Expense |
|--------------------------|-------------------------|---------------------|
| Asset management expense | \$ 6,804 | \$ - |
| Administrative expense | 193,918 | 10,093 |
| | \$ 200,722 | \$ 10,093 |

As of June 30, 2024, the System had the following future minimum payments due for subscription-based information technology arrangements.

| Year ended June 30 | Principal | Interest | Total |
|--------------------|-------------------|------------------|-------------------|
| 2025 | \$ 153,166 | \$ 15,467 | \$ 168,633 |
| 2026 | 141,464 | 10,093 | 151,557 |
| 2027 | 54,122 | 5,104 | 59,226 |
| 2028 and later | 58,296 | 2,646 | 60,942 |
| | \$ 407,048 | \$ 33,310 | \$ 440,358 |

XI. Risk Financing

The disability benefit provided to participants in the RSP qualifies as a risk financing activity under GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. The System retains the risk of satisfying these disability claims and accounts for this activity in the Other Employee Benefit Plan, a fiduciary fund. Benefit provisions for this activity can be found in Note I, section B, part 2.

The liability for claims that have been reported but not yet paid is valued at the amount that would be payable if the claims were finalized and approved on the financial statement date. Claims unlikely to be approved are valued at zero. The liability for claims that have been incurred but not yet reported has been deemed immaterial, as members only have 12 months from the incidence of disability to file a claim.

For information on plan funding and contributions, see Note III, section B.

Changes in the System's claims liability for the last two fiscal years were as follows:

| Fiscal Year | Beginning liability | Claims and changes in estimates | Claim payments | Ending Liability |
|-------------|---------------------|---------------------------------|----------------|------------------|
| 2023 | \$ 93,547 | \$ 2,570,681 | \$ (2,507,156) | \$ 157,072 |
| 2024 | 157,072 | 2,638,647 | (2,686,415) | 109,304 |

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios Defined Benefit Pension Plan (\$ in millions)

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service cost | \$ 708.27 | \$ 677.57 | \$ 723.51 | \$ 657.10 | \$ 634.45 |
| Interest on net pension liability | 3,276.14 | 3,221.92 | 3,133.08 | 3,190.01 | 3,123.59 |
| Changes in benefit terms | 5.71 | 0.12 | - | 2.34 | - |
| Differences between expected and actual experience | 419.87 | 99.18 | (45.07) | 109.92 | 167.49 |
| Changes in assumptions | 683.45 | 112.43 | (1,545.03) | 960.40 | 618.76 |
| Benefit payments | (3,081.32) | (2,995.37) | (2,879.64) | (2,780.37) | (2,676.19) |
| Refunds of member accounts | (78.82) | (79.24) | (82.46) | (79.13) | (69.00) |
| Net change in pension liability | 1,933.30 | 1,036.61 | (695.61) | 2,060.27 | 1,799.10 |
| Total pension liability — beginning | 52,637.79 | 51,601.18 | 52,296.79 | 50,236.52 | 48,437.42 |
| Total pension liability — ending | \$ 54,571.09 | \$ 52,637.79 | \$ 51,601.18 | \$ 52,296.79 | \$ 50,236.52 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Member contributions | \$ 335.42 | \$ 299.59 | \$ 289.07 | \$ 288.48 | \$ 282.36 |
| Employer contributions | 66.62 | 63.76 | 57.91 | 57.00 | 52.97 |
| Non-employer contributing entity contributions | 2,082.88 | 2,074.95 | 2,078.15 | 1,921.74 | 1,785.82 |
| Net investment income | 1,846.12 | 1,329.72 | (685.63) | 4,762.97 | 542.18 |
| Benefit payments | (3,081.32) | (2,995.37) | (2,879.64) | (2,780.38) | (2,676.19) |
| Refunds of member accounts | (78.82) | (79.24) | (82.46) | (79.13) | (69.00) |
| Non-investment administrative expenses | (23.95) | (23.71) | (22.59) | (19.39) | (18.47) |
| Net change in fiduciary net position | 1,146.94 | 669.70 | (1,245.19) | 4,151.29 | (100.33) |
| Fiduciary net position — beginning | 23,193.25 | 22,523.55 (A) | 23,768.31 | 19,617.02 | 19,717.35 |
| Fiduciary net position — ending | \$ 24,340.17 | \$ 23,193.25 | \$ 22,523.12 | \$ 23,768.31 | \$ 19,617.02 |
| NET PENSION LIABILITY — ENDING | | | | | |
| Fiduciary net position as a percentage of total pension liability | 44.60% | 44.06% | 43.65% | 45.45% | 39.05% |
| Covered payroll | \$ 4,192.73 | \$ 3,744.81 | \$ 3,613.40 | \$ 3,638.20 | \$ 3,642.60 |
| Net pension liability as a percentage of covered payroll | 721.03% | 786.28% | 804.73% | 784.13% | 840.59% |

(A) Fiduciary net position - beginning has been increased by \$0.43 million due to change in accounting principle.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios (continued) Defined Benefit Pension Plan (\$ in millions)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service cost | \$ 631.54 | \$ 628.35 | \$ 658.72 | \$ 666.38 | \$ 654.97 |
| Interest on net pension liability | 3,047.55 | 3,050.58 | 2,951.25 | 2,876.93 | 2,723.72 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 254.28 | (281.81) | 210.63 | (3.43) | 40.41 |
| Changes in assumptions | 327.95 | 1,992.36 | (396.10) | 532.52 | 831.62 |
| Benefit payments | (2,558.99) | (2,446.29) | (2,339.90) | (2,235.81) | (2,129.98) |
| Refunds of member accounts | (80.54) | (93.49) | (89.57) | (85.02) | (83.72) |
| Net change in pension liability | 1,621.79 | 2,849.70 | 995.03 | 1,751.57 | 2,037.02 |
| Total pension liability — beginning | 46,815.63 | 43,965.93 | 42,970.90 | 41,219.33 | 39,182.31 |
| Total pension liability — ending | \$ 48,437.42 | \$ 46,815.63 | \$ 43,965.93 | \$ 42,970.90 | \$ 41,219.33 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Member contributions | \$ 280.02 | \$ 282.73 | \$ 278.64 | \$ 278.88 | \$ 267.68 |
| Employer contributions | 49.41 | 39.66 | 38.39 | 39.35 | 39.93 |
| Non-employer contributing entity contributions | 1,592.64 | 1,568.22 | 1,612.17 | 1,542.95 | 1,488.59 |
| Net investment income | 1,129.81 | 1,499.83 | 1,994.31 | 17.04 | 503.20 |
| Benefit payments | (2,558.99) | (2,446.29) | (2,339.90) | (2,235.81) | (2,129.97) |
| Refunds of member accounts | (80.54) | (93.49) | (89.57) | (85.02) | (83.71) |
| Non-investment administrative expenses | (16.08) | (14.40) | (14.85) | (14.73) | (14.07) |
| Net change in fiduciary net position | 396.27 | 836.26 | 1,479.19 | (457.34) | 71.65 |
| Fiduciary net position — beginning | 19,321.08 | 18,484.82 | 17,005.63 | 17,462.97 | 17,391.32 |
| Fiduciary net position — ending | \$ 19,717.35 | \$ 19,321.08 | \$ 18,484.82 | \$ 17,005.63 | \$ 17,462.97 |
| NET PENSION LIABILITY — ENDING | | | | | |
| Fiduciary net position as a percentage of total pension liability | 40.71% | 41.27% | 42.04% | 39.57% | 42.37% |
| Covered payroll | \$ 3,506.70 | \$ 3,470.20 | \$ 3,458.30 | \$ 3,513.10 | \$ 3,606.50 |
| Net pension liability as a percentage of covered payroll | 819.02% | 792.30% | 736.81% | 739.10% | 658.71% |

Required Supplementary Information

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment fees.

| | |
|------|--------|
| 2015 | 2.84% |
| 2016 | 0.12 |
| 2017 | 12.15 |
| 2018 | 8.29 |
| 2019 | 6.07 |
| 2020 | 2.64 |
| 2021 | 23.83 |
| 2022 | (1.29) |
| 2023 | 5.27 |
| 2024 | 8.22 |

Schedule of Contributions from Employers and Other Contributing Entities (\$ in thousands) Defined Benefit Pension Plan

| Fiscal Year | Actuarially Determined Contribution | Actual Contribution | | | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-------------|---|---------------------|--|--|-----------------|---|
| | | Employers | Non-Employer Contributing Entity | Contribution Deficiency (Excess) | | |
| 2015 | \$ 1,622,656 | \$ 39,934 | \$ 1,488,591 | \$ 94,131 | \$ 3,606,537 | 42.38% |
| 2016 | 1,811,060 | 39,348 | 1,542,946 | 228,766 | 3,513,108 | 45.04 |
| 2017 | 1,864,843 | 38,386 | 1,612,165 | 214,292 | 3,458,320 | 47.73 |
| 2018 | 1,862,033 | 39,659 | 1,568,221 | 254,153 | 3,470,226 | 46.33 |
| 2019 | 2,239,366 | 49,415 | 1,592,639 | 597,312 | 3,506,650 | 46.83 |
| 2020 | 2,299,031 | 52,968 | 1,785,818 | 460,245 | 3,642,617 | 50.48 |
| 2021 | 2,303,266 | 57,001 | 1,921,742 | 324,523 | 3,638,244 | 54.39 |
| 2022 | 2,377,774 | 57,906 | 2,078,153 | 241,715 | 3,613,383 | 59.12 |
| 2023 | 2,373,000 | 63,760 | 2,074,952 | 234,288 | 3,744,813 | 57.11 |
| 2024 | 2,446,185 | 66,620 | 2,082,878 | 296,687 | 4,192,734 | 51.27 |

🌱 Notes to the Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Rates

The covered employee payroll is equal to the defined benefit pension plan payroll from the June 30, 2023 valuation rolled forward with one year of wage inflation at 3.0%. The beginning of the year total pension liability uses a single discount rate of 6.37% and the end of the year total pension liability uses a single discount rate of 6.35%. The difference between the actual and expected experience includes the impact of this change in the single discount rate based on the long-term municipal bond rate of 3.86% as of June 30, 2023, and 3.97% as of June 30, 2024.

The following changes in assumptions occurred between the June 30, 2023, and June 30, 2024, actuarial valuations. These changes were the result of an experience study which covered the period of June 30, 2020, through June 30, 2023.

- The Price Inflation assumption increased from 2.25% to 2.40%.
- The assumed Rate of Investment Return remained the same at 6.50%.
- The assumed future Effective Rate of Interest (for valuation purposes) increased from 6.50% to 7.00%.
- The Base Salary Increase/Payroll Growth Rate assumption increased from 3.00% to 3.15%.
- The assumed COLA for Tier 2 increased from 1.125% to 1.20%.
- The overall assumed salary increase rates were modified to separate Academic and Non-Academic employees.
- Mortality Rates
 - The projection scale was updated from MP-2020 to MP-2021 (the most recent projection scale).
 - For Academic members, assumed life expectancies increased for male and female retirees.
 - For Non-Academic members, assumed life expectancies decreased for male retirees and increased for female retirees.
 - Separate mortality rates were assumed for Police members based on the mortality table for public safety employees.
- Slightly lower turnover rates were assumed.
- The assumed rates of disability for females (Academic and Non-Academic) decreased. There was no change in assumed male disability rates.
- Minor changes were made to assumed retirement rates for Academic and Non-Academic members.

Schedule of Contributions from Employers and Other Contributing Entities

The following actuarial assumptions and methods were used in determining contributions for fiscal year 2024:

| | |
|-------------------------------|--|
| Valuation Date | June 30, 2022 |
| Valuation Method | Projected unit credit |
| Amortization Method | The statutory contribution is equal to the level percentage of pay contributions determined so that the Plan attains a 90% funded ratio by the end of 2045. |
| Remaining Amortization Period | 22 years remaining for fiscal year 2024 contributions |
| Asset Valuation Method | 5 year smoothed fair value |
| Inflation | 2.25% |
| Salary Increases | 3.00% to 12.75% including inflation |
| Investment Rate of Return | 6.50% beginning with the actuarial valuation as of June 30, 2021. |
| Real Rate of Return | 4.25% |
| Retirement Age | Experience-based table of rates. Last updated for the 2021 valuation pursuant to an experience study of the period June 30, 2017 to June 30, 2020. |
| Mortality | Academic: Pub-2010 Healthy Retiree Mortality Table (for Teachers), sex distinct, projected from 2010 using MR-202 mortality improvement scale. Non-Academic: Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex distinct, projected from 2010 using MR-2020 mortality improvement scale. |



Other Supplementary Information

Summary Schedule of Administrative Expenses For the Year Ended June 30, 2024

| Schedule of Administrative Expenses | |
|---|----------------------|
| Personnel services | \$ 17,949,887 |
| Professional services | 4,024,694 |
| Communications | 459,587 |
| Surety bonds and insurance | 575,367 |
| Equipment service and rental | 288,254 |
| Building operations, maintenance, office rental | 414,768 |
| Miscellaneous | 367,165 |
| Depreciation and amortization | 1,413,108 |
| TOTAL ADMINISTRATIVE EXPENSES | \$ 25,492,830 |

| Schedule of Payments for Professional Services | |
|---|---------------------|
| Actuary | 352,474 |
| IT consulting and services | 2,152,545 |
| Other consulting | 338,898 |
| Third party administrator | 205,125 |
| Temporary staffing services | 332,740 |
| Death audit services | 173,130 |
| Legal services | 469,782 |
| TOTAL PROFESSIONAL SERVICES | \$ 4,024,694 |

Summary Schedule of Investment Expenses For the Year Ended June 30, 2024

| Schedule of Investment Expenses | |
|--|-----------------------|
| Investment manager fees | 127,436,396 |
| Security lending fees | 560,483 |
| Master trustee & custodian | 875,000 |
| Investment consultants | 889,000 |
| Investment legal fees | 253,100 |
| Investment administrative expenses | 2,399,568 |
| TOTAL INVESTMENT EXPENSES | \$ 132,413,547 |

Investment-related fees detail can be found in the Investments section.

Other Supplementary Information

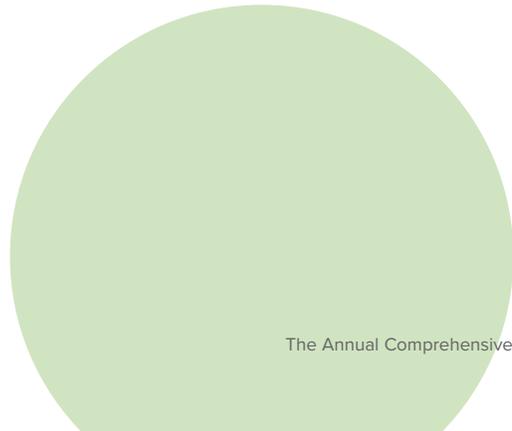
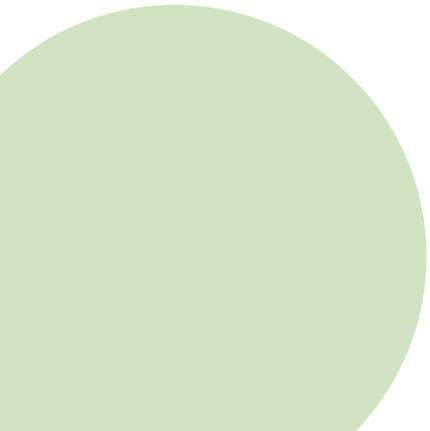
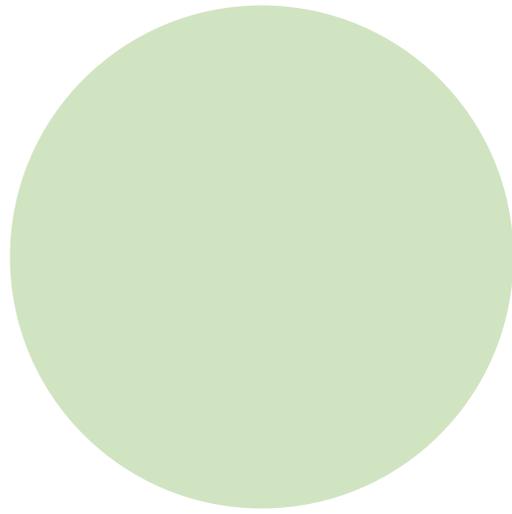
Combining Statement of Fiduciary Net Position as of June 30, 2024 Custodial Funds

| | Retirement Savings Plan | Deferred Compensation Plan | Total |
|--|----------------------------|----------------------------------|----------------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 6,623,235 | \$ 76,044 | \$ 6,699,279 |
| Receivables | | | |
| Members | 3,585,763 | 1,213,159 | 4,798,922 |
| Federal, trust funds, and other | 76,501 | - | 76,501 |
| Pending investment sales | 103,712 | - | 103,712 |
| Interest and dividends | 48,417 | - | 48,417 |
| Total receivables | 3,814,393 | 1,213,159 | 5,027,552 |
| Investments, at fair value | | | |
| Equity investments | 5,756,061 | - | 5,756,061 |
| Fixed income investments | 4,164,103 | - | 4,164,103 |
| Real asset investments | 1,866,848 | - | 1,866,848 |
| Alternative investments | 4,898,291 | - | 4,898,291 |
| Total investments | 16,685,303 | - | 16,685,303 |
| Securities lending collateral | 2,361,710 | - | 2,361,710 |
| TOTAL ASSETS | 29,484,641 | 1,289,203 | 30,773,844 |
| LIABILITIES | | | |
| Securities lending collateral | 2,361,710 | - | 2,361,710 |
| Payable to brokers for unsettled trades | 98,129 | - | 98,129 |
| Reverse repurchase agreements | 1,349 | - | 1,349 |
| Investment expenses payable | 8,102 | - | 8,102 |
| Administrative expenses payable | 38,993 | 19,194 | 58,187 |
| Contributions due to third-party administrator | 10,094,875 | 1,270,009 | 11,364,884 |
| TOTAL LIABILITIES | 12,603,158 | 1,289,203 | 13,892,361 |
| FIDUCIARY NET POSITION | | | |
| Restricted for other governments | 16,881,483 | - | 16,881,483 |
| TOTAL FIDUCIARY NET POSITION | \$ 16,881,483 | \$ - | \$ 16,881,483 |

Other Supplementary Information

Combining Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2024 Custodial Funds

| | Retirement Savings Plan | Deferred Compensation Plan | Total |
|---|----------------------------|----------------------------------|----------------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employers | \$ 13,582,917 | \$ 60,801 | \$ 13,643,718 |
| Non-employer contributing entity | 88,770,541 | 445,208 | 89,215,749 |
| Members | 118,012,397 | 32,799,148 | 150,811,545 |
| Total contributions | 220,365,855 | 33,305,157 | 253,671,012 |
| Investment Income | | | |
| Net appreciation | | | |
| in fair value of investments | 907,013 | - | 907,013 |
| Interest | 132,284 | - | 132,284 |
| Dividends | 178,493 | - | 178,493 |
| Securities lending | 4,987 | - | 4,987 |
| | 1,222,777 | - | 1,222,777 |
| Less investment expense | | | |
| Asset management expense | 81,484 | - | 81,484 |
| Securities lending expense | 346 | - | 346 |
| Net investment income | 1,140,947 | - | 1,140,947 |
| TOTAL ADDITIONS | 221,506,802 | 33,305,157 | 254,811,959 |
| DEDUCTIONS | | | |
| Contributions sent to third-party administrator | 220,910,048 | 32,859,949 | 253,769,997 |
| Administrative expense | 1,086,574 | 445,208 | 1,531,782 |
| TOTAL DEDUCTIONS | 221,996,622 | 33,305,157 | 255,301,779 |
| Net decrease | (489,820) | - | (489,820) |
| Fiduciary Net Position | | | |
| Beginning of year | 17,371,303 | - | 17,371,303 |
| FIDUCIARY NET POSITION END OF YEAR | \$ 16,881,483 | \$ - | \$ 16,881,483 |





INVESTMENT

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❖ Letter of Certification



The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60603

To the Board of Trustees and the Executive Director:

The Northern Trust Company as Master Custodian has provided annual Statements of Account for the State Universities Retirement System Master Trust (“Trust”) which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company’s record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Trust for the period July 1, 2023 through June 30, 2024.

In addition to the custody of assets, pursuant to and in accordance with the terms of the agreement establishing the Trust, The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Transfer securities to a lending agent appointed by the Board of Trustees pursuant to directions from such lending agent.
6. Begin, maintain or defend any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Trust.
7. Invest cash balances held from time to time in the individual investment management accounts in short term-cash equivalent securities.
8. Exercise rights of ownership with respect to securities held in the trust fund, including but not limited to, proxy voting in accordance with the instructions of appointed Investment Managers; respond to stock subscriptions, conversion rights, and other capital changes pursuant to procedures set forth in the operating guidelines of The Northern Trust Company in effect from time to time.
9. Hold securities in the name of the Trust or nominee form or other means as provided in the agreement establishing the Trust.
10. Use the Federal Book Entry Account System for deposit of Treasury securities, and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of other securities.
11. Employ agents with the consent of the Board of Trustees to the extent provided in the agreement establishing the Trust.
12. Provide disbursement services.
13. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: *Matt Pfaff*

Matt Pfaff, Sr. Client Service Manager

NTAC:3NS-20

Report of Investment Activity



1901 Fox Drive, Champaign, IL 61820-7333
800-275-7877 • 217-378-8800 • (Fax) 217-378-9800
www.surs.org

December 13, 2024

Board of Trustees
State Universities Retirement System
1901 Fox Drive
Champaign, IL 61820

Dear Board of Trustees:

I am pleased to present the Investment Section of the SURS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024, including this report on Investment Activity. SURS maintains one defined benefit and two defined contribution plans: the Retirement Savings Plan (RSP) and the Deferred Compensation Plan (DCP) for supplemental savings. As of June 30, 2024, the defined benefit plan was valued at approximately \$24.3 billion while the RSP and DCP were valued at approximately \$4.3 billion and \$67.4 million, respectively.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by Northern Trust using industry best practices. Northern Trust calculated performance rates of return by portfolio and all composites used throughout this section.

Fiscal year 2024 was characterized by a steadily improving outlook, including positive economic growth, falling inflation, and low unemployment. Despite fears of a looming recession for the last two years, the Federal Reserve System appears to have successfully engineered the proverbial “soft landing”.

In the first half of fiscal year 2024, it was broadly assumed that the Federal Reserve would have to reduce interest rates several times to prevent an economic downturn. Instead, persistently strong economic growth and higher than target levels of inflation prevented the Fed from reducing rates at all, yet the overall economy remained resilient. At the June 30 fiscal year end, inflation was slightly below 3% and unemployment was just over 4%. The yield on the 10 year US Treasury bond at fiscal year-end was 4.34%, up approximately 0.50% over the past year, indicating investor sentiment that continued economic stability and higher interest rates are more likely than in recent years.

For the fiscal year, the Dow Jones US Total Stock Market Index returned 23.2% while the more tech-heavy NASDAQ index returned 29.7%. Interest in Artificial Intelligence (“AI”) has ballooned recently, both in the popular press and in investor interest, benefiting select technology companies. Nvidia (NVDA), for example, is the leading manufacturer of semiconductors specifically designed for AI applications, and the company has seen its share price rise 192% over the last 12 months, helping to drive the outperformance of the technology sector.

Outside the US, the broadest measure of world stock markets, the MSCI All Country World excluding-USA Index, saw a return of 11.5%—a strong return for a year, but significantly below the US stock market. Broadly speaking, economic growth worldwide has tended to lag the US over the past year and unemployment in most peer nations is higher than in the US.

Geopolitical risks remain a concern, with continued conflict in Ukraine, a broadening regional conflict in the Middle East, and uncertainty around China’s intentions regarding Taiwan and brewing conflicts with several of its neighbors. Surprise election results or changes in leadership in India, France, the UK, Argentina, and Mexico indicate restless populations looking for governments to do more to improve their national outlooks. With the US in the midst of a Presidential transition that could have global implications, more volatility is likely for the next several months.

Report of Investment Activity

Best practices guide an investor such as SURS to review its overall asset allocation structure every three to five years to make sure that the current portfolio is properly positioned for current market levels and the economic environment. In addition, demographic changes over time within the plan, as well as contributions from the state, can dictate the need for changes in how the plan is invested. SURS last asset-liability study was conducted in 2021, in a very different inflation and interest rate regime. We are now in the midst of a new asset-liability study, which we expect to conclude early in calendar year 2025. Implementation of some aspects of a new asset-liability study can take several years to accomplish, since meaningful shifts in our allocation to illiquid assets such as real estate, private equity, and private credit are made judiciously. Increased allocations to some private assets from the 2021 study are approaching the investment targets after more than three years of work by the investment staff.

One of the most important changes made in 2021, during the last study, was a shift to a new portfolio structure that was designed to protect System assets and to minimize the impact of near-term negative surprises. Importantly, this structure is expected to achieve our target expected returns with lower risk. While this has resulted in weaker relative results in very strong equity markets like those seen in FY 2023 and 2024, it provided critical downside protection during periods of significant equity market declines seen during FY 2022.

The SURS investment portfolio produced modest returns over the course of the fiscal year with its defensive posture keeping total portfolio risk in check. The portfolio returned 8.3%, net of fees, trailing the policy benchmark return of 9.0%. From a long-term perspective, the SURS portfolio has performed well, earning an 8.1% annualized rate of return over the past 30 years, exceeding both the 7.9% policy portfolio return and the 7.8% actuarial assumed rate of return in effect over that time.

Key accomplishments during fiscal year 2024 include the restructuring of the investment staff into teams led by Senior Investment Officers focused on specific asset classes, three external hires to fill vacancies due to departures and retirements, a replacement search for an investment manager in the RSP and DCP, an expansion of our synthetic overlay program to include an allocation to the Crisis Risk Offset portfolio, and continued growth in the Private Credit and Real Estate portfolios through commitments to new investment partnerships.

As of fiscal year-end, all asset classes were within their target ranges as outlined within the Investment Policy Statement. The Stabilized Growth, Inflation Sensitive, Principal Protection and Crisis Risk Offset functional classes are at their long-term strategic allocation policy targets. The Non-Traditional Growth class is above its policy target but is expected to achieve its target weight over the next several years, subject to changes in asset allocation targets at the conclusion of the FY 2025 asset-liability study.

SURS continues to display a strong commitment to diversity as investments with firms owned by minorities, women, and persons with a disability (MWDB) represent approximately \$11.4 billion, or 46.8%, of the total fund, up 2.5% since the end of fiscal 2023.

Sincerely,



Michael C. Schlachter, CFA
Chief Investment Officer

Investment Summary

The SURS Board of Trustees is charged with the responsibility of investing the assets entrusted to them solely for the benefit of the System's participants and beneficiaries. The Trustees, in carrying out their responsibilities, adhere to applicable Illinois statutes and the prudent expert rule, which states that the Trustees must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. In carrying out their fiduciary duties, the Trustees have set forth clearly defined investment policy, objectives, and strategies.

Investment Policy

The Board approves the Statement of Investment Policy, which outlines the investment philosophy and practices of SURS. The policy describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; establishes a framework for making investment decisions and monitoring investment activity; and promotes effective communication between the Board, staff, and other involved parties.

Investment Objectives

The investment objective of the total portfolio is to achieve long-term, sustainable, investment performance necessary to meet or exceed the System's assumed rate of return, net of all management fees with appropriate consideration for portfolio volatility (risk) and liquidity.

Investment Strategies

Strategic Asset Allocation

The purpose of the strategic allocation is to establish a framework that has a high likelihood, in the judgment of the Board, of realizing the System's long-term funding success. Strategic allocation involves establishing target allocation percentages for each approved strategic class and their sub-class components. The most recent asset-liability study was completed in June 2021. In April 2023, modest asset allocation changes were approved that increase the target exposure to investment grade and credit fixed income, while slightly reducing the target allocation to the Crisis Risk Offset portfolio. These changes are anticipated to provide a similar portfolio risk-return profile albeit with a lower cost.

SURS functional asset classes are categorized broadly as growth oriented or diversifying. Growth-oriented strategies include risk-taking assets or strategies that produce high total returns relative to other asset classes. The three strategic components within this group are shown and described below.

- **Traditional Growth**
Provide growth in line with traditional public equity markets (i.e., Global Equity).
- **Stabilized Growth**
Provide growth through strategies that are exposed to market beta, exhibiting expected returns similar to Traditional Growth but with lower volatility (i.e., Core Real Assets, Private Credit, and Public Credit).
- **Non-Traditional Growth**
Provide growth in excess of Traditional Growth through exposure to investments driven by exposure to the equity risk and illiquidity risk premiums (i.e., Private Equity and Non-Core Real Assets, which includes real estate, infrastructure, and farmland).

Diversifying strategies provide two forms of diversification via anchor strategies and offset strategies. Anchor strategies are characterized by low volatility and high liquidity. Offset strategies, in contrast, tend to be higher volatility strategies that have zero-to-negative correlation to public equity markets. These strategies, described below, are designed to perform well in the event of a prolonged equity market downturn.

- **Inflation Sensitive**
Provide an anchor to the portfolio with minimal exposure to equity risk that is designed to help protect the portfolio during periods of high inflation. (i.e., U.S. TIPS).

Investment Summary

- Principal Protection**
 Provide an anchor to the portfolio by exhibiting low volatility with minimal exposure to equity risk. Designed to provide consistent, stable returns during most market environments and preserve principal during periods where growth investments are experiencing significant drawdowns (i.e., Core Fixed Income).
- Crisis Risk Offset**
 Provide an offset to growth risk through liquid exposures to risk premiums expected to exhibit offsetting behavior to growth investments during periods of significant drawdown (i.e., Systematic Trend Following, Alternative Risk Premia, Long Durations Treasury, Long Volatility, and Tail Risk).

The following table shows the sub-asset classes from June 30, 2024, mapped into the appropriate functional class:

| | Functional Asset Class | Allocation |
|-----------------|-------------------------------|--------------|
| Growth Oriented | Traditional Growth | 33.8% |
| | Global Equity | 33.8 |
| | Stabilized Growth | 16.4 |
| | Core Real Assets | 6.7 |
| | Public Credit Fixed Income | 6.1 |
| | Private Credit | 3.6 |
| | Non-Traditional Growth | 17.7 |
| | Private Equity | 13.3 |
| | Non-Core Real Assets | 4.4 |
| Diversifying | Inflation Sensitive | 4.5 |
| | U.S. TIPS | 4.5 |
| | Principal Protection | 10.4 |
| | Core Fixed Income | 10.4 |
| | Crisis Risk Offset | 16.6 |
| | Systematic Trend Following | 9.8 |
| | Alternative Risk Premia | 3.3 |
| | Long Duration | 1.8 |
| | Long Volatility | 1.6 |
| | Tail Risk | 0.1 |
| Cash | Cash | 0.6 |
| | Cash | 0.6 |

Each functional group employs one or more investment managers and strategies as a method to ensure overall fund diversification. Each investment management firm is afforded full discretion to diversify its portfolio(s) in a manner deemed appropriate. The Trustees have developed guidelines to direct the investment managers in their execution of the overall investment policy. The guidelines are specific to the asset class and strategy managed.

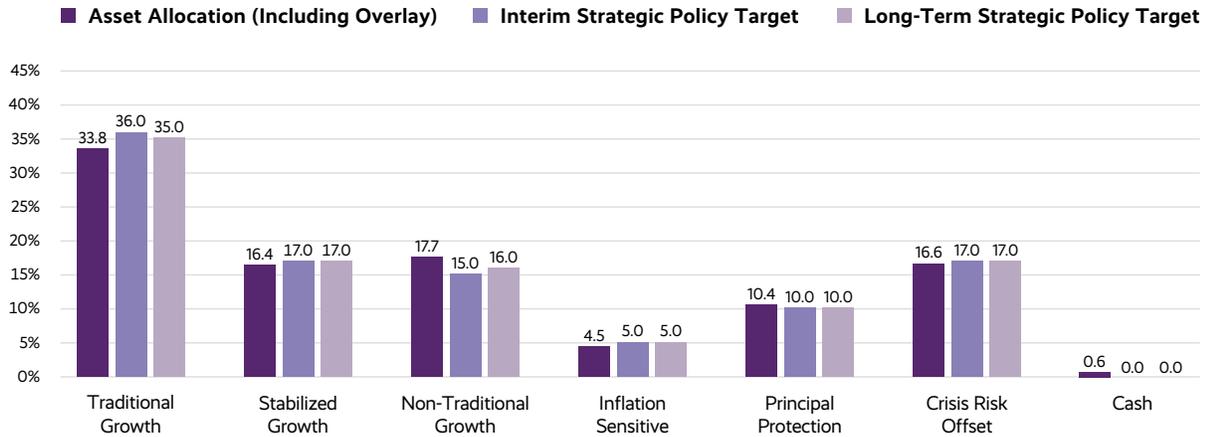
Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be conducted as needed to ensure conformance with policy target levels. Such rebalancing is necessary to reflect cash flows and performance imbalances among strategic classes. SURS rebalancing policy calls for rebalancing, as soon as practical, if a strategic class exceeds or falls below its target allocation by 3%. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of a cash overlay strategy and the System's cash flows.

Investment Results

Policy vs. Actual

Percentage



Long-Term Investment Results

For the 10-year period ended June 30, 2024, SURS total fund earned an annualized total return, net of all investment management expenses, of 6.6%. This exceeded the policy portfolio benchmark by 0.2% annualized.

The policy portfolio is comprised of market indices which are consistent with the overall asset allocation. The policy portfolio reflects a passive implementation of the investment policy. As of June 30, 2024, the strategic policy portfolio is comprised of the benchmarks shown below:

Strategic Policy Portfolio

| Asset Class | Benchmark | Strategic Target |
|-------------------------------|--|------------------|
| Traditional Growth | MSCI ACWI IMI | 36.0% |
| Stabilized Growth | | |
| Public Credit Fixed Income | Custom blended benchmark ¹ | 6.0 |
| Private Credit | Custom blended benchmark ² | 3.0 |
| Core Real Assets | Custom blended benchmark ³ | 8.0 |
| Non-Traditional Growth | | |
| Private Equity | MSCI ACWI IMI Lag + 2% | 11.0 |
| Non-Core Real Assets | Custom blended benchmark ⁴ | 4.0 |
| Inflation Sensitive | BB Barclays U.S. TIPS | 5.0 |
| Principal Protection | BC U.S. Intermediate Agg x Credit Bond | 10.0 |
| Crisis Risk Offset | | |
| Systematic Trend Following | CS Mngd Fut Liq 15% Volatility | 10.0 |
| Alternative Risk Premia | 90 Day T-Bill + 2% | 3.0 |
| Long Duration | BBG Barclays U.S. Long Govt | 2.0 |
| Long Volatility / Tail Risk | CBOE Eureka Long Vol Hdg Fd | 2.0 |
| | | 100.0% |

- (1) ICE BofA GL HY Constr Hdg USD, BBG GL Agg Corp Hdg USD, S&P/LSTA Lev Loan Index, JPM CEMBI Broad, JPM EMBI Global Diversified.
- (2) 50% S&P/LSTA Lev Loan Index / 50% ICE BofA Constr Hdg USD + 1.0%.
- (3) NCREIF ODCE and FTSE Dev Core Infra 50/50.
- (4) NCREIF ODCE + 1.5%, CPI U + 500 bps, and NCREIF Farmland Index.



Investment Results

| | Fiscal Year Ended June 30 | | | | | Annualized | | |
|---|---------------------------|--------|--------|-------|--------|------------|-------|--------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 3 yrs | 5 yrs | 10 yrs |
| Total Fund | | | | | | | | |
| State Univ. Retirement NEW | 2.6% | 23.8% | (1.4)% | 5.3% | 8.3% | 4.0% | 7.4% | 6.6% |
| SURS Policy Benchmark | 2.0 | 24.4 | (4.9) | 6.1 | 9.0 | 3.2 | 6.9 | 6.4 |
| CPI U | 0.6 | 5.4 | 9.1 | 3.0 | 3.0 | 5.8 | 3.9 | 2.7 |
| Traditional Growth | | | | | | | | |
| SURS Total Traditional Growth | 1.7 | 40.5 | (14.9) | 16.2 | 19.0 | 5.6 | 11.0 | 9.0 |
| Performance Benchmark | 1.4 | 40.9 | (16.5) | 16.1 | 18.4 | 4.7 | 10.4 | 8.5 |
| Stabilized Growth (Inception 9/30/2019) | | | | | | | | |
| SURS Total Stabilized Growth | - | 13.1 | 0.1 | 0.1 | 2.7 | 1.0 | - | - |
| Performance Benchmark | - | 11.9 | (2.6) | 1.8 | 0.1 | (0.2) | - | - |
| Core Real Assets | (0.0) | 8.6 | 31.6 | (7.3) | (7.1) | 4.2 | 4.2 | 6.0 |
| Core Real Assets Blend | 3.9 | 1.5 | 26.9 | (3.7) | (10.3) | 3.1 | 2.9 | 6.0 |
| Public Credit Fixed Income (Inception 9/30/2019) | - | 10.3 | (13.3) | 7.2 | 10.7 | 1.0 | - | - |
| SURS Credit Fixed Income Blend | - | 9.5 | (14.2) | 6.5 | 9.2 | (0.0) | - | - |
| Private Credit ¹ (Inception 6/30/2020) | - | - | 14.0 | 5.2 | 13.4 | 10.9 | - | - |
| SURS Private Credit Blend | - | - | (8.0) | 11.1 | 12.4 | 4.7 | - | - |
| Non-Traditional Growth | | | | | | | | |
| SURS Total Non-Traditional Growth | 1.4 | 42.3 | 26.2 | (1.6) | 4.0 | 8.9 | 13.3 | 11.4 |
| Performance Benchmark | (4.8) | 43.5 | 11.4 | (4.3) | 16.3 | 7.4 | 11.1 | 12.0 |
| Non-Core Real Assets | 1.7 | 3.3 | 23.6 | 5.2 | 1.5 | 9.7 | 6.8 | 8.3 |
| Non-Core Real Assets Blend | 5.7 | 4.1 | 25.4 | 0.3 | (6.5) | 5.6 | 5.3 | 7.5 |
| Private Equity ¹ | 0.6 | 60.8 | 28.8 | (3.0) | 5.0 | 8.6 | 15.5 | 12.7 |
| SURS Total PE Blend | (8.6) | 59.9 | 8.1 | (5.8) | 25.3 | 8.5 | 13.3 | 13.4 |
| Inflation Sensitive | | | | | | | | |
| SURS Total Inflation Sensitive | 7.4 | 6.5 | (5.1) | (1.4) | 2.7 | (1.3) | 1.9 | 1.7 |
| Inflation Sensitive Blend | 6.8 | 6.5 | (5.1) | (1.4) | 2.7 | (1.3) | 1.8 | 1.4 |
| TIPS | 7.8 | 6.5 | (5.1) | (1.4) | 2.7 | (1.3) | 2.0 | 1.8 |
| BB Barclays U.S. TIPS | 8.3 | 6.5 | (5.1) | (1.4) | 2.7 | (1.3) | 2.1 | 1.9 |
| Principal Protection | | | | | | | | |
| SURS Total Principal Protection | 6.5 | (0.2) | (6.8) | (0.8) | 2.9 | (1.7) | 0.2 | 1.5 |
| Performance Benchmark | 7.5 | (0.7) | (7.6) | (1.2) | 2.9 | (2.1) | 0.1 | 1.5 |
| Crisis Risk Offset (Inception 11/30/2019) | | | | | | | | |
| SURS Total Crisis Risk Offset ex Tail Risk | - | (0.1) | 12.2 | 0.9 | 3.4 | 5.4 | - | - |
| Performance Benchmark | - | 6.6 | 8.4 | 1.3 | (3.2) | 2.1 | - | - |
| Systematic Trend Following (Inception 11/30/2019) | - | 14.2 | 26.0 | 2.1 | 2.5 | 9.6 | - | - |
| CS Mngd Fut Liq 15% Volatility | - | 29.8 | 23.6 | 0.0 | (7.0) | 4.8 | - | - |
| Long Duration (Inception 12/03/2019) | - | (11.0) | (18.4) | (6.7) | (5.5) | (10.4) | - | - |
| BBG Barclays U.S. Long Govt | - | (10.4) | (18.4) | (6.8) | (5.6) | (10.4) | - | - |
| Alternative Risk Premia (Inception 11/30/2019) | - | (3.6) | 8.5 | 3.6 | 15.0 | 8.9 | - | - |
| 90 Day T-Bills + 2% | - | 2.1 | 2.4 | 6.4 | 7.7 | 5.4 | - | - |
| Long Volatility (Inception 6/30/2022) | - | - | - | (3.2) | (1.9) | - | - | - |
| CBOE Eureka Long Vol Hdg Fd | - | - | - | (6.0) | (0.2) | - | - | - |

Return calculations (except as noted below) were prepared using a time-weighted rate of return methodology in accordance with the Performance Presentation Standards of the CFA Institute.

- (1) Private market returns were prepared using an Internal Rate of Return (IRR) methodology which is consistent with industry standards. Additionally, the returns for both the private market portfolios and the benchmark are reported one quarter in arrears due to the length of the performance reporting cycle.

Investment Fees and Asset Allocation

Schedule of Investment Fees and Asset Allocation, June 30, 2024 (\$ in thousands)

| | Investment Fees | Fair Value |
|--|-----------------|------------------|
| Traditional Growth | | |
| U.S. Equity Managers | | |
| RhumbLine Advisers | \$ 166 | \$ 2,581,054 |
| Subtotal | 166 | 2,581,054 |
| Non-U.S. Equity Managers | | |
| Ativo Capital Management | 837 | 332,468 |
| GlobeFlex Capital | 2,553 | 404,824 |
| Nipun Capital | 650 | 101,800 |
| Northern Trust Asset Management | 32 | - |
| Solstein Capital | 372 | 106,138 |
| Strategic Global Advisors | 1,207 | 407,911 |
| William Blair | 691 | 99,206 |
| Subtotal | 6,342 | 1,452,347 |
| Global Equity Managers | | |
| Ariel Investments | 1,260 | 263,620 |
| BlackRock | 10,994 | 1,634,872 |
| EARNEST Partners | 1,730 | 410,127 |
| Mondrian Investment Partners | 1,911 | 538,132 |
| Strategic Global Advisors | 648 | 225,612 |
| T. Rowe Price | 1,846 | 463,468 |
| Wellington Management Company | 2,225 | 607,380 |
| Xponance | 1,542 | 345,118 |
| Subtotal | 22,156 | 4,488,329 |
| Stabilized Growth | | |
| Option Strategies Managers | | |
| Pacific Alternative Asset Management Company | 15 | 1,297 |
| Subtotal | 15 | 1,297 |
| Core Real Asset Managers | | |
| Blackstone Group | 2,165 | 225,567 |
| BlackRock | 945 | 91,184 |
| Carlyle Property Partners | 2,101 | 252,493 |
| Clarion Partners | 1,544 | 171,738 |
| GI Partners | 710 | 62,906 |
| Heitman Capital Management | 1,971 | 256,577 |
| IFM Investors | 817 | 108,955 |
| J.P. Morgan Asset Management | 2,082 | 225,649 |
| Prologis | 1,596 | 158,581 |
| UBS Realty Investors | 545 | 82,277 |
| Subtotal | 14,476 | 1,635,927 |
| Credit Ex Dedicated EMD Managers | | |
| Bivium Capital Partners | 1,968 | 396,840 |
| Neuberger Berman | 1,973 | 773,428 |
| Pacific Investment Management Company | 1,086 | 308,561 |
| Subtotal | 5,027 | 1,478,829 |
| Private Credit Managers | | |
| Meketa Investment Group (Discretionary Consultant) | 390 | - |
| Ares Management | 1,499 | 171,908 |
| Atalaya Capital Management | 44 | 66,564 |
| Brightwood Capital Advisors | - | 27,666 |
| Crayhill Capital Management | 264 | 37,396 |
| Fortress Capital Formation | 324 | 37,602 |
| HPS Specialty | 128 | 655 |
| Intermediate Capital Group | 249 | 37,596 |
| Neuberger Berman | 1,888 | 145,420 |
| Pacific Investment Management Company | 36 | - |
| Silver Point Specialty Credit | 55 | 33,173 |
| Silver Rock Financial | 2,326 | 264,286 |

Investment Fees and Asset Allocation

Schedule of Investment Fees and Asset Allocation, June 30, 2024 (\$ in thousands) (continued)

| | Investment Fees | Fair Value |
|---|-----------------|------------------|
| Sixth Street Partners | \$ 501 | \$ 28,160 |
| Turning Rock Partners | 553 | 59,366 |
| Subtotal | 8,257 | 909,792 |
| Non-Traditional Growth | | |
| Non-Core Real Asset Managers | | |
| Alinda Capital Partners | - | 306 |
| Basis Investment Group | 924 | 54,836 |
| Blackstone Group | 1,860 | 75,226 |
| Blue Vista Capital Management | 192 | 8,802 |
| Brasa Capital Management | 562 | 28,017 |
| Brookfield Asset Management | 2,134 | 108,372 |
| Cabot Properties | 1,495 | 66,932 |
| Crow Holdings Realty Partners | 1,751 | 46,646 |
| Dune Real Estate Partners | 985 | 116,791 |
| Ember Infrastructure | 628 | 27,866 |
| Franklin Templeton Real Estate Advisors | 454 | 64,330 |
| Homestead Capital | 1,263 | 68,557 |
| Longpoint Realty Partners | 1,452 | 68,696 |
| Long Wharf Capital | 1,095 | 35,353 |
| Macquarie Infrastructure Partners | 1,131 | 111,343 |
| Newport Capital Partners | 108 | 7,665 |
| Oaktree Capital Management | 136 | 10,940 |
| Pantheon Ventures | 810 | 59,719 |
| StepStone Group | 90 | 11,791 |
| Torchlight Investors | 1,325 | 54,198 |
| Westbrook Partners | 842 | 50,191 |
| Subtotal | 19,237 | 1,076,577 |
| Private Equity Managers | | |
| Adams Street Partners | 3,549 | 859,729 |
| Aksia (Discretionary Consultant) | 809 | - |
| Advent International | 374 | 11,450 |
| Altaris Capital Partners | 80 | 20,124 |
| Avance Investment Management | 430 | 16,541 |
| Base10 Partners | 1,297 | 31,764 |
| Bregal Sagemount | 1,219 | 54,562 |
| Clearlake Capital Partners | 812 | 79,378 |
| Cortec Group | 1,056 | 34,856 |
| GGV Capital | 612 | 26,140 |
| Great Hill Equity Partners | 196 | 6,445 |
| Greenbriar Equity Group | 409 | 6,256 |
| Harvest Partners | 799 | 95,069 |
| Hq Capital | 1,019 | 74,449 |
| Inflexion Private Equity Partners | 339 | 9,428 |
| MBK Partners | 431 | 46,149 |
| Nautic Partners | 481 | 18,185 |
| Nordic Capital | 742 | 16,467 |
| Oak HC-FT Partners | 1,251 | 34,893 |
| OceanSound Partners | 260 | 46,774 |
| One Equity Partners | 444 | 35,484 |
| One Rock Capital | 409 | 49,659 |
| Orchid Asia Group | 601 | 10,376 |
| PAI Partners | 495 | 8,974 |
| Reverence Capital Partners | 593 | 74,355 |
| Rubicon Technology Partners | 1,113 | 45,047 |
| Stellex Capital Management | 372 | 24,373 |
| Thoma Bravo | - | 94,334 |
| TorreyCove Co-Investment | 157 | 278,926 |

Investment Fees and Asset Allocation

Schedule of Investment Fees and Asset Allocation, June 30, 2024 (\$ in thousands) (continued)

| | Investment Fees | Fair Value |
|---|-------------------|----------------------|
| Fairview Capital Partners | \$ 752 | \$ 134,619 |
| Mesirow Financial Investment Management | 1,460 | 395,495 |
| Muller and Monroe Asset Management | 400 | 124,875 |
| Pantheon Ventures | 1,991 | 532,638 |
| Progress Venture Capital | - | 1,067 |
| Subtotal | 24,952 | 3,298,881 |
| Inflation Sensitive | | |
| Treasury Inflation-Protected Securities Managers | | |
| RhumbLine Advisers | 76 | 1,110,832 |
| Subtotal | 76 | 1,110,832 |
| Principal Protection | | |
| Fixed Income Managers | | |
| Cash | 339 | 292,971 |
| Garcia Hamilton & Associates | 572 | 560,758 |
| LM Capital Group | 608 | 570,151 |
| Pugh Capital Management | 529 | 570,174 |
| Ramirez Asset Management | 667 | 568,288 |
| Subtotal | 2,715 | 2,562,342 |
| Crisis Risk Offset | | |
| Systematic Trend Following Managers | | |
| Aspect Capital | 2,844 | 630,011 |
| Campbell & Company | 2,618 | 587,843 |
| UBS Asset Management | 1,241 | 529,193 |
| Longtail Alpha | 2,188 | 481,204 |
| Subtotal | 8,891 | 2,228,251 |
| Long Duration Managers | | |
| RhumbLine Advisers | 28 | 408,072 |
| Subtotal | 28 | 408,072 |
| Alternative Risk Premia Managers | | |
| Pacific Investment Management Company | 5,374 | 531,154 |
| Versor Investments | 1,727 | 272,196 |
| Subtotal | 7,101 | 803,350 |
| Tail Risk | | |
| Longtail Alpha | 2,784 | 35,101 |
| Subtotal | 2,784 | 35,101 |
| Long Volatility | | |
| One River Asset Management | 4,823 | 358,919 |
| Subtotal | 4,823 | 358,919 |
| CRO Cash Overlay | | |
| Parametric Portfolio Associates | 30 | 35,949 |
| Subtotal | 30 | 35,949 |
| Cash Overlay | | |
| Parametric Portfolio Associates | 360 | 48,927 |
| Subtotal | 360 | 48,927 |
| TOTAL FUND | \$ 127,436 | \$ 24,514,776 |

(a) (b)

- (a) Amount includes net pending transactions of \$8,100 and accrued investment income receivable of \$70,241.
- (b) Amount represents total SURS investments, of which \$24,331,641 is for the defined benefit pension plan; \$159,696 is for the other employee benefit plan; and \$23,439 is for the custodial funds.

Investment Fees and Allocation

Retirement Savings Plan

Fiscal year 2024 marks the twenty-sixth complete year of the Retirement Savings Plan (RSP). As of June 30, 2024, RSP members had \$4.3 billion invested in the plan. This represents an increase of approximately \$559 million since the end of fiscal year 2023. During the past several years, RSP participants have continued to maintain a balanced exposure to equities. In aggregate, the total funds invested by RSP participants have an allocation of 69.8% equity, 27.2% fixed income, and 3.0% real estate.

A detailed schedule of the funds available in this plan, along with the investment totals for each fund, can be found in the accompanying table. Information about RSP assets related to the plan's disability benefit can be found in the Financial Section.

Retirement Savings Plan Investment Allocation, June 30, 2024 (\$ in thousands)

| | U.S. Equity | Non-U.S. Equity | Global Equity | Fixed Income | Balanced | Real Estate | Total |
|---|-------------------|--------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| Voya Investment Options | | | | | | | |
| SURS Fixed Account | \$ - | \$ - | \$ - | \$ 53,466 | \$ - | \$ - | \$ 53,466 |
| Vanguard Federal Mny Mkt Fd Inv | - | - | - | 612 | - | - | 612 |
| SURS Multi-Sector Bond Fund | - | - | - | 19,606 | - | - | 19,606 |
| SURS High Yield Bond Fund | - | - | - | 13,214 | - | - | 13,214 |
| SURS U.S. ESG Core Bond Fund | - | - | - | 4,357 | - | - | 4,357 |
| SURS U.S. Inflation Protected Bond Fund | - | - | - | 15,015 | - | - | 15,015 |
| SURS Non-U.S. Growth Equity Fund | - | 29,187 | - | - | - | - | 29,187 |
| SURS Non-U.S. Value Equity Fund | - | 9,773 | - | - | - | - | 9,773 |
| SURS U.S. Small-Mid Cap Growth Fund | 43,786 | - | - | - | - | - | 43,786 |
| SURS U.S. Small-Mid Cap Value | 20,109 | - | - | - | - | - | 20,109 |
| SURS Lifetime Income Strategy ¹ | - | - | 1,567,700 | 285,184 | 1,097,472 | 108,173 | 3,058,529 |
| SURS U.S. Core Bond Index Fund | - | - | - | 46,501 | - | - | 46,501 |
| SURS U.S. Large Cap Equity Index Fund | 461,079 | - | - | - | - | - | 461,079 |
| SURS U.S. Small-Mid Cap Equity Index Fund | 69,913 | - | - | - | - | - | 69,913 |
| SURS Non-U.S. Equity Index Fund | - | 36,200 | - | - | - | - | 36,200 |
| SURS U.S. REIT Index Fund | - | - | - | - | - | 18,103 | 18,103 |
| SURS Global ESG Equity Fund | - | - | 23,442 | - | - | - | 23,442 |
| Voya Total | \$ 594,887 | \$ 75,160 | \$ 1,591,142 | \$ 437,955 | \$ 1,097,472 | \$ 126,276 | \$ 3,922,892 |
| TIAA-CREF Investment Options² | | | | | | | |
| CREF Money Market Account R3 | - | - | - | 6,261 | - | - | 6,261 |
| TIAA Traditional Annuity | - | - | - | 144,375 | - | - | 144,375 |
| CREF Bond Market Account R3 | - | - | - | 14,950 | - | - | 14,950 |
| CREF Inflation-Linked Bond Account R3 | - | - | - | 7,383 | - | - | 7,383 |
| CREF Social Choice Account R3 | - | - | - | - | 23,638 | - | 23,638 |
| CREF Growth Account R3 | 439 | - | - | - | - | - | 439 |
| CREF Stock Account R3 | 94,240 | - | - | - | - | - | 94,240 |
| CREF Global Equities Account R3 | - | - | 28,963 | - | - | - | 28,963 |
| TIAA Real Estate Account | - | - | - | - | - | 2,560 | 2,560 |
| CREF Equity Index Account R3 | 56,093 | - | - | - | - | - | 56,093 |
| TIAA-CREF Total | \$ 150,772 | \$ - | \$ 28,963 | \$ 172,969 | \$ 23,638 | \$ 2,560 | \$ 378,902 |
| GRAND TOTAL | \$ 745,659 | \$ 75,160 | \$ 1,620,105 | \$ 610,924 | \$ 1,121,110 | \$ 128,836 | \$ 4,301,794 |

- (1) As of June 30, 2024, the SURS Lifetime Income Strategy is the default investment option for members who have selected the Retirement Savings Plan (RSP) but have not selected individual investments.
- (2) TIAA-CREF Investment Options are not eligible for additional contributions within the RSP.

Investment Fees and Allocation

Deferred Compensation Plan

Beginning March 1, 2021, SURS introduced a new supplemental defined contribution plan, called the Deferred Compensation Plan (DCP). As of June 30, 2024, DCP participants had \$67.4 million invested in the plan. This represents an increase of approximately \$38.9 million since the end of fiscal year 2023. DCP participants maintain a balanced exposure to equities. In aggregate, the total funds invested by DCP participants have an allocation of 77.1% equity, 19.2% fixed income, and 3.7% real estate.

A detailed schedule of the funds available in this plan, along with the investment totals for each fund, can be found in the accompanying table:

Deferred Compensation Plan Investment Allocation as of June 30, 2024 (\$ in thousands)

| | U.S. Equity | Non-U.S. Equity | Global Equity | Fixed Income | Balanced | Real Estate | Total |
|---|------------------|--------------------|------------------|-----------------|-----------------|-----------------|------------------|
| Voya Investment Options | | | | | | | |
| SURS Fixed Account | \$ - | \$ - | \$ - | \$ 1,586 | \$ - | \$ - | \$ 1,586 |
| Vanguard Federal Mny Mkt Fd Inv | - | - | - | 5 | - | - | 5 |
| SURS Multi-Sector Bond Fund | - | - | - | 600 | - | - | 600 |
| SURS High Yield Bond Fund | - | - | - | 548 | - | - | 548 |
| SURS U.S. ESG Core Bond Fund | - | - | - | 124 | - | - | 124 |
| SURS U.S. Inflation Protected Bond Fund | - | - | - | 650 | - | - | 650 |
| SURS Non-U.S. Growth Equity Fund | - | 860 | - | - | - | - | 860 |
| SURS Non-U.S. Value Equity Fund | - | 487 | - | - | - | - | 487 |
| SURS U.S. Small-Mid Cap Growth Fund | 1,443 | - | - | - | - | - | 1,443 |
| SURS U.S. Small-Mid Cap Value | 968 | - | - | - | - | - | 968 |
| SURS Lifetime Income Strategy | - | - | 25,862 | 4,269 | 8,781 | 1,546 | 40,458 |
| SURS U.S. Core Bond Index Fund | - | - | - | 763 | - | - | 763 |
| SURS U.S. Large Cap Equity Index Fund | 13,708 | - | - | - | - | - | 13,708 |
| SURS U.S. Small-Mid Cap Equity Index Fund | 1,988 | - | - | - | - | - | 1,988 |
| SURS Non-U.S. Equity Index Fund | - | 1,343 | - | - | - | - | 1,343 |
| SURS U.S. REIT Index Fund | - | - | - | - | - | 954 | 954 |
| SURS Global ESG Equity Fund | - | - | 930 | - | - | - | 930 |
| TOTAL | \$ 18,107 | \$ 2,690 | \$ 26,792 | \$ 8,545 | \$ 8,781 | \$ 2,500 | \$ 67,415 |

Supporting Schedules

| TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds) | Shares | Fair Value |
|--|-----------|----------------|
| Microsoft Corp | 531,913 | \$ 237,738,515 |
| Apple Inc | 1,040,978 | 219,250,786 |
| Nvidia Corp | 1,604,497 | 198,219,559 |
| Amazon.com Inc | 768,247 | 148,463,733 |
| Meta Platforms Inc Class A | 180,510 | 91,016,752 |
| Alphabet Inc Class A | 457,393 | 83,314,135 |
| Eli Lilly & Co | 77,342 | 70,023,900 |
| Broadcom Inc | 49,954 | 62,914,129 |
| Exxon Mobil Corp | 530,517 | 61,073,117 |
| Alphabet Inc Class C | 293,534 | 53,840,006 |

Note: A complete list of the portfolio holdings is available upon request.

| TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds) | Shares | Fair Value |
|--|-----------|---------------|
| ASML Holdings NV (Netherlands) | 49,659 | \$ 51,316,685 |
| Novo Nordisk A/S (Denmark) | 333,038 | 48,130,697 |
| Taiwan Semiconductor Manufacturing Co Ltd (Taiwan) | 1,191,561 | 35,480,725 |
| Check Point Software Technologies Ltd. (Israel) | 185,266 | 30,568,890 |
| Sanofi SA (France) | 266,875 | 25,724,934 |
| Novartis AG (Switzerland) | 233,867 | 25,028,922 |
| Roche Holdings AG (Switzerland) | 83,952 | 23,309,619 |
| Samsung Electronics Co Ltd (Republic of Korea) | 339,361 | 20,092,932 |
| ICON (Ireland) | 57,723 | 18,094,429 |
| Enel Spa (Italy) | 2,491,504 | 17,340,730 |

Note: A complete list of the portfolio holdings is available upon request.

TEN LARGEST FIXED INCOME HOLDINGS (excludes commingled funds)

| Asset Description | S & P Rating | Interest Rate | Maturity Date | Par Value | Fair Value |
|---------------------------------------|--------------|---------------|-------------------|---------------|---------------|
| U.S. Treasury Notes | AA+ | 1.875% | February 15, 2032 | \$ 62,025,000 | \$ 52,067,080 |
| U.S. Treasury Notes | AA+ | 3.000 | July 31, 2029 | 54,160,000 | 49,905,478 |
| U.S. Treasury Notes | AA+ | 1.500 | February 15, 2030 | 57,110,000 | 49,016,442 |
| U.S. Treasury Bonds | AA+ | 2.375 | May 15, 2027 | 48,229,000 | 45,421,922 |
| U.S. Treasury Notes | AA+ | 1.250 | August 15, 2031 | 54,970,000 | 44,611,591 |
| U.S. Treasury Notes | AA+ | 3.500 | April 30, 2028 | 44,500,000 | 43,043,320 |
| U.S. Treasury Notes | AA+ | 1.125 | January 15, 2033 | 41,518,000 | 40,431,895 |
| U.S. Treasury Notes | AA+ | 1.375 | July 15, 2033 | 41,344,000 | 40,302,725 |
| U.S. Treasury Notes | AA+ | 0.625 | July 15, 2032 | 41,527,000 | 40,181,525 |
| U.S. Treasury Inflation-Indexed Notes | AA+ | 2.375 | October 15, 2028 | 37,040,000 | 38,411,729 |

Note: A complete list of the portfolio holdings is available upon request.

Supporting Schedules

Summary Schedule of Domestic Equity Investment Commissions For the Year Ended June 30, 2024

| Investment Brokerage Firm | Commission | Shares Traded | Commission per Share |
|-----------------------------------|------------------|------------------|----------------------|
| Cabrera Capital Markets | \$ 8,960 | 598,202 | \$ 0.01 |
| Loop Capital Markets | 6,768 | 1,110,007 | 0.01 |
| Penserra Securities | 4,283 | 414,331 | 0.01 |
| Instinet | 2,443 | 1,160,072 | 0.00 |
| ITG (Investment Technology Group) | 1,225 | 245,078 | 0.01 |
| Williams Capital Group | 638 | 126,123 | 0.01 |
| TOTAL | \$ 24,317 | 3,653,813 | \$ 0.01 |

Summary Schedule of International Equity Investment Commissions For the Year Ended June 30, 2024

| Investment Brokerage Firm | Commission | Shares Traded | Commission per Share |
|-----------------------------------|-------------------|-------------------|----------------------|
| North South Capital | \$ 82,533 | 12,741,014 | \$ 0.01 |
| Penserra Securities | 70,009 | 8,078,437 | 0.01 |
| Goldman Sachs | 44,061 | 5,146,191 | 0.01 |
| Loop Capital Markets | 17,120 | 2,265,520 | 0.01 |
| Citigroup Global Markets | 16,751 | 2,308,326 | 0.01 |
| Jefferies & Company | 15,528 | 2,596,909 | 0.01 |
| Macquarie Securities | 14,135 | 1,774,074 | 0.01 |
| Northern Trust Securities | 10,294 | 2,319,693 | 0.00 |
| Mischler Financial Group | 6,605 | 1,210,251 | 0.01 |
| Merrill Lynch | 3,756 | 1,174,036 | 0.00 |
| Liquidnet | 2,435 | 502,577 | 0.00 |
| ITG (Investment Technology Group) | 496 | 8,510 | 0.06 |
| Morgan Stanley | 302 | 41,815 | 0.01 |
| Mizuho Securities | 96 | 27,800 | 0.00 |
| TOTAL | \$ 284,121 | 40,195,153 | \$ 0.01 |

Supporting Schedules

Summary Schedule of Global Equity Investment Commissions For the Year Ended June 30, 2024

| Investment Brokerage Firm | Commission | Shares Traded | Commission per Share |
|---|---------------------|--------------------|----------------------|
| Loop Capital Markets | \$ 85,673 | 6,160,286 | \$ 0.01 |
| Morgan Stanley | 62,005 | 11,386,382 | 0.01 |
| Penserra Securities | 58,545 | 4,628,879 | 0.01 |
| Sanford C. Bernstein | 54,967 | 4,257,747 | 0.01 |
| UBS | 52,406 | 8,338,561 | 0.01 |
| Mischler Financial Group | 46,829 | 5,634,536 | 0.01 |
| Jefferies & Company | 46,187 | 4,907,217 | 0.01 |
| JP Morgan Chase & Company | 45,253 | 5,927,638 | 0.01 |
| Citigroup Global Markets | 30,488 | 4,638,122 | 0.01 |
| Bank of America Securities | 29,951 | 3,208,838 | 0.01 |
| Nomura | 29,941 | 1,752,124 | 0.02 |
| Cabrera Capital Markets | 28,676 | 2,241,087 | 0.01 |
| Piper Sandler | 25,621 | 1,104,188 | 0.02 |
| Goldman Sachs | 23,366 | 9,879,308 | 0.00 |
| Bank of America | 22,847 | 3,018,057 | 0.01 |
| Tigress Financial Partners | 22,374 | 2,546,884 | 0.01 |
| Barclays | 16,174 | 1,397,411 | 0.01 |
| Macquarie Securities | 15,730 | 2,732,104 | 0.01 |
| North South Capital | 15,542 | 767,473 | 0.02 |
| CLSA | 14,428 | 4,162,449 | 0.00 |
| Instinet | 14,283 | 1,095,532 | 0.01 |
| BNP Paribas | 13,827 | 752,291 | 0.02 |
| Cowen & Company | 12,360 | 662,899 | 0.02 |
| Royal Bank of Canada | 12,118 | 929,460 | 0.01 |
| CastleOak Securities | 12,051 | 464,835 | 0.03 |
| Mizuho Securities | 11,452 | 808,416 | 0.01 |
| Liquidnet | 10,206 | 1,372,113 | 0.01 |
| Roberts & Ryan Investments | 9,920 | 498,836 | 0.02 |
| Siebert Brandford Shank & Company | 9,699 | 479,833 | 0.02 |
| State Street Global Markets | 9,030 | 1,633,747 | 0.01 |
| Guzman & Company | 8,874 | 964,893 | 0.01 |
| Capital Institutional Services, Inc (CAPIS) | 8,411 | 218,310 | 0.04 |
| Virtu Financial Capital Markets | 7,143 | 1,187,467 | 0.01 |
| Deutsche Bank | 6,624 | 283,669 | 0.02 |
| HSBC | 6,534 | 1,168,859 | 0.01 |
| RBC Capital Markets | 6,442 | 758,118 | 0.01 |
| Wells Fargo Advisors | 6,441 | 242,733 | 0.03 |
| Northern Trust Securities | 6,114 | 134,932,108 | 0.00 |
| JonesTrading Institutional Services | 5,868 | 102,271 | 0.06 |
| Merrill Lynch | 5,700 | 318,936 | 0.02 |
| Redburn Partners | 5,637 | 230,720 | 0.02 |
| BTIG (Bass Trading International Group) | 5,335 | 147,675 | 0.04 |
| AllianceBernstein | 4,923 | 2,589,691 | 0.00 |
| Berenberg Bank | 4,863 | 2,159,491 | 0.00 |
| Stifel, Nicolaus & Company | 4,445 | 168,992 | 0.03 |
| CL King & Associates | 4,300 | 182,584 | 0.02 |
| Kepler Capital Markets | 4,295 | 481,339 | 0.01 |
| China International Capital | 4,142 | 10,494,072 | 0.00 |
| Bank of Montreal | 4,112 | 373,219 | 0.01 |
| Robert W. Baird & Company | 4,027 | 167,533 | 0.02 |
| All Other Brokers | 70,954 | 8,047,607 | 0.01 |
| TOTAL | \$ 1,027,133 | 262,607,540 | \$ 0.00 |

Supporting Schedules

Summary Schedule of Fixed Income Investment Brokerage For the Year Ended June 30, 2024

| Investment Brokerage Firm | Fair Value Traded |
|-------------------------------------|-------------------------|
| Academy Securities | \$ 5,443,374,544 |
| Cabrera Capital Markets | 326,884,665 |
| JP Morgan Chase & Company | 271,533,743 |
| Bank of America | 221,409,627 |
| Morgan Stanley | 216,349,584 |
| Deutsche Bank | 209,277,489 |
| Goldman Sachs | 171,718,769 |
| Barclays | 164,291,981 |
| Citigroup Global Markets | 157,291,497 |
| Wells Fargo Advisors | 148,989,623 |
| Loop Capital Markets | 130,647,334 |
| CastleOak Securities | 128,522,893 |
| Stonex Financial, Inc | 111,347,501 |
| Nomura | 80,432,288 |
| Siebert Brandford Shank & Company | 57,370,949 |
| Great Pacific Securities | 53,332,269 |
| Jefferies & Company | 52,300,901 |
| Roberts & Ryan Investments | 51,970,232 |
| Bank of America Securities | 51,347,259 |
| MarketAxess | 51,206,449 |
| Williams Capital Group | 49,671,315 |
| HSBC | 46,687,426 |
| RBC Capital Markets | 41,630,681 |
| BMO Capital Markets | 40,362,979 |
| Jane Street Execution Services, LLC | 39,372,175 |
| TD Securities | 37,519,379 |
| Mizuho Securities | 34,918,881 |
| UBS | 32,189,056 |
| Citibank | 31,285,343 |
| BNP Paribas | 29,928,950 |
| Mitsubishi UFJ Securities | 23,796,535 |
| Truist Securities, Inc | 16,657,414 |
| Societe Generale Securities | 16,650,688 |
| Royal Bank of Canada | 16,474,150 |
| Stifel, Nicolaus & Company | 15,889,102 |
| Daiwa Securities Group | 15,474,140 |
| RBC Dain Rauscher | 15,176,983 |
| Millennium Advisors | 14,714,701 |
| US Bancorp | 14,611,506 |
| Mischler Financial Group | 13,648,999 |
| Penserra Securities | 13,496,818 |
| Stern Brothers and Company | 9,341,294 |
| BCP Securities | 9,090,407 |
| Santander Investment Securities | 8,937,163 |
| KeyBanc Capital Markets | 8,912,725 |
| Blaylock Robert Van | 8,151,153 |
| Cantor Fitzgerald | 8,034,456 |
| FHN Financial Securities | 7,697,882 |
| Colliers Securities LLC | 6,387,815 |
| Lloyds | 5,926,984 |
| All Other Brokers | 119,227,378 |
| TOTAL | \$ 8,851,464,075 |



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Changes in Plan Provisions

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December 13, 2024

Board of Trustees
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, Illinois 61820

Re: Certification of Actuarial Results

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the State Universities Retirement System of Illinois ("SURS") as of June 30, 2024. GRS provided the June 30, 2024 actuarial valuation report to the Board of Trustees on November 1, 2024. The purpose of this actuarial valuation, which is performed annually, is to determine the funding status and annual contribution requirements of SURS. GRS has prepared this actuarial valuation exclusively for the benefit of, and at the request of the Trustees of the State Universities Retirement System; GRS is not responsible for reliance upon this actuarial valuation for any other purpose or by any other party. Readers desiring a more complete understanding of the actuarial condition of SURS are encouraged to obtain and read the complete valuation reports. The Actuarial and Financial Sections of this ACFR contain some, but not all of, the information in the valuation reports.

The actuarial valuation is based upon:

- a. *Data Relative to the Members of SURS* – Data for all members, including those participating in the Retirement Savings Plan, was provided by SURS staff. GRS reviewed such data for reasonableness, but did not verify or audit the data.
- b. *Assets of the Fund* – SURS provides the asset information. The actuary reviewed the information for reasonableness and consistency with prior information, but did not verify or audit the information. The actuary calculates the actuarial value of assets and uses it to develop actuarial results. The method for calculating the actuarial value of assets is defined in statute. It was first effective with the actuarial valuation as of June 30, 2009. It smooths investment gains and losses above or below the actuarial assumption of 6.50% (most recently decreased from 6.75% applicable for fiscal years 2019-2021) over a five-year period.
- c. *Benefit Provisions* – Public Act 96-0889 changed the benefit provisions for members hired on or after January 1, 2011. Public Act 102-0718 extended the pension buyout through June 30, 2026. Public Act 103-0548, effective August 11, 2023, eliminates the requirement that a participant be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. Public Act 103-0548 also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years. Active members classified as part time for valuation purposes are now valued the same as

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Letter of Certification

- members classified as full time active members (as a result of the changes from Public Act 103-0548).
- d. *Actuarial Cost Method* – The actuarial cost method prescribed in the statute and utilized by SURS is the Projected Unit Credit Cost Method. The objective of this method is to finance the benefits of SURS as such benefits accrue to each member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
 - e. *Actuarial Assumptions* – The actuarial assumptions used in this actuarial valuation are summarized in the next few pages. The actuarial assumptions were reviewed and updated as part of the experience study conducted for the period June 30, 2020 through June 30, 2023 and adopted by the Board first effective for the actuarial valuation as of June 30, 2024. 0% of eligible Tier 1 active members are assumed to elect to receive a reduced and delayed AAI benefit at retirement and an accelerated pension benefit option and 0% of eligible inactive members are assumed to elect to receive an accelerated pension benefit option in lieu of an annuity at retirement in accordance with Public Acts 100-0587, 101-0010 and 102-0718.

The Board sets the actuarial assumptions under Section 15-155(a) of the Illinois Pension Code. The actuarial cost method is prescribed in Section 15-155 of the Illinois Pension Code. In our opinion, the actuarial assumptions are reasonable for the purpose of the measurement. The combined effect of the assumptions is expected to have no significant bias (i.e. not significantly optimistic or pessimistic). The actuarial assumptions and the actuarial cost method used to calculate the actuarial liabilities for funding purposes meet the parameters set by the Actuarial Standards of Practice. Calculations performed for GASB Statement No. 67 were performed in accordance with the requirements of that Statement, including the use of the Entry Age Normal Cost Method and a single discount rate of 6.35% for fiscal year ending June 30, 2024. Liabilities as of June 30, 2023, projected to June 30, 2024, were used for the GASB Statement No. 67 schedules.

The funding objective as defined in the Illinois Pension Code is to collect employer and employee contributions sufficient to provide the benefits of SURS when due and to achieve an asset value equal to 90% of the Actuarial Accrued Liability by the end of fiscal year 2045. The financing objective of SURS and the funding process to reach that objective are set out in Section 15-155 of the SURS Article of the Illinois Pension Code.

The statutory funding policy set out in Section 15-155 of the Illinois Pension Code results in a near-term contribution requirement that is less than a reasonable actuarially determined contribution. Meeting the statutory requirement does not mean that the undersigned agree that adequate actuarial funding has been achieved; we recommend the development of and adherence to a funding policy that funds the normal cost of the plan as well as an amortization payment that would seek to pay off the total unfunded accrued liability by 2045 or sooner if possible. Although prior year statutory contribution requirements were met, the statutory funding method generates a contribution requirement that is less than a reasonable actuarially determined contribution.



Letter of Certification

The following schedules in the Actuarial Section and Financial Section of the Annual Comprehensive Financial Report were prepared based upon certain information presented in the previously mentioned funding valuation report or provided outside of the valuation to SURS. In the case of the other schedules, SURS Staff excerpted information from various schedules in the actuarial reports and tabulated it to produce the appropriate Annual Financial Report Schedule.

Financial Section

- Net Pension Liability
- Schedule of Changes in the Employer Net Pension Liability and Related Ratios
- Schedule of Net Pension Liability
- Schedule of Contributions from Employers and Other Contributing Entities

Actuarial Section

- Valuation Results
- Analysis of Financial Experience
- Change in the Unfunded Actuarial Accrued Liability
- Summary of Major Actuarial Assumptions
- Projected Required Contribution
- Schedule of Employer Contributions
- Schedule of Funding Progress
- Schedule of Increases and Decreases of Benefit Recipients
- Active Participant Statistics
- Analysis of Change in Membership
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Contributions from Employers and Non-Employer Contributing Entity
- Funding Ratios
- Percentage of Benefits Covered by Net Position
- Payroll Percentages

To the best of our knowledge, this actuarial statement is complete and accurate. It fairly presents the actuarial position of SURS as of June 30, 2024, based on the data and actuarial techniques described above and applicable statutes. It has been prepared in accordance with generally accepted actuarial principles and practices. It complies with the Actuarial Standards of Practice issued by the Actuarial Standards Board, except where otherwise noted. The actuarial valuation report was prepared in accordance with the applicable law.



Letter of Certification

Future actuarial measurements may differ significantly from the current measurements presented in this actuarial valuation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions, contribution amounts or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

The actuarial valuation report was prepared using our proprietary valuation model and related software and spreadsheet models. We used those models to calculate the statutory contributions in each future year through 2045 under the SURS statutory funding policy. In our professional judgment, the models used have the capability to provide results that are consistent with the purposes of the valuation and have no material limitations or known weaknesses. We performed tests to ensure that the models reasonably represent that which is intended to be modeled.

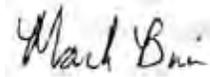
The signing actuaries are independent of the plan sponsor.

Amy Williams, Mark Buis and Kevin Noelke are Members of the American Academy of Actuaries ("MAAA") and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Amy Williams, ASA, EA, MAAA, FCA
Senior Consultant



Mark Buis, FSA, EA, MAAA, FCA
Senior Consultant



Kevin Noelke, ASA, MAAA, FCA
Consultant



Actuarial Report

Pension Financing

The System is financed by non-employer contributing entity contributions (State appropriations), employee contributions, employer contributions (trust, federal, and grant funds), and investment earnings. Employee contributions are established by the Illinois Compiled Statutes at 8% of pay. Investment earnings and State funding are primary determinants of the System's financial status. Non-employer contributing entity and employer contributions are determined through annual actuarial valuations. Actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee turnover, mortality, and disability rates) in performing these valuations.

Under the Illinois Compiled Statutes (40 ILCS 5/15-155), the required employer contributions (statutory contribution) under the statutory funding plan are calculated by the actuaries on an annual basis. To determine the statutory contribution, the actuary calculates the actuarial accrued liability and the actuarial value of assets. The normal cost for the active members is equal to the portion of the actuarial accrued liability assigned to this year. Any shortfall between the actuarial value of assets and the actuarial accrued liability is referred to as the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a 30-year closed amortization period.

Actuarial Asset Valuation

The actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed expected income investment rate of 6.5%. Investment income in excess or shortfall of the expected 6.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year. The use of this actuarial method began with the valuation for the period ending June 30, 2009, as required by Public Act 96-0043, which was signed into law on July 15, 2009.

In addition to an annual actuarial valuation, SURS periodically undertakes an actuarial audit by an independent firm. An actuarial audit is conducted to ensure that the actuarial valuation and other actuarial processes are performed accurately and that the methods and assumptions utilized are reasonable and prudent. The last actuarial audit was performed and completed by Athena Actuarial Consulting in November 2023. The results of the audit were favorable and concluded that the calculations, method, and assumptions were reasonable. The next actuarial audit will be completed in fiscal year 2027.

Actuarial Cost Method

For financial reporting, the entry age actuarial cost method is applied in accordance with the Governmental Accounting Standards Board (GASB) Statements 67 and 68. For purposes of determining the System's funding calculation of the non-employer contributing entity and employer contribution, the projected unit credit cost method is used as required by Public Act 96-0043. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected years of service at retirement. The employer normal cost for fiscal year 2024 was 12.53%. The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL. For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the postretirement increases, the same procedure as outlined above is followed. Estimated annual administrative expenses are added to the normal cost.

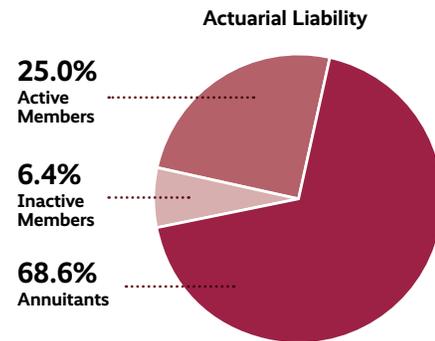
Employee Data

Employee data is provided by the administrative staff of SURS. Various tests are applied to check internal consistency as well as consistency from year to year. No calculations are made for employees not yet hired as of the valuation date.

Actuarial Report

Valuation Results for Fiscal Year Ended June 30, 2024 (\$ in millions)

| ACTUARIAL LIABILITY (RESERVES) | |
|--|--------------------|
| For members receiving annuities | \$ 36,230.4 |
| For inactive members | 3,367.5 |
| For active members | 13,227.5 |
| Total | 52,825.4 |
| Actuarial value of assets available for benefits | 24,312.6 |
| Unfunded actuarial accrued liability | \$ 28,512.8 |



As of June 30, 2024, the Unfunded Actuarial Accrued Liability (UAAL) to be amortized was \$28,512,768,000.

Analysis of Financial Experience for Fiscal Year Ended June 30, 2024 (\$ in millions)

| | |
|--|-----------------|
| Investment return | \$ (133.1) |
| Salary increases | 291.2 |
| Age and service retirement differences | (56.1) |
| Termination differences | 10.6 |
| Mortality and disability differences | 4.2 |
| Benefit recipient differences | 77.6 |
| Other actuarial differences | 56.5 |
| Total actuarial loss | \$ 250.9 |

Change in the Unfunded Actuarial Accrued Liability (\$ in millions)

| | |
|--|--------------------|
| Unfunded actuarial accrued liability at June 30, 2023 | \$ 27,669.5 |
| Expected increase in unfunded actuarial accrued liability | 55.2 |
| Impact of change in actuarial assumptions | 533.8 |
| Plan provision changes | 3.4 |
| Total actuarial loss | 250.9 |
| Unfunded actuarial accrued liability at June 30, 2024 | \$ 28,512.8 |

Actuarial Report

Summary of Major Actuarial Assumptions

Interest

7.0% per annum, compounded annually (adopted by the SURS Board effective June 30, 2024) for funding purposes. The actuarial assumption rate credited to member accounts is 7.0% per annum (adopted by the SURS Board effective June 30, 2024).

Net Position

Assets available for benefits are used at fair value.

Expenses

As estimated and advised by the SURS staff, based on current expenses with an allowance for expected increases.

The following assumptions were adopted by the SURS Board effective with the June 30, 2024 actuarial valuation. They were developed based on an experience study completed in June 2024. These assumptions are the same for financial reporting and funding purposes.

Termination

Rates of withdrawal are based upon ages and years of service as developed from plan experience. The tables below show termination rates based upon experience in the 2021–2023 period. The assumption consists of tables of ultimate turnover rates by years of service credit.

Termination Rates

| Years of Service | Academic | Non-Academic |
|------------------|----------|--------------|
| 0–1 | 15.0% | 14.0% |
| 2 | 11.0 | 14.0 |
| 3 | 10.0 | 13.0 |
| 4 | 9.0 | 12.0 |
| 5 | 8.0 | 10.5 |
| 6 | 7.0 | 8.5 |
| 7 | 6.0 | 7.5 |
| 8 | 5.5 | 6.5 |
| 9 | 5.0 | 6.0 |
| 10 | 4.0 | 5.0 |
| 11 | 3.5 | 5.0 |
| 12 | 3.0 | 4.0 |
| 13–14 | 2.5 | 3.0 |
| 15 | 2.0 | 3.0 |
| 16–19 | 2.0 | 2.5 |
| 20–24 | 1.5 | 2.0 |
| 25–29 | 1.25 | 1.25 |

Mortality

Rates are based on generational mortality using the following tables:

Academic: Pub-2010 Healthy Retiree Mortality Table (for Teachers), sex distinct, projected from 2010 using MP-2021 mortality improvement scale.

Non-Academic: Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex distinct, projected from 2010 using MP-2021 mortality improvement scale.

Police: Pub-2010 Healthy Retiree Mortality Table (for Safety Employees), sex distinct, projected from 2010 using MP-2021 mortality improvement scale.

Actuarial Report

Annual Compensation Increases

| | Years of Service | Academic | | Non-Academic | |
|---|------------------|--------------|--------------|--------------|--------------|
| | | Under Age 50 | 50 and Older | Under Age 50 | 50 and Older |
| <p>Salary Increases Each member's compensation is assumed to increase by 3.15% each year; 2.40% reflecting salary inflation and 0.75% reflecting standard of living increases. That rate is increased for members with less than 34 years of service as shown in the table to the right. The payroll of the entire system is assumed to increase at 3.15% per year for purposes of calculating employer required contributions.</p> <p>Retirement Age Upon eligibility, active members are assumed to retire as shown in the table below.</p> <p>Other Assumptions The disability rates are graduated based on age. The Cost of Living Adjustment (COLA) is 3.00% per annum for members hired before January 1, 2011, based on the benefit provision of 3.00% annual compound increases. The assumed rate is 1.13% for members hired on or after January 1, 2011, based on the provision of increases equal to half of the increase in the Consumer Price Index with a maximum increase of 3.00%. The female spouse is assumed to be three years younger than the male spouse.</p> | 0-1 | 15.00% | 13.00% | 12.00% | 11.00% |
| | 2 | 9.00 | 9.25 | 9.00 | 8.25 |
| | 3 | 7.75 | 7.50 | 8.00 | 7.00 |
| | 4 | 6.75 | 6.75 | 7.00 | 6.00 |
| | 5 | 6.25 | 6.25 | 6.50 | 5.50 |
| | 6 | 6.00 | 5.75 | 6.25 | 5.25 |
| | 7 | 5.50 | 5.25 | 5.75 | 4.75 |
| | 8-10 | 5.00 | 4.25 | 5.25 | 4.50 |
| | 11-14 | 4.75 | 3.75 | 5.00 | 4.00 |
| | 15-18 | 4.50 | 3.50 | 4.75 | 3.75 |
| | 19 | 4.50 | 3.25 | 4.50 | 3.50 |
| | 20-24 | 4.25 | 3.25 | 4.25 | 3.50 |
| | 25-29 | 4.00 | 3.25 | 4.00 | 3.50 |
| | 30-33 | 3.75 | 3.25 | 3.75 | 3.50 |
| | 34+ | 3.50 | 3.15 | 3.50 | 3.15 |

Retirement Rates

| Age | Tier 1 | | | | |
|----------|-------------------------------|----------|--------------|----------------------------|--------------|
| | Normal (Unreduced) Retirement | | | Early (Reduced) Retirement | |
| | Police | Academic | Non-Academic | Academic | Non-Academic |
| Under 50 | -% | 55.0% | 55.0% | -% | -% |
| 50 | 50.0 | 55.0 | 40.0 | - | - |
| 51-52 | 40.0 | 40.0 | 30.0 | - | - |
| 53-54 | 40.0 | 30.0 | 30.0 | - | - |
| 55 | 50.0 | 20.0 | 25.0 | 4.0 | 8.5 |
| 56 | 30.0 | 18.0 | 25.0 | 3.0 | 5.5 |
| 57-58 | 30.0 | 18.0 | 25.0 | 4.0 | 6.0 |
| 59 | 30.0 | 18.0 | 25.0 | 4.0 | 8.0 |
| 60 | 20.0 | 12.0 | 20.0 | - | - |
| 61 | 15.0 | 12.0 | 15.0 | - | - |
| 62 | 15.0 | 12.0 | 17.0 | - | - |
| 63-64 | 15.0 | 13.0 | 17.0 | - | - |
| 65-69 | 40.0 | 17.0 | 25.0 | - | - |
| 70-79 | 100.0 | 17.0 | 22.0 | - | - |
| 80+ | 100.0 | 100.0 | 100.0 | - | - |

| Age | Tier 2 | | | | |
|-------|-------------------------------|----------|--------------|----------------------------|--------------|
| | Normal (Unreduced) Retirement | | | Early (Reduced) Retirement | |
| | Police | Academic | Non-Academic | Academic | Non-Academic |
| 60 | 60.0% | -% | -% | -% | -% |
| 61 | 25.0 | - | - | - | - |
| 62 | 25.0 | - | - | 15.0 | 20.0 |
| 63-64 | 25.0 | - | - | 10.0 | 12.0 |
| 65-66 | 15.0 | - | - | 10.0 | 12.0 |
| 67 | 15.0 | 30.0 | 30.0 | - | - |
| 68-69 | 25.0 | 17.0 | 25.0 | - | - |
| 70 | 100.0 | 17.0 | 22.0 | - | - |
| 71-79 | - | 17.0 | 22.0 | - | - |
| 80+ | - | 100.0 | 100.0 | - | - |

●● Analysis of Funding

Funding Objective

Beginning in fiscal year 1996, the required contribution rates were based upon Public Act 88-0593, which calls for a 15-year phase-in to a 35-year funding plan, which provides for adequate annual funding of the employer’s normal cost, while amortizing the unfunded actuarial accrued liability. Annual funding under this plan will occur as a continuing appropriation. This method does not conform with the provisions of GASB 67 and 68 for financial reporting. The statutory funding plan requires the State to contribute annually an amount equal to a constant percent of payroll necessary to allow SURS to achieve a 90% funded ratio by fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions.

Employer Contributions Received in Fiscal Year 2024

| | |
|------------------------------------|-------------------------|
| State appropriations | \$ 1,867,878,551 |
| State pension fund | 215,000,000 |
| Federal/trust/employer funds/other | 66,619,594 |
| Total | \$ 2,149,498,145 |

Reconciliation to Total State Appropriations

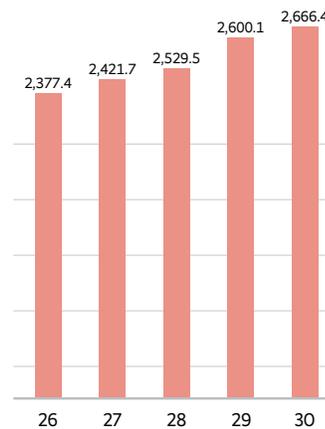
| | |
|--|-------------------------|
| State appropriations received: | |
| Defined benefit pension plan | \$ 2,082,878,551 |
| Custodial funds | 89,215,749 |
| Total State appropriations received | \$ 2,172,094,300 |

The net State appropriation results are based on the projected unit credit actuarial cost method, and on the data provided and assumptions used, for the June 30, 2024 actuarial valuation.

Projected Required Contribution

| Fiscal Year | Assumed % of Payroll | Required Payroll (\$ in billions) | Contribution (\$ in millions) |
|-------------|----------------------|-----------------------------------|-------------------------------|
| 2026 | 39.8% | \$ 5.97 | \$ 2,377.4 |
| 2027 | 39.4 | 6.14 | 2,421.7 |
| 2028 | 40.0 | 6.32 | 2,529.5 |
| 2029 | 40.0 | 6.50 | 2,600.1 |
| 2030 | 39.9 | 6.68 | 2,666.4 |

Projected Required Contribution
(\$ in millions) by FY



●● Analysis of Funding

Schedule of Employer Contributions (\$ in millions)

| Fiscal Year | Gross ADC | Member Contributions | Net ER ADC | Actual ER Contributions | ER Contribution as a % of Net ADC | Total Contributions as a % of Total ADC |
|-------------|------------|----------------------|------------|-------------------------|-----------------------------------|---|
| 2015 | \$ 1,890.4 | \$ 267.7 | \$ 1,622.7 | \$ 1,528.5 | 94.2% | 95.0% |
| 2016 | 2,090.0 | 278.9 | 1,811.1 | 1,582.3 | 87.4 | 89.1 |
| 2017 | 2,143.4 | 278.6 | 1,864.8 | 1,650.6 | 88.5 | 90.0 |
| 2018 | 2,144.7 | 282.7 | 1,862.0 | 1,607.9 | 86.4 | 88.2 |
| 2019 | 2,519.4 | 280.0 | 2,239.4 | 1,642.1 | 73.3 | 76.3 |
| 2020 | 2,581.4 | 282.4 | 2,299.0 | 1,838.8 | 80.0 | 82.2 |
| 2021 | 2,591.8 | 288.5 | 2,303.3 | 1,978.7 | 85.9 | 87.5 |
| 2022 | 2,666.9 | 289.1 | 2,377.8 | 2,136.1 | 89.8 | 90.9 |
| 2023 | 2,672.6 | 299.6 | 2,373.0 | 2,138.7 | 90.1 | 91.2 |
| 2024 | 2,781.6 | 335.4 | 2,446.2 | 2,149.5 | 87.9 | 89.3 |

In an inflationary economy, the value of dollars is decreasing. This environment results in employee pay increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities dollars divided by active employee payroll dollars provides a helpful index which shows that the smaller the ratio of unfunded liabilities to active member payroll, the stronger the System. Observation of this relative index over a period of years will give an indication of whether the System is becoming financially stronger or weaker.

Schedule of Funding Progress (\$ in millions)

| Fiscal Year | Actuarial Value of Assets (A) | Actuarial Accrued Liabilities | Unfunded Actuarial Accrued Liabilities | Funding Ratio | Covered Payroll | UAAL as a % of Payroll |
|-------------|-------------------------------|-------------------------------|--|---------------|-----------------|------------------------|
| 2015 | \$ 17,104.6 | \$ 39,520.7 | \$ 22,416.1 | 43.3% | \$ 3,606.5 | 621.5% |
| 2016 | 17,701.6 | 40,923.3 | 23,221.7 | 43.3 | 3,513.1 | 661.0 |
| 2017 | 18,594.3 | 41,853.3 | 23,259.0 | 44.4 | 3,458.3 | 672.6 |
| 2018 | 19,347.9 | 45,258.7 | 25,910.8 | 42.7 | 3,470.2 | 746.7 |
| 2019 | 19,661.9 | 46,444.0 | 26,782.1 | 42.3 | 3,506.7 | 763.8 |
| 2020 | 20,091.7 | 47,580.5 | 27,488.8 | 42.2 | 3,642.6 | 754.6 |
| 2021 | 21,484.8 | 48,898.4 | 27,413.6 | 43.9 | 3,638.2 | 753.5 |
| 2022 | 22,554.8 | 49,870.0 | 27,315.2 | 45.2 | 3,613.4 | 755.9 |
| 2023 | 23,381.2 | 51,050.7 | 27,669.5 | 45.8 | 3,744.8 | 738.9 |
| 2024 | 24,312.6 | 52,825.4 | 28,512.8 | 46.0 | 4,192.7 | 680.1 |

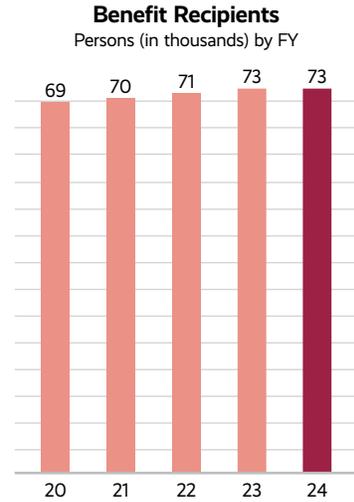
For fiscal year 2024, if calculated using fair Value of Assets of \$24,340.2, the funding ratio is 46.1%.

- (A) Per Public Act 96-0043, beginning fiscal year 2009, measures of financial soundness will be calculated using an actuarial value of assets based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 6.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

●● Analysis of Funding

Schedule of Increases and Decreases of Benefit Recipients

| Fiscal Year | Beginning Balance | Additions | Subtractions | Ending Balance |
|-------------|-------------------|-----------|--------------|----------------|
| 2015 | 59,406 | 3,511 | 1,897 | 61,020 |
| 2016 | 61,020 | 4,058 | 1,932 | 63,146 |
| 2017 | 63,146 | 3,465 | 2,066 | 64,545 |
| 2018 | 64,545 | 3,764 | 2,140 | 66,169 |
| 2019 | 66,169 | 3,721 | 2,048 | 67,842 |
| 2020 | 67,842 | 3,544 | 2,214 | 69,172 |
| 2021 | 69,172 | 3,460 | 2,521 | 70,111 |
| 2022 | 70,111 | 3,758 | 2,411 | 71,458 |
| 2023 | 71,458 | 3,499 | 2,377 | 72,580 |
| 2024 | 72,580 | 3,059 | 2,336 | 73,303 |



Active Participant Statistics

| Fiscal Year | Males | Females | Total Actives | Percent Change | Average Salary | Percent Change | Average Age | Average Service Credit |
|-------------|--------|---------|---------------|----------------|----------------|----------------|-------------|------------------------|
| 2015 | 29,420 | 39,961 | 69,381 | (0.1)% | \$ 50,103 | 2.5% | 47.2 | 10.0 |
| 2016 | 28,041 | 38,204 | 66,245 | (4.5) | 51,115 | 2.0 | 47.3 | 10.2 |
| 2017 | 27,068 | 37,049 | 64,117 | (3.2) | 51,988 | 1.7 | 47.5 | 10.4 |
| 2018 | 26,350 | 36,494 | 62,844 | (2.0) | 53,482 | 2.9 | 47.5 | 10.5 |
| 2019 | 26,010 | 36,579 | 62,589 | (0.4) | 54,263 | 1.5 | 47.3 | 10.3 |
| 2020 | 26,112 | 37,094 | 63,206 | 1.0 | 55,817 | 2.9 | 47.3 | 10.2 |
| 2021 | 24,757 | 35,640 | 60,397 | (4.4) | 58,484 | 4.8 | 47.3 | 10.5 |
| 2022 | 24,715 | 35,566 | 60,281 | (0.2) | 59,181 | 1.2 | 47.1 | 10.3 |
| 2023 | 25,058 | 36,451 | 61,509 | 2.0 | 61,639 | 4.2 | 46.9 | 10.1 |
| 2024 | 25,626 | 37,437 | 63,063 | 2.5 | 64,803 | 5.1 | 46.7 | 10.0 |

Analysis of Funding

Analysis of Change in Membership

| Fiscal Year | Beginning Members | Additions | Retired | Died | Other Terminations | Ending Members |
|-------------|-------------------|-----------|---------|------|--------------------|----------------|
| 2015 | 69,436 | 9,021 | 1,425 | 102 | 7,549 | 69,381 |
| 2016 | 69,381 | 7,443 | 2,135 | 92 | 8,352 | 66,245 |
| 2017 | 66,245 | 7,530 | 1,644 | 105 | 7,909 | 64,117 |
| 2018 | 64,117 | 7,823 | 1,737 | 115 | 7,244 | 62,844 |
| 2019 | 62,844 | 8,602 | 1,821 | 101 | 6,935 | 62,589 |
| 2020 | 62,589 | 8,538 | 1,532 | 100 | 6,289 | 63,206 |
| 2021 | 63,206 | 5,906 | 1,728 | 87 | 6,900 | 60,397 |
| 2022 | 60,397 | 8,741 | 1,814 | 114 | 6,929 | 60,281 |
| 2023 | 60,281 | 9,848 | 1,385 | 99 | 7,136 | 61,509 |
| 2024 | 61,509 | 9,379 | 1,264 | 92 | 6,469 | 63,063 |

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

| Fiscal Year | Beginning of Year Balance | Number Added to Rolls | Allowances | Number Removed from Rolls | Allowances | End of Year Balance | Annual Pension Benefit Amount | Average Annual Benefit | % Increase in Average Benefit |
|-------------|---------------------------|-----------------------|----------------|---------------------------|-----------------|---------------------|-------------------------------|------------------------|-------------------------------|
| 2015 | 59,406 | 3,511 | \$ 158,067,006 | 1,897 | \$ (53,610,853) | 61,020 | \$ 2,112,232,941 | \$ 34,615 | 3.7% |
| 2016 | 61,020 | 4,058 | 175,156,703 | 1,932 | (56,407,539) | 63,146 | 2,218,653,518 | 35,135 | 1.5 |
| 2017 | 63,146 | 3,465 | 156,500,627 | 2,066 | (62,821,394) | 64,545 | 2,319,439,374 | 35,935 | 2.3 |
| 2018 | 64,545 | 3,764 | 174,309,588 | 2,140 | (69,500,663) | 66,169 | 2,425,701,962 | 36,659 | 2.0 |
| 2019 | 66,169 | 3,721 | 182,356,731 | 2,048 | (67,983,149) | 67,842 | 2,544,107,160 | 37,500 | 2.3 |
| 2020 | 67,842 | 3,544 | 184,241,074 | 2,214 | (77,525,203) | 69,172 | 2,662,866,247 | 38,496 | 2.7 |
| 2021 | 69,172 | 3,460 | 181,153,018 | 2,521 | (90,148,592) | 70,111 | 2,767,019,038 | 39,466 | 2.5 |
| 2022 | 70,111 | 3,758 | 203,196,995 | 2,411 | (90,397,268) | 71,458 | 2,865,099,094 | 40,095 | 1.6 |
| 2023 | 71,458 | 3,499 | 193,917,159 | 2,377 | (87,992,575) | 72,580 | 2,982,761,047 | 41,096 | 2.5 |
| 2024 | 72,580 | 3,059 | 185,780,444 | 2,336 | (91,879,997) | 73,303 | 3,068,418,230 | 41,859 | 1.9 |

Tests of Financial Soundness

The following four exhibits illustrate different measures of the financial soundness of the System. The Schedule of Funding compares State appropriations to the actuarial funding requirements, statutory funding requirement, and System expense.

Schedule of Contributions from Employers and Non-Employer Contributing Entity (\$ in millions)

| Fiscal Year | Gross ADC (1) | Member Contribution (2) | Net ADC (3) (A) | Employer Contribution (4) (B) | Non-Employer Entity Contribution (5) (C) | Employer/Non- Employer Percentage Contributed (D) |
|-------------|------------------|----------------------------|--------------------|-------------------------------------|--|---|
| 2015 | \$ 1,890.3 | \$ 267.7 | \$ 1,622.6 | \$ 39.9 | \$ 1,488.6 | 94.2% |
| 2016 | 2,090.0 | 278.9 | 1,811.1 | 39.3 | 1,542.9 | 87.4 |
| 2017 | 2,143.4 | 278.6 | 1,864.8 | 38.4 | 1,612.2 | 88.5 |
| 2018 | 2,144.7 | 282.7 | 1,862.0 | 39.7 | 1,568.2 | 86.4 |
| 2019 | 2,519.4 | 280.0 | 2,239.4 | 49.4 | 1,592.6 | 73.3 |
| 2020 | 2,581.4 | 282.4 | 2,299.0 | 53.0 | 1,785.8 | 80.0 |
| 2021 | 2,591.8 | 288.5 | 2,303.3 | 57.0 | 1,921.7 | 85.9 |
| 2022 | 2,666.9 | 289.1 | 2,377.8 | 57.9 | 2,078.2 | 89.8 |
| 2023 | 2,672.6 | 299.6 | 2,373.0 | 63.8 | 2,075.0 | 90.1 |
| 2024 | 2,781.6 | 335.4 | 2,446.2 | 66.6 | 2,082.9 | 87.9 |

- (A) The actuarially determined contribution per column 1, less member contributions 2.
 (B) Contributions from SURS employers from trust, federal funds and other.
 (C) Contributions from the State of Illinois.
 (D) Employer and non-employer contributions divided by the Net ADC (Column 4 and 5 divided by Column 3).

The Funding Ratios exhibit shows the percentage of the System's accrued benefit cost covered by net position. This funding ratio is used to assess the System's ability to make future benefit payments. The exhibit illustrates the ratio of net position to the System's accrued benefit cost over 10 years, with net position valued both at cost and at market.

Funding Ratios (\$ in millions)

| Fiscal Year | Net Position at Cost | Net Position at Market/ Actuarial Value of Assets (A) | Actuarial Funding Requirement | Funding Ratio | |
|-------------|-------------------------|--|----------------------------------|---------------|------------------|
| | | | | Cost | Market/Actuarial |
| 2015 | \$ 14,930.0 | \$ 17,104.6 | \$ 39,520.7 | 37.8% | 43.3% |
| 2016 | 15,070.8 | 17,701.6 | 40,923.3 | 36.8 | 43.3 |
| 2017 | 15,579.0 | 18,594.3 | 41,853.3 | 37.2 | 44.4 |
| 2018 | 16,044.1 | 19,347.9 | 45,258.7 | 35.4 | 42.8 |
| 2019 | 16,830.2 | 19,661.9 | 46,444.0 | 36.2 | 42.3 |
| 2020 | 17,887.6 | 20,091.7 | 47,580.5 | 37.6 | 42.2 |
| 2021 | 19,738.2 | 21,484.8 | 48,898.4 | 40.4 | 43.9 |
| 2022 | 20,202.5 | 22,554.8 | 49,870.0 | 40.5 | 45.2 |
| 2023 | 20,051.9 | 23,381.2 | 51,050.7 | 39.3 | 45.8 |
| 2024 | 20,316.8 | 24,312.6 | 52,825.4 | 38.5 | 46.0 |

- (A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 6.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

Tests of Financial Soundness

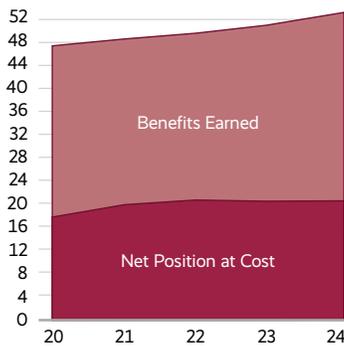
The Percentage of Benefits Covered by Net Position exhibit compares the plan's net position with the members' accumulated contributions, the amount necessary to cover the present value of benefits currently being paid, and the employer's portion of future benefits for active members.

Percentage of Benefits Covered by Net Position (\$ in millions)

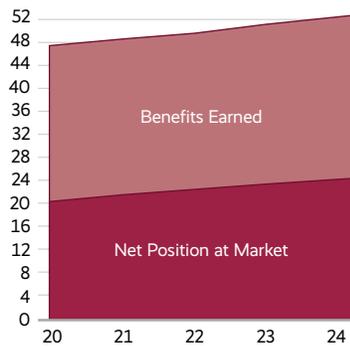
| Fiscal Year | Member Accumulated Contributions | Members Currently Receiving Benefits | Active/Inactive/ Members/ Employer's Portion | Net Position/ Actuarial Value of Assets | % of Benefits Covered by Net Position/Actuarial Value of Assets | | |
|-------------|----------------------------------|--------------------------------------|--|---|---|----------|-----|
| | {1} (A) | {2} (A) | {3} (A) | (B) | {1} | {2} | {3} |
| 2015 | \$ 6,196.6 | \$ 26,042.4 | \$ 7,281.7 | \$ 17,104.6 | 100.0% | 41.9% | - |
| 2016 | 6,145.8 | 27,342.2 | 7,435.3 | 17,701.6 | 100.0 | 42.3 | - |
| 2017 | 6,348.8 | 28,226.0 | 7,278.6 | 18,594.3 | 100.0 | 43.4 | - |
| 2018 | 6,516.3 | 30,710.7 | 8,031.7 | 19,347.9 | 100.0 | 41.8 | - |
| 2019 | 6,594.1 | 31,856.5 | 7,993.4 | 19,661.9 | 100.0 | 41.0 | - |
| 2020 | 6,651.0 | 32,862.0 | 8,067.5 | 20,091.7 | 100.0 | 40.9 | - |
| 2021 | 6,843.1 | 33,661.7 | 8,393.6 | 21,484.8 | 100.0 | 43.5 | - |
| 2022 | 6,800.0 | 34,632.8 | 8,437.2 | 22,554.8 | 100.0 | 45.5 | - |
| 2023 | 6,844.1 | 35,360.2 | 8,846.4 | 23,381.2 | 100.0 | 46.8 | - |
| 2024 | 7,109.5 | 36,230.4 | 9,485.5 | 24,312.6 | 100.0 | 47.5 (C) | - |

- (A) A test of financial soundness of the System is its ability to pay all promised benefits when due. The columns are in the order that assets would be used to cover certain types of obligations. Column 1 represents the value of members' accumulated contributions, which would be refunded first. Column 2 represents the amounts necessary to pay participants currently receiving benefits, which would be covered next. Column 3 represents the employer's portion of future benefits for active members, which would be covered last. If a System is receiving the actuarially determined contribution amounts, the total of the actuarial values in Columns 1 and 2 should generally be fully covered by assets, and the portion of the actuarial values of Column 3 covered by assets should increase over time.
- (B) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 6.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.
- (C) Per Public Act 96-0043, beginning fiscal year 2010, measures of financial soundness will be calculated using an actuarial value of assets based on a smoothed investment income rate. If the fair value of net position is used for fiscal year 2024, the percentage of benefits covered by net position would decrease to 47.6%.

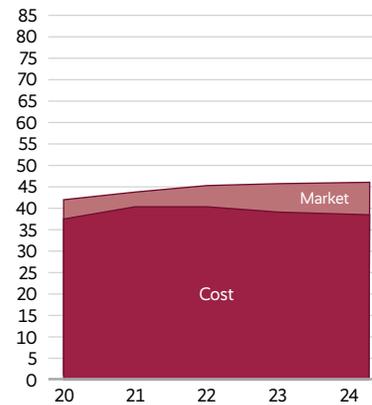
Benefits Covered by Net Position at Cost
\$ (in millions) by FY



Benefits Covered by Net Position at Market/Actuarial Value
\$ (in millions) by FY



Funding Ratios
Percentage by FY



ACTUARIAL

Tests of Financial Soundness

The final test, Payroll Percentages, compares member payroll to unfunded accrued benefit cost, normal cost, and total required contributions.

Payroll Percentages (\$ in millions)

| Fiscal Year | Member Payroll | Unfunded Accrued Benefit Cost | | Employer Cost | | | | Employer Contributions | | |
|-------------|----------------|-------------------------------|--------------|-----------------|--------------|------------------------------------|------------|------------------------|------------|--------------|
| | | Amount | % of Payroll | Normal Cost (A) | % of Payroll | Amortization of Unfunded Liability | Total | % of Payroll | Emp Cont. | % of Payroll |
| 2015 | \$ 3,606.5 | \$ 22,416.1 | 621.5% | \$ 462.3 | 12.8% | \$ 1,396.2 | \$ 1,858.5 | 51.6% | \$ 1,528.5 | 42.4% |
| 2016 | 3,513.1 | 23,221.7 | 661.0 | 460.7 | 13.1 | 1,466.8 | 1,927.5 | 54.9 | 1,582.3 | 45.0 |
| 2017 | 3,458.3 | 23,259.0 | 672.6 | 423.2 | 12.2 | 1,720.3 | 2,143.5 | 62.0 | 1,650.6 | 47.7 |
| 2018 | 3,470.2 | 25,910.8 | 746.7 | 447.6 | 12.9 | 1,697.1 | 2,144.7 | 61.8 | 1,607.9 | 46.3 |
| 2019 | 3,506.7 | 26,782.1 | 763.8 | 449.3 | 12.8 | 2,070.1 | 2,519.4 | 71.8 | 1,642.1 | 46.8 |
| 2020 | 3,642.6 | 27,488.8 | 754.6 | 457.3 | 12.6 | 2,124.1 | 2,581.4 | 70.9 | 1,838.8 | 50.5 |
| 2021 | 3,638.2 | 27,413.6 | 753.5 | 476.8 | 13.1 | 2,114.9 | 2,591.7 | 71.2 | 1,978.7 | 54.4 |
| 2022 | 3,613.4 | 27,315.2 | 755.9 | 478.4 | 13.2 | 2,188.4 | 2,666.8 | 73.8 | 2,136.1 | 59.1 |
| 2023 | 3,744.8 | 27,669.5 | 738.9 | 496.0 | 13.2 | 2,176.6 | 2,672.6 | 71.4 | 2,138.7 | 57.1 |
| 2024 | 4,192.7 | 28,512.8 | 680.1 | 515.8 | 12.3 | 2,265.8 | 2,781.6 | 66.3 | 2,149.5 | 51.3 |

(A) Actuarially determined normal cost less member contributions.

❖❖ Changes in Plan Provisions

Public Act 103-0548, which was signed into law on August 11, 2023, eliminates the requirement that a participant in SURS be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. The law also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years. This applies to SURS participants beginning on September 1, 2024. The plan summary can be found in the Notes to the Financial Statements.



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Participating Employers

Financial Schedules

Changes in Fiduciary Net Position - Defined Benefit Pension Plan 10-Year Summary (\$ in millions)

The historical trend information presented below is designed to provide information on the System's progress in accumulating assets to pay benefits when due.

ADDITIONS

| Fiscal Year | Member Contributions | Investment Income/(Loss) | Employer Contributions | | Total |
|-------------|----------------------|--------------------------|------------------------|--------------|------------|
| | | | Amount | % of Payroll | |
| 2015 | \$ 267.7 | \$ 503.2 | \$ 1,528.5 | 42.4% | \$ 2,299.4 |
| 2016 | 278.9 | 17.0 | 1,582.3 | 45.0 | 1,878.2 |
| 2017 | 278.6 | 1,994.3 | 1,650.6 | 47.7 | 3,923.5 |
| 2018 | 282.7 | 1,499.8 | 1,607.9 | 46.3 | 3,390.4 |
| 2019 | 280.0 | 1,129.8 | 1,642.1 | 46.8 | 3,051.9 |
| 2020 | 282.4 | 542.2 | 1,838.8 | 50.5 | 2,663.4 |
| 2021 | 288.5 | 4,763.0 | 1,978.7 | 54.4 | 7,030.2 |
| 2022 | 289.1 | (685.6) | 2,136.1 | 59.1 | 1,739.6 |
| 2023 | 299.6 | 1,329.7 | 2,138.7 | 57.1 | 3,768.0 |
| 2024 | 335.4 | 1,846.1 | 2,149.5 | 51.3 | 4,331.0 |

DEDUCTIONS

| Fiscal Year | Benefits | Contribution Refunds | Administrative Expenses | Total | Changes in Fiduciary Net Position |
|-------------|----------|----------------------|-------------------------|---------|-----------------------------------|
| | | | | | |
| 2016 | 2,235.8 | 85.0 | 14.7 | 2,335.5 | (457.3) |
| 2017 | 2,339.9 | 89.6 | 14.8 | 2,444.3 | 1,479.2 |
| 2018 | 2,446.3 | 93.5 | 14.4 | 2,554.2 | 836.3 |
| 2019 | 2,559.0 | 80.5 | 16.1 | 2,655.6 | 396.3 |
| 2020 | 2,676.2 | 69.0 | 18.5 | 2,763.7 | (100.3) |
| 2021 | 2,780.4 | 79.1 | 19.4 | 2,878.9 | 4,151.3 |
| 2022 | 2,879.6 | 82.5 | 22.6 | 2,984.7 | (1,245.2) |
| 2023 | 2,995.4 | 79.2 | 23.7 | 3,098.3 | 669.7 |
| 2024 | 3,081.3 | 78.8 | 24.0 | 3,184.1 | 1,146.9 |

Financial Schedules

Schedule of Benefit and Refund Deductions - Defined Benefit Pension Plan 10-Year Summary (\$ in millions)

BENEFIT DEDUCTIONS BY TYPE

| Fiscal Year | Retirement & DRA | Survivor | Disability | Death | Portable Refund (ER Match) | Total |
|-------------|---------------------|----------|------------|--------|-------------------------------|------------|
| 2015 | \$ 1,962.4 | \$ 133.8 | \$ 16.0 | \$ 4.9 | \$ 12.9 | \$ 2,130.0 |
| 2016 | 2,059.8 | 142.5 | 16.4 | 4.0 | 13.1 | 2,235.8 |
| 2017 | 2,152.5 | 149.9 | 17.0 | 6.6 | 13.9 | 2,339.9 |
| 2018 | 2,247.2 | 161.4 | 17.1 | 5.3 | 15.3 | 2,446.3 |
| 2019 | 2,352.3 | 174.5 | 17.3 | 5.2 | 9.7 | 2,559.0 |
| 2020 | 2,460.5 | 185.4 | 16.9 | 4.4 | 9.0 | 2,676.2 |
| 2021 | 2,551.0 | 198.7 | 17.4 | 3.9 | 9.5 | 2,780.5 |
| 2022 | 2,636.1 | 211.8 | 17.2 | 4.1 | 10.4 | 2,879.6 |
| 2023 | 2,739.5 | 226.0 | 17.2 | 3.7 | 9.0 | 2,995.4 |
| 2024 | 2,813.9 | 236.9 | 17.5 | 3.2 | 9.8 | 3,081.3 |

REFUND DEDUCTIONS BY TYPE

| Fiscal Year | Withdrawals | Survivor Ins Refunds | Death Benefits | Portable Lump Sum Retirement | Total |
|-------------|-------------|-------------------------|-------------------|---------------------------------|---------|
| 2015 | \$ 46.2 | \$ 10.5 | \$ 13.5 | \$ 13.5 | \$ 83.7 |
| 2016 | 44.5 | 10.5 | 15.9 | 14.1 | 85.0 |
| 2017 | 50.5 | 7.6 | 18.8 | 12.7 | 89.6 |
| 2018 | 51.8 | 6.8 | 17.6 | 17.3 | 93.5 |
| 2019 | 43.3 | 8.6 | 18.1 | 10.5 | 80.5 |
| 2020 | 37.8 | 8.7 | 16.0 | 6.5 | 69.0 |
| 2021 | 37.7 | 7.1 | 20.8 | 13.6 | 79.2 |
| 2022 | 45.9 | 9.1 | 18.3 | 9.2 | 82.5 |
| 2023 | 42.3 | 10.0 | 16.6 | 10.3 | 79.2 |
| 2024 | 42.9 | 7.3 | 19.3 | 9.3 | 78.8 |

Financial Schedules

Changes in Fiduciary Net Position - Other Employee Benefit Plan 10-Year Summary (\$ in millions)

ADDITIONS

| Fiscal Year | Investment Income/(Loss) | Employer Contributions | Total |
|-------------|-----------------------------|---------------------------|--------|
| 2020 | \$ 3.1 | \$ 2.5 | \$ 5.6 |
| 2021 | 28.5 | 2.9 | 31.4 |
| 2022 | (2.0) | 0.1 | (1.9) |
| 2023 | 7.7 | - | 7.7 |
| 2024 | 12.3 | - | 12.3 |

DEDUCTIONS

| Fiscal Year | Benefits | Changes in Fiduciary Net Position |
|-------------|----------|--------------------------------------|
| 2020 | \$ 1.5 | \$ 4.1 |
| 2021 | 2.4 | 29.0 |
| 2022 | 1.9 | (3.8) |
| 2023 | 2.5 | 5.1 |
| 2024 | 2.7 | 9.6 |

Note: The System implemented GASB Statement No. 84 in fiscal year 2021 with a restatement of fiscal year 2020. The schedule is intended to show information for 10 years.

Changes in Fiduciary Net Position - Custodial Funds 10-Year Summary (\$ in millions)

ADDITIONS

| Fiscal Year | Member Contributions | Investment Income/(Loss) | Employer Contributions | Total |
|-------------|-------------------------|-----------------------------|---------------------------|----------|
| 2020 | \$ 93.1 | \$ 0.3 | \$ 75.7 | \$ 169.1 |
| 2021 | 98.5 | 1.8 | 81.4 | 181.7 |
| 2022 | 110.2 | (0.1) | 92.3 | 202.4 |
| 2023 | 126.4 | 0.7 | 94.5 | 221.6 |
| 2024 | 150.8 | 1.1 | 102.9 | 254.8 |

DEDUCTIONS

| Fiscal Year | Contributions to Third- Party Administrator | Administrative Expenses | Total | Changes in Fiduciary Net Position |
|-------------|--|----------------------------|----------|--------------------------------------|
| 2020 | \$ 170.5 | \$ 0.8 | \$ 171.3 | \$ (2.2) |
| 2021 | 178.5 | 2.6 | 181.1 | 0.6 |
| 2022 | 198.4 | 1.3 | 199.7 | 2.7 |
| 2023 | 218.2 | 1.6 | 219.8 | 1.8 |
| 2024 | 253.8 | 1.5 | 255.3 | (0.5) |

Note: The System implemented GASB Statement No. 84 in fiscal year 2021 with a restatement of fiscal year 2020. The schedule is intended to show information for 10 years.

Statistical Analysis

Schedule of Benefit Recipients - Defined Benefit Pension Plan 10-Year Summary

| Fiscal Year | Survivor | Disability | Contribution Refunds | Retirement | Disability Retirement Allowance |
|-------------|----------|------------|----------------------|------------|---------------------------------|
| 2015 | 8,342 | 656 | 4,144 | 51,631 | 391 |
| 2016 | 8,481 | 671 | 4,376 | 53,596 | 398 |
| 2017 | 8,614 | 643 | 4,433 | 54,902 | 386 |
| 2018 | 8,844 | 651 | 4,269 | 56,293 | 381 |
| 2019 | 8,973 | 599 | 4,158 | 57,890 | 380 |
| 2020 | 9,157 | 583 | 3,460 | 59,060 | 372 |
| 2021 | 9,332 | 544 | 2,865 | 59,872 | 363 |
| 2022 | 9,460 | 536 | 3,326 | 61,110 | 352 |
| 2023 | 9,740 | 530 | 3,565 | 61,967 | 343 |
| 2024 | 9,959 | 526 | 3,109 | 62,485 | 333 |

Number of SURS Employees (full-time equivalents) 10-Year Summary

| Fiscal Year | HR & Admin | Inv & Acctg | Member Svcs & Outreach | IS & Support Svcs | RSP & DCP | Total |
|-------------|------------|-------------|------------------------|-------------------|-----------|--------|
| 2015 | 13.00 | 11.55 | 72.00 | 24.25 | 4.20 | 125.00 |
| 2016 | 14.00 | 11.55 | 73.00 | 22.25 | 4.20 | 125.00 |
| 2017 | 14.00 | 13.55 | 73.00 | 22.25 | 4.20 | 127.00 |
| 2018 | 14.00 | 14.00 | 68.00 | 30.00 | 3.00 | 129.00 |
| 2019 | 13.00 | 15.00 | 75.00 | 31.00 | 3.00 | 137.00 |
| 2020 | 14.00 | 17.00 | 82.00 | 41.00 | 3.00 | 157.00 |
| 2021 | 15.00 | 18.00 | 88.00 | 38.00 | 3.00 | 162.00 |
| 2022 | 18.00 | 17.00 | 91.00 | 39.00 | 4.00 | 169.00 |
| 2023 | 18.00 | 19.00 | 87.00 | 41.00 | 4.00 | 169.00 |
| 2024 | 17.00 | 19.00 | 90.00 | 42.00 | 5.00 | 173.00 |

Benefit Summary

Schedule of New Benefit Payments - Defined Benefit Pension Plan July 1, 2023 through June 30, 2024

| Age | Retirement | | Disability | | Survivor | |
|---------------|--------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|
| | Number | Average Monthly Benefit (A) | Number | Average Monthly Benefit (A) | Number | Average Monthly Benefit (A) |
| Under 10 | - | \$ - | - | \$ - | 1 | \$ 149 |
| 10-14 | - | - | - | - | 4 | 571 |
| 15-19 | - | - | - | - | 11 | 890 |
| 20-24 | - | - | - | - | 3 | 225 |
| 25-29 | - | - | 1 | 1,910 | - | - |
| 30-34 | - | - | 3 | 1,488 | 2 | 1,077 |
| 35-39 | - | - | 6 | 2,360 | 3 | 661 |
| 40-44 | - | - | 7 | 2,468 | - | - |
| 45-49 | 4 | 4,606 | 17 | 2,138 | 5 | 851 |
| 50-54 | 73 | 4,554 | 15 | 2,653 | 19 | 1,167 |
| 55-59 | 451 | 2,807 | 26 | 2,926 | 16 | 1,828 |
| 60-64 | 673 | 2,728 | 19 | 2,861 | 51 | 1,937 |
| 65-69 | 635 | 2,644 | 6 | 2,793 | 69 | 1,715 |
| 70-74 | 236 | 2,875 | 8 | 2,863 | 128 | 2,159 |
| 75-79 | 67 | 2,421 | - | - | 139 | 1,995 |
| 80-84 | 20 | 2,644 | - | - | 149 | 2,368 |
| 85-89 | 7 | 2,673 | - | - | 116 | 2,271 |
| 90-94 | - | - | - | - | 56 | 2,120 |
| 95-99 | - | - | - | - | 11 | 3,049 |
| Over 99 | - | - | - | - | 2 | 2,233 |
| TOTALS | 2,166 | \$ 2,790 | 108 | \$ 2,630 | 785 | \$ 2,059 |

Average Age—Retirement 63.9 years

Average Age—Disabilitant 54.2 years

Average Age—Survivors 75.2 years

(A) Total average monthly benefit is calculated based on a weighted average.

Benefit Summary

Schedule of Average Benefit Payments - Defined Benefit Pension Plan Retirees as of June 30, 2024

| | Years of Credited Service | | | | | | Total |
|-------------------------|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 0-10 | 11-15 | 16-20 | 21-25 | 26-29 | 30+ | |
| Fiscal Year 2015 | | | | | | | |
| Number of Retirees | 13,435 | 7,512 | 7,416 | 8,727 | 7,264 | 7,277 | 51,631 |
| Avg Monthly Annuity | \$ 781 | \$ 1,648 | \$ 2,706 | \$ 4,021 | \$ 5,183 | \$ 6,611 | \$ 3,172 |
| Final Average Salary | \$ 38,416 | \$ 41,594 | \$ 51,412 | \$ 60,959 | \$ 68,769 | \$ 75,265 | \$ 54,050 |
| Avg Service Credit | | | | | | | 18.83 |
| Fiscal Year 2016 | | | | | | | |
| Number of Retirees | 14,202 | 7,840 | 7,652 | 9,011 | 7,561 | 7,330 | 53,596 |
| Avg Monthly Annuity | \$ 804 | \$ 1,683 | \$ 2,774 | \$ 4,124 | \$ 5,307 | \$ 6,791 | \$ 3,226 |
| Final Average Salary | \$ 39,417 | \$ 42,181 | \$ 52,377 | \$ 62,193 | \$ 69,922 | \$ 76,675 | \$ 54,949 |
| Avg Service Credit | | | | | | | 18.70 |
| Fiscal Year 2017 | | | | | | | |
| Number of Retirees | 14,735 | 8,096 | 7,884 | 9,136 | 7,684 | 7,367 | 54,902 |
| Avg Monthly Annuity | \$ 823 | \$ 1,726 | \$ 2,823 | \$ 4,224 | \$ 5,431 | \$ 6,960 | \$ 3,278 |
| Final Average Salary | \$ 40,284 | \$ 42,992 | \$ 53,160 | \$ 63,026 | \$ 70,795 | \$ 78,065 | \$ 55,679 |
| Avg Service Credit | | | | | | | 18.58 |
| Fiscal Year 2018 | | | | | | | |
| Number of Retirees | 15,282 | 8,319 | 8,118 | 9,267 | 7,851 | 7,456 | 56,293 |
| Avg Monthly Annuity | \$ 846 | \$ 1,767 | \$ 2,878 | \$ 4,330 | \$ 5,542 | \$ 7,105 | \$ 3,333 |
| Final Average Salary | \$ 41,198 | \$ 43,645 | \$ 54,034 | \$ 63,879 | \$ 71,532 | \$ 78,962 | \$ 56,389 |
| Avg Service Credit | | | | | | | 18.49 |
| Fiscal Year 2019 | | | | | | | |
| Number of Retirees | 15,803 | 8,622 | 8,392 | 9,449 | 8,079 | 7,545 | 57,890 |
| Avg Monthly Annuity | \$ 871 | \$ 1,817 | \$ 2,933 | \$ 4,424 | \$ 5,658 | \$ 7,251 | \$ 3,390 |
| Final Average Salary | \$ 41,971 | \$ 44,560 | \$ 54,853 | \$ 64,680 | \$ 72,325 | \$ 79,997 | \$ 57,129 |
| Avg Service Credit | | | | | | | 18.42 |
| Fiscal Year 2020 | | | | | | | |
| Number of Retirees | 16,241 | 8,771 | 8,553 | 9,663 | 8,272 | 7,560 | 59,060 |
| Avg Monthly Annuity | \$ 892 | \$ 1,869 | \$ 3,001 | \$ 4,519 | \$ 5,784 | \$ 7,413 | \$ 3,456 |
| Final Average Salary | \$ 42,565 | \$ 45,528 | \$ 55,761 | \$ 65,562 | \$ 73,428 | \$ 81,140 | \$ 57,988 |
| Avg Service Credit | | | | | | | 18.45 |
| Fiscal Year 2021 | | | | | | | |
| Number of Retirees | 16,457 | 8,914 | 8,763 | 9,761 | 8,339 | 7,638 | 59,872 |
| Avg Monthly Annuity | \$ 913 | \$ 1,910 | \$ 3,063 | \$ 4,598 | \$ 5,910 | \$ 7,547 | \$ 3,519 |
| Final Average Salary | \$ 43,381 | \$ 46,184 | \$ 56,630 | \$ 66,347 | \$ 74,287 | \$ 82,245 | \$ 58,753 |
| Avg Service Credit | | | | | | | 18.42 |
| Fiscal Year 2022 | | | | | | | |
| Number of Retirees | 16,824 | 9,086 | 9,002 | 9,963 | 8,522 | 7,713 | 61,110 |
| Avg Monthly Annuity | \$ 934 | \$ 1,958 | \$ 3,130 | \$ 4,674 | \$ 6,045 | \$ 7,711 | \$ 3,588 |
| Final Average Salary | \$ 44,207 | \$ 47,128 | \$ 57,782 | \$ 67,105 | \$ 75,359 | \$ 83,639 | \$ 59,722 |
| Avg Service Credit | | | | | | | 18.39 |
| Fiscal Year 2023 | | | | | | | |
| Number of Retirees | 17,260 | 9,214 | 9,113 | 10,108 | 8,578 | 7,694 | 61,967 |
| Avg Monthly Annuity | \$ 962 | \$ 2,010 | \$ 3,223 | \$ 4,762 | \$ 6,210 | \$ 7,923 | \$ 3,661 |
| Final Average Salary | \$ 45,083 | \$ 47,767 | \$ 59,061 | \$ 67,885 | \$ 76,525 | \$ 85,109 | \$ 60,621 |
| Avg Service Credit | | | | | | | 18.30 |
| Fiscal Year 2024 | | | | | | | |
| Number of Retirees | 17,489 | 9,289 | 9,246 | 10,152 | 8,626 | 7,683 | 62,485 |
| Avg Monthly Annuity | \$ 990 | \$ 2,065 | \$ 3,303 | \$ 4,856 | \$ 6,372 | \$ 8,110 | \$ 3,739 |
| Final Average Salary | \$ 45,927 | \$ 48,404 | \$ 60,205 | \$ 68,393 | \$ 77,455 | \$ 86,411 | \$ 61,400 |
| Avg Service Credit | 6.61 | 13.33 | 18.53 | 23.37 | 27.98 | 32.13 | 18.25 |

Benefit Summary

Number of Covered Employees by Employer - Defined Benefit Pension Plan

| Participating Employer | Year ended June 30, 2024 | | Year ended June 30, 2015 | |
|---|--------------------------|----------------------------|--------------------------|----------------------------|
| | Covered Employees | % of Total SURS Membership | Covered Employees | % of Total SURS Membership |
| University of Illinois - Chicago | 13,222 | 21.0% | 11,542 | 16.6% |
| University of Illinois - Urbana | 10,422 | 16.5 | 10,048 | 14.5 |
| City Colleges of Chicago | 4,037 | 6.4 | 5,088 | 7.3 |
| Southern Illinois University - Carbondale | 3,856 | 6.1 | 4,148 | 6.0 |
| Illinois State University | 2,755 | 4.4 | 2,754 | 4.0 |
| Northern Illinois University | 2,232 | 3.5 | 2,719 | 3.9 |
| College of DuPage | 2,047 | 3.2 | 2,367 | 3.4 |
| Southern Illinois University - Edwardsville | 1,798 | 2.9 | 2,112 | 3.0 |
| College of Lake County | 1,303 | 2.1 | N/A* | N/A* |
| Elgin Community College | 998 | 1.6 | N/A* | N/A* |
| Triton College | N/A** | N/A** | 1,363 | 2.0 |
| Western Illinois University | N/A** | N/A** | 1,599 | 2.3 |
| Subtotal, 10 largest employers | 42,670 | 67.7% | 43,740 | 63.0% |
| All other employers | 20,393 | 32.3% | 25,641 | 37.0% |
| TOTAL | 63,063 | 100.0% | 69,381 | 100.0% |

*In FY 2015, this entity did not rank in the Top Ten.

**In FY 2024, this entity did not rank in the Top Ten.

Number of Covered Employees by Employer - Retirement Savings Plan

| Participating Employer | Year ended June 30, 2024 | | Year ended June 30, 2015 | |
|---|--------------------------|----------------------------|--------------------------|----------------------------|
| | Covered Employees | % of Total SURS Membership | Covered Employees | % of Total SURS Membership |
| University of Illinois - Urbana | 3,489 | 25.7% | 2,602 | 21.8% |
| University of Illinois - Chicago | 3,264 | 24.0 | 2,110 | 17.7 |
| Southern Illinois University - Carbondale | 963 | 7.1 | 813 | 6.8 |
| Illinois State University | 646 | 4.8 | 616 | 5.2 |
| Northern Illinois University | 582 | 4.3 | 645 | 5.4 |
| Southern Illinois University - Edwardsville | 449 | 3.3 | 414 | 3.5 |
| City Colleges of Chicago | 302 | 2.2 | 391 | 3.3 |
| College of DuPage | 293 | 2.2 | 353 | 3.0 |
| William Rainey Harper College | 262 | 1.9 | N/A* | N/A* |
| Western Illinois University | 233 | 1.7 | 320 | 2.7 |
| Triton College | N/A** | N/A** | 95 | 0.8 |
| Subtotal, 10 largest employers | 10,483 | 77.2% | 8,359 | 70.1% |
| All other employers | 3,091 | 22.8% | 3,569 | 29.9% |
| TOTAL | 13,574 | 100.0% | 11,928 | 100.0% |

*In FY 2015, this entity did not rank in the Top Ten.

**In FY 2024, this entity did not rank in the Top Ten.

Benefit Summary

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Pension Plan For the Year Ended June 30, 2024

| Monthly Amount of Benefit | Total Recipients | General Formula | Money Purchase | Police or Fire | Other (A) | Long-Term Disability | Temporary Disability | Survivors |
|---------------------------|------------------|-----------------|----------------|----------------|-----------|----------------------|----------------------|--------------|
| \$ 0-500 | 11,045 | 4,723 | 4,113 | - | 54 | 12 | 5 | 2,138 |
| 501-1000 | 8,468 | 3,341 | 3,052 | - | 8 | 81 | 15 | 1,971 |
| 1,001-1,500 | 6,737 | 2,612 | 2,809 | - | - | 156 | 39 | 1,121 |
| 1,501-2,000 | 5,792 | 2,076 | 2,697 | - | - | 46 | 167 | 806 |
| 2,001-2,500 | 5,148 | 1,671 | 2,629 | - | - | 18 | 115 | 715 |
| 2,501-3,000 | 4,532 | 1,326 | 2,529 | 1 | - | 15 | 48 | 613 |
| 3,001-3,500 | 4,134 | 1,154 | 2,422 | 7 | - | 10 | 31 | 510 |
| 3,501-4,000 | 3,727 | 1,006 | 2,216 | 7 | - | 2 | 32 | 464 |
| 4,001-4,500 | 3,164 | 909 | 1,852 | 13 | - | 1 | 17 | 372 |
| 4,501-5,000 | 2,721 | 864 | 1,509 | 15 | 1 | 2 | 20 | 310 |
| 5,001-5,500 | 2,187 | 711 | 1,238 | 16 | - | - | 14 | 208 |
| 5,501-6,000 | 1,904 | 658 | 1,066 | 20 | - | - | 9 | 151 |
| 6,001-7,000 | 3,187 | 1,140 | 1,830 | 31 | - | - | 6 | 180 |
| 7,001-8,000 | 2,460 | 901 | 1,444 | 29 | - | - | 4 | 82 |
| 8,001-9,000 | 1,994 | 830 | 1,099 | 20 | - | - | 3 | 42 |
| 9,001-10,000 | 1,483 | 585 | 868 | 8 | - | - | 1 | 21 |
| 10,001-11,000 | 1,146 | 486 | 639 | 9 | - | - | 2 | 10 |
| 11,001-12,000 | 782 | 368 | 405 | 1 | - | - | - | 8 |
| 12,001-13,000 | 606 | 290 | 308 | - | - | - | 2 | 6 |
| 13,001-14,000 | 430 | 228 | 197 | 1 | - | - | - | 4 |
| 14,001-15,000 | 277 | 126 | 146 | 1 | - | - | - | 4 |
| 15,001-16,000 | 182 | 99 | 82 | 1 | - | - | - | - |
| Over 16,000 | 474 | 275 | 195 | - | - | - | - | 4 |
| TOTAL | 72,580 | 26,379 | 35,345 | 180 | 63 | 343 | 530 | 9,740 |

(A) Minimum annuity and retirements of participants who terminated prior to 1969.

PARTICIPATING EMPLOYERS

| | |
|--|---|
| Black Hawk College | Lincoln Land Community College |
| Carl Sandburg College | McHenry College |
| Chicago State University | Moraine Valley Community College |
| City Colleges of Chicago | Morton College |
| College of DuPage | Northeastern Illinois University |
| College of Lake County | Northern Illinois University |
| Danville Area Community College | Northern Illinois University Foundation |
| Eastern Illinois University | Oakton Community College |
| Elgin Community College | Parkland College |
| Governors State University | Prairie State College |
| Heartland Community College | Rend Lake College |
| Highland Community College | Richland Community College |
| ILCS Section 15-107(i) Members | Rock Valley College |
| ILCS Section 15-107(c) Members | Sauk Valley College |
| Illinois Board of Examiners | Shawnee College |
| Illinois Board of Higher Education | South Suburban College |
| Illinois Central College | Southeastern Illinois College |
| Illinois Community College Board | Southern Illinois University Carbondale |
| Illinois Community College Trustees Association | Southern Illinois University Edwardsville |
| Illinois Department of Innovation and Technology | Southwestern Illinois College |
| Illinois Eastern Community College | Spoon River College |
| Illinois Mathematics and Science Academy | State Universities Civil Service System |
| Illinois State University | State Universities Retirement System |
| Illinois Valley Community College | Triton College |
| John A. Logan College | University of Illinois Alumni Association |
| John Wood Community College | University of Illinois Chicago |
| Joliet Junior College | University of Illinois Foundation |
| Kankakee Community College | University of Illinois Springfield |
| Kaskaskia College | University of Illinois Urbana-Champaign |
| Kishwaukee College | Waubonsee Community College |
| Lake Land College | Western Illinois University |
| Lewis & Clark Community College | William Rainey Harper College |



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To: Administration Committee
From: Jefferey S. Saiger, Chief Strategy & Technology Officer
Date: March 7, 2025
Re: Organizational Strategy Activities Update

On behalf of SURS staff, I am joined by our Executive Director, Suzanne Mayer, our Organizational Strategy Analyst, Amanda Baker and Mosaic, our strategic planning advisory firm, to provide an update regarding the latest activities around Organizational Strategic Planning.

In summary, we have successfully integrated Mosaic into our Organizational Strategy planning program and have them deliver on two separate pieces of work:

- An engagement survey of senior SURS staff to understand the internal sentiment around strategic planning.
- An assessment of strategic planning best practices of five peer public pension systems and how SURS compares.

Catherine Jackson and Debra Smith of Mosaic will discuss the results of these two exercises and as well as share some of the immediate next steps on our strategic planning journey.

We look forward to your questions and conversation on this topic.

Thank you.

Strategic Planning Best Practices

(Information Item)

A Presentation to the SURS Board of Trustees | March 7, 2025

Agenda

1 STRATEGIC PLAN PROCESS AND TIMELINE

2 OVERVIEW OF FINDINGS AND RECOMMENDATIONS

3 DISCUSSION

4 WRAP UP AND NEXT STEPS



1. Strategic Plan Process and Timeline

**1****Jan. – Mar. 2025**

- Executive Leadership Team survey
- Review peer practices in strategic planning & develop a consensus approach for SURS.
- **Present overview of findings and Executive Leadership Team's Approach (today)**

2**Mar. – July 2025**

- Initiate Strategic Planning process.
- **Conduct stakeholder research.**
- Analyze sentiment and summarize results.
- Facilitate three Executive Team Strategic Planning Sessions.
- **Facilitate Board Strategic Visioning Session (June 6, 2025).**

3**Aug. – Dec. 2025**

- Prepare draft Strategic Plan document.
- **Present draft to Board for first reading (October 2025).**
- **Present final draft for second reading and Board approval (December 2025).**

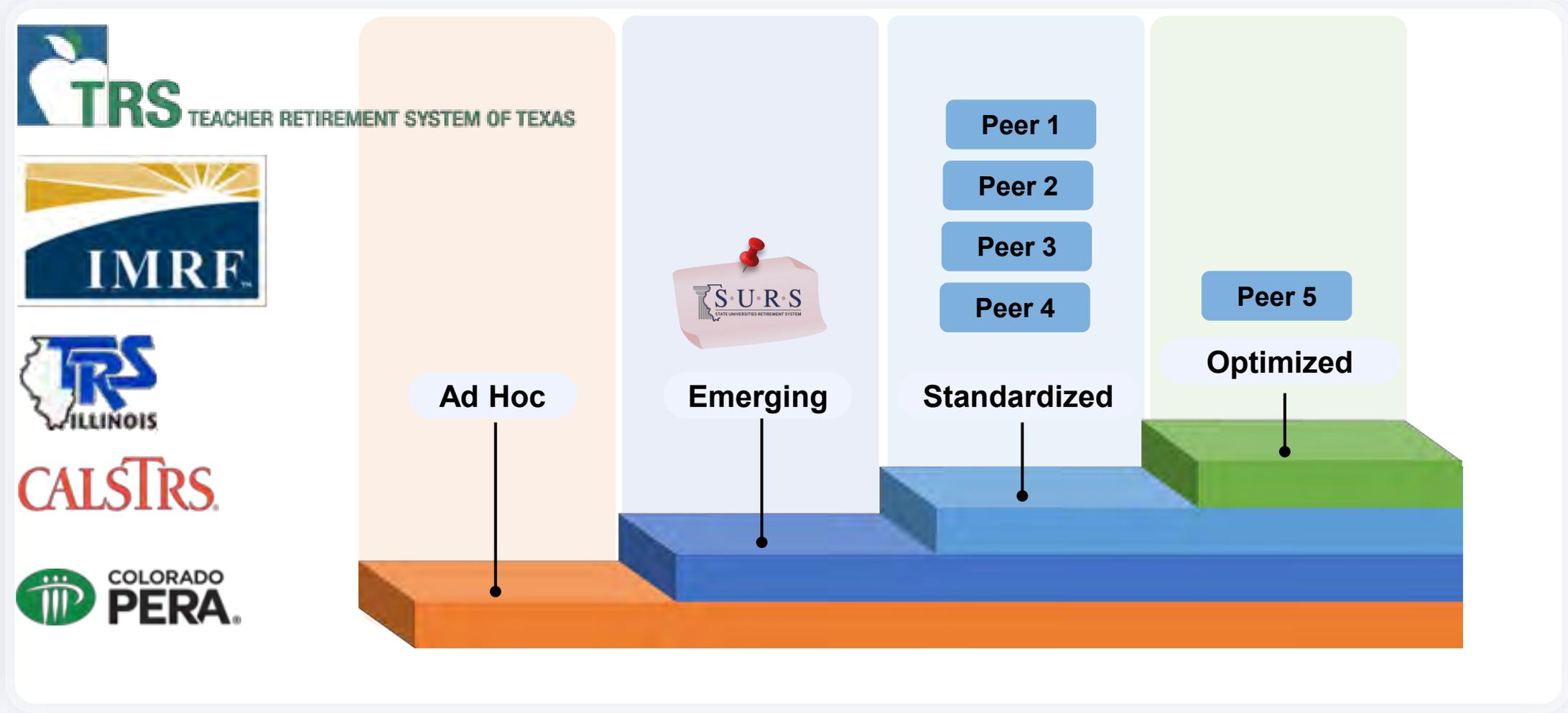


2. Findings - Overview

1. A minority of US pensions have comprehensive strategic plans or planning practices.
2. **SURS has a strong start** on strategic plan development with plans to strengthen its implementation practices.
3. **Immediate focus** is needed to develop a **comprehensive multi-year strategic plan**.
4. **Future focus** is needed to implement a strategic planning management framework that will **create internal alignment and accountability across the organization**

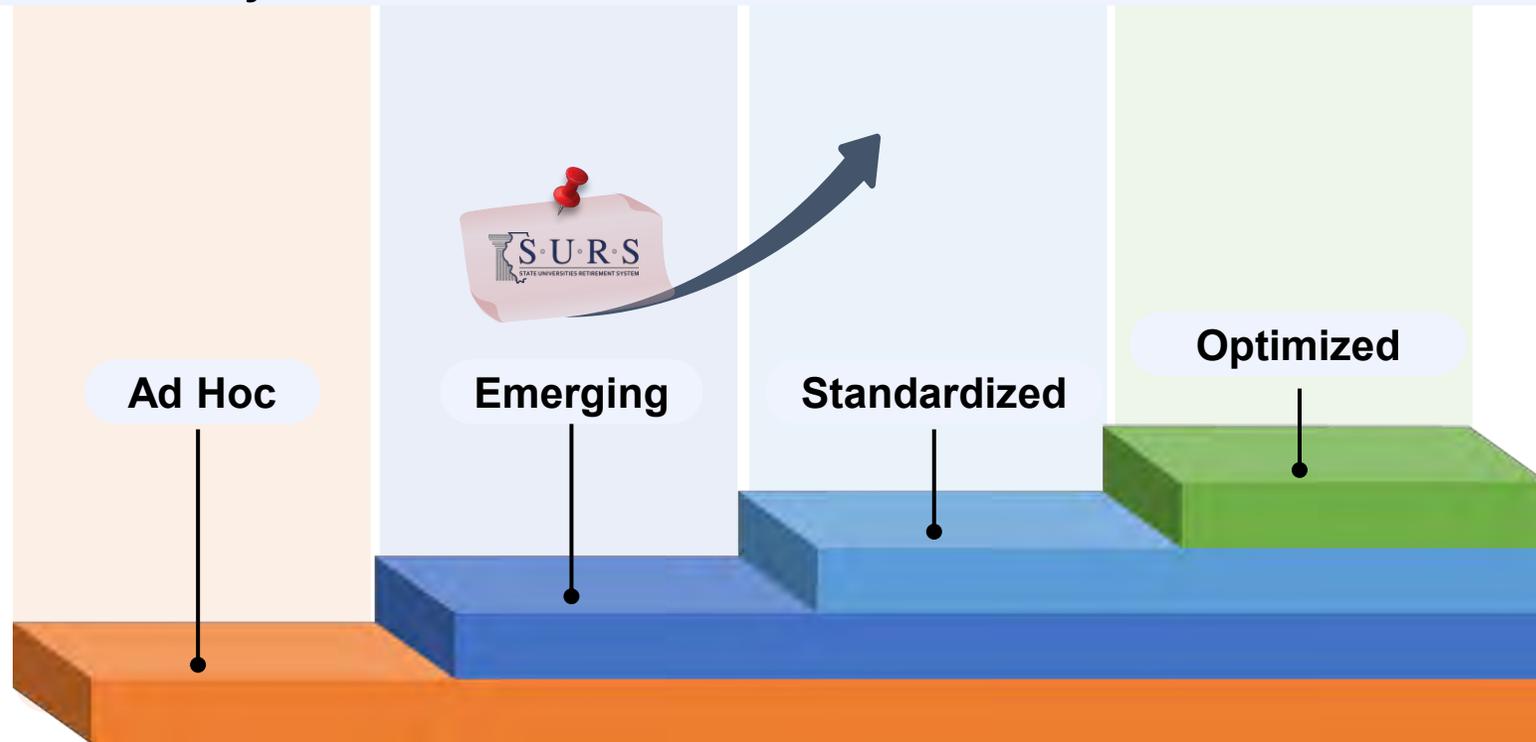


2. Findings – Overall Benchmarking Results



2. Recommendation

Consensus agreement reached to adopt and implement Mosaic's recommendations to mature SURS practices to the next stage in the maturity model.



2. Governance Recommendations

01.

Amend Board Charter to include Board responsibility for strategic planning development, in partnership with the ED, and oversight.



Board Charter

02.

Amend Executive Director position description to include responsibility for strategic planning development, in partnership with the Board, and implementation.

ED Policy

03.

Develop and adopt a strategic planning policy to codify roles, responsibilities and strategic planning practices.

Strategic Planning Policy

04.

Schedule regular time in the Board's annual workplan for strategic plan oversight and discussion.

Dedicated Board Time



indicates SURS is in the process of implementing these recommendations



2. Governance Recommendations *(cont'd.)*

05.

Engage in collaborative discussions during strategic plan development to have shared ownership of the future.



Board/Executive Collaboration

06.

Adopt Board performance evaluation practices which include assessing strategic plan oversight.

Board Self-Evaluation

07.

Include an accomplishments report on strategic plan progress to the Board as part of the ED evaluation.

ED Evaluation

08.

Develop a succession plan that takes into consideration the organization's strategic direction.



Succession Planning

 *indicates SURS is in the process of implementing these recommendations*



2. Strategic Plan Key Components

- Introduction from the Executive Director
- Mission
- Vision
- Core Values
- Goals reflecting strategic priorities
- Aspiration statements for each goal
- Objectives
- Key Results
- Conclusion



The best strategic plans are simple documents that convey to internal and external stakeholders the long-term direction/vision of the organization and the work it will prioritize within the planning period to realize its vision.



3. Discussion

Do you have questions about the governance recommendations?

Do you support the Executive Leadership Team's consensus approach to mature SURS's strategic planning practices to the next level in the maturity mode?



4. Wrap Up and Next Steps

Strategic Plan Development

- Conduct stakeholder research.
- Analyze sentiment and summarize results.
- Facilitate Executive Team Strategic Planning Session.
- Facilitate Board Strategic Visioning Session (*June 6, 2025*).



Thank you

Mosaic Governance Advisors, LLC | www.MosaicGovernance.com



To: Administration Committee
From: Nichole Hemming, Chief Human Resources Officer
Date: March 7, 2025
Re: FY 2026 Compensation Adjustments

The Board has steadily provided for salary increases to reward staff for their hard work and recognize the level of difficulty of the work across all areas. Increases of 5.0% and 4.75% were given for fiscal years 2023 and 2024, respectively, along with funding the Star Award Program at \$25,000 for fiscal year 2025.

The U.S. Bureau of Labor Statistics reports for the unadjusted 12-months ending December 2024, prices for all items rose 2.9%. The Employment Cost Index in December 2024 was 4.5% for public sector employment and 3.8% for civilian employment overall.

We have continued working with CBIZ to review recommendations for the salary program for FY 2026. Based on their recommendation, we are requesting a 4.25% increase to the personnel budget. Most employees who have passed probation would receive at least a 3.1% salary increase. The additional 1.15% would be distributed to employees based on their performance rating.

Staff Recommendation

SURS staff recommends:

- **A 4.25% salary increase be budgeted to fund the salary program**
- **Pay ranges be moved 3.1%**
- **\$25,000 be approved to fund the Star Award Program**



Annual Compensation Guidance

State Universities Retirement System of Illinois





Agenda

Labor market trends

CBIZ survey results

Salary planning guidance

Answer your questions

Compensation Governance

Commitment to formally evaluate compensation every five years

- 2021 Executives & Investments study
- 2022-23 Staff compensation study
 - Recommend combining studies going forward

Competitiveness

- Compare to other public pension funds and broader industry data
- Match the market by aligning the pay structure to the market 50th percentile

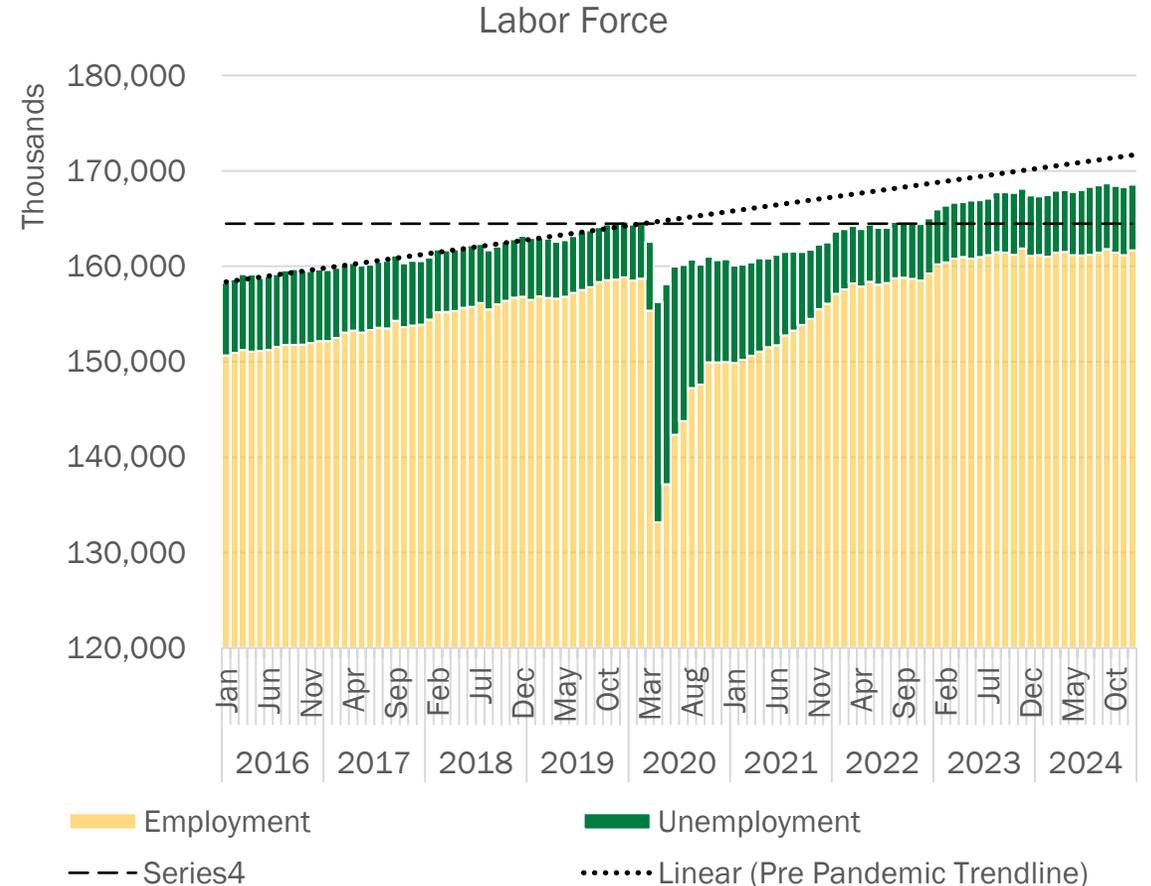
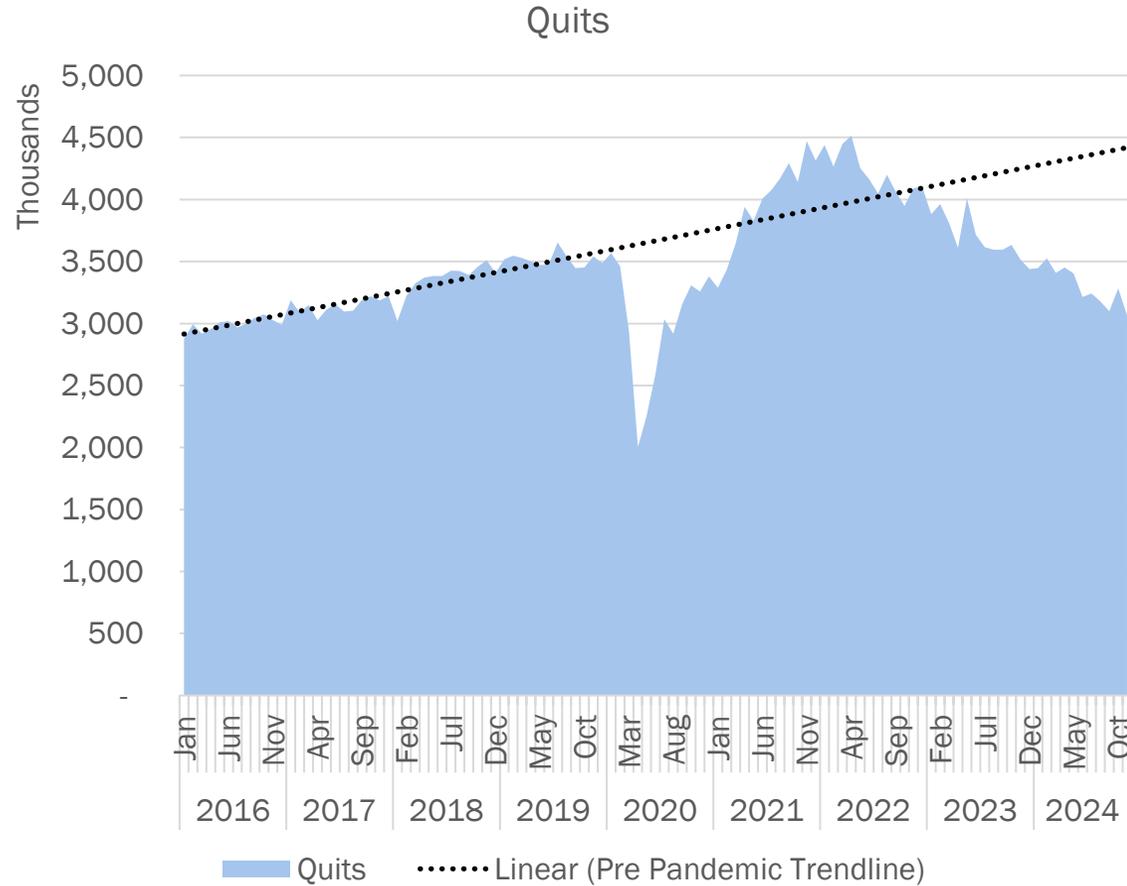
Annual Considerations

- Adjust the pay structure to match market trends
- Provide market-appropriate pay increases to employees

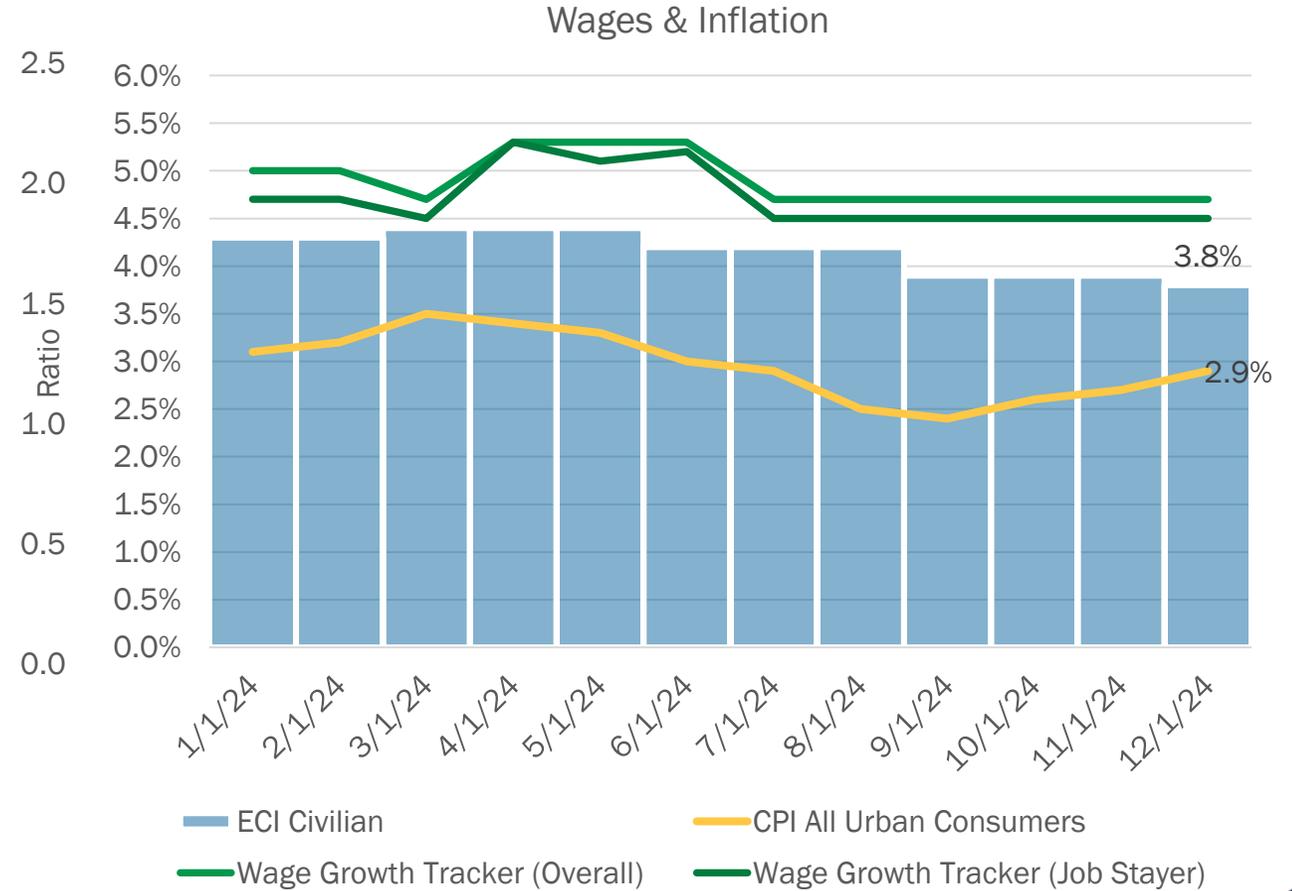
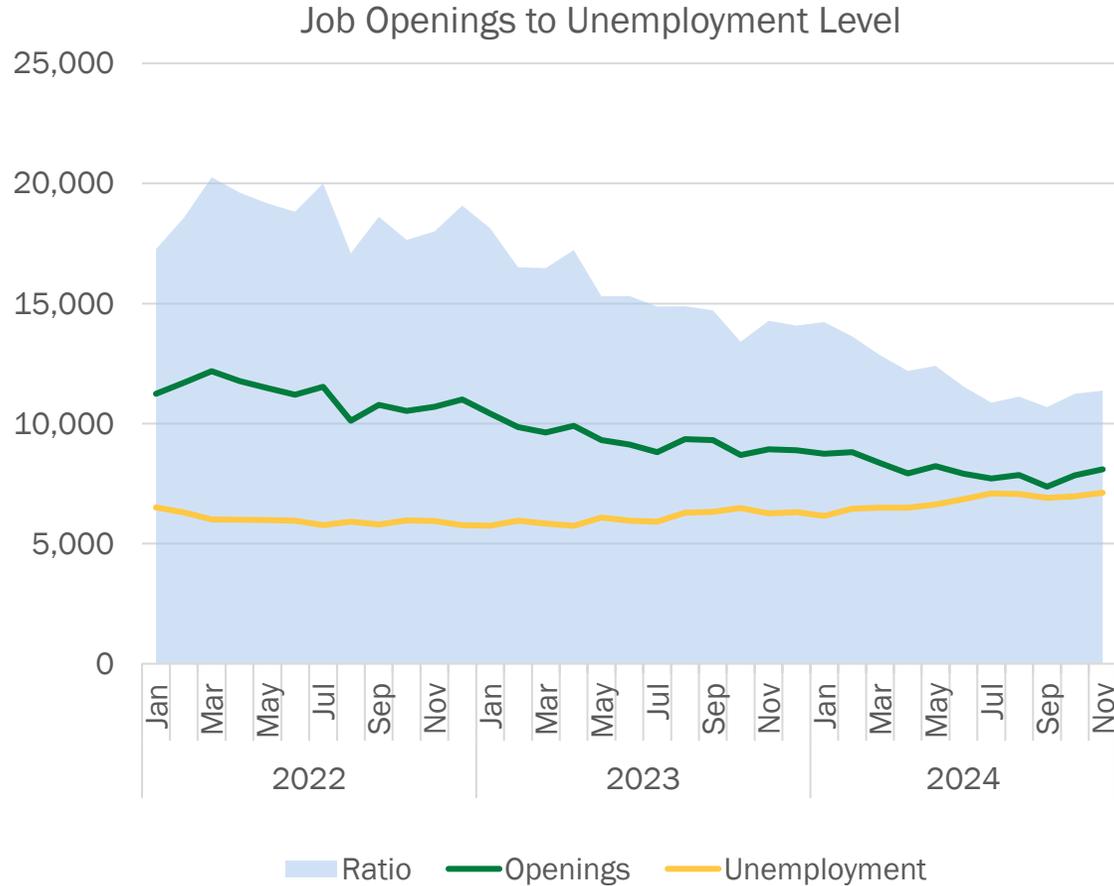
Labor Market Trends

Labor market considerations that are important to understanding past and future wage growth.

Quits & Labor Force

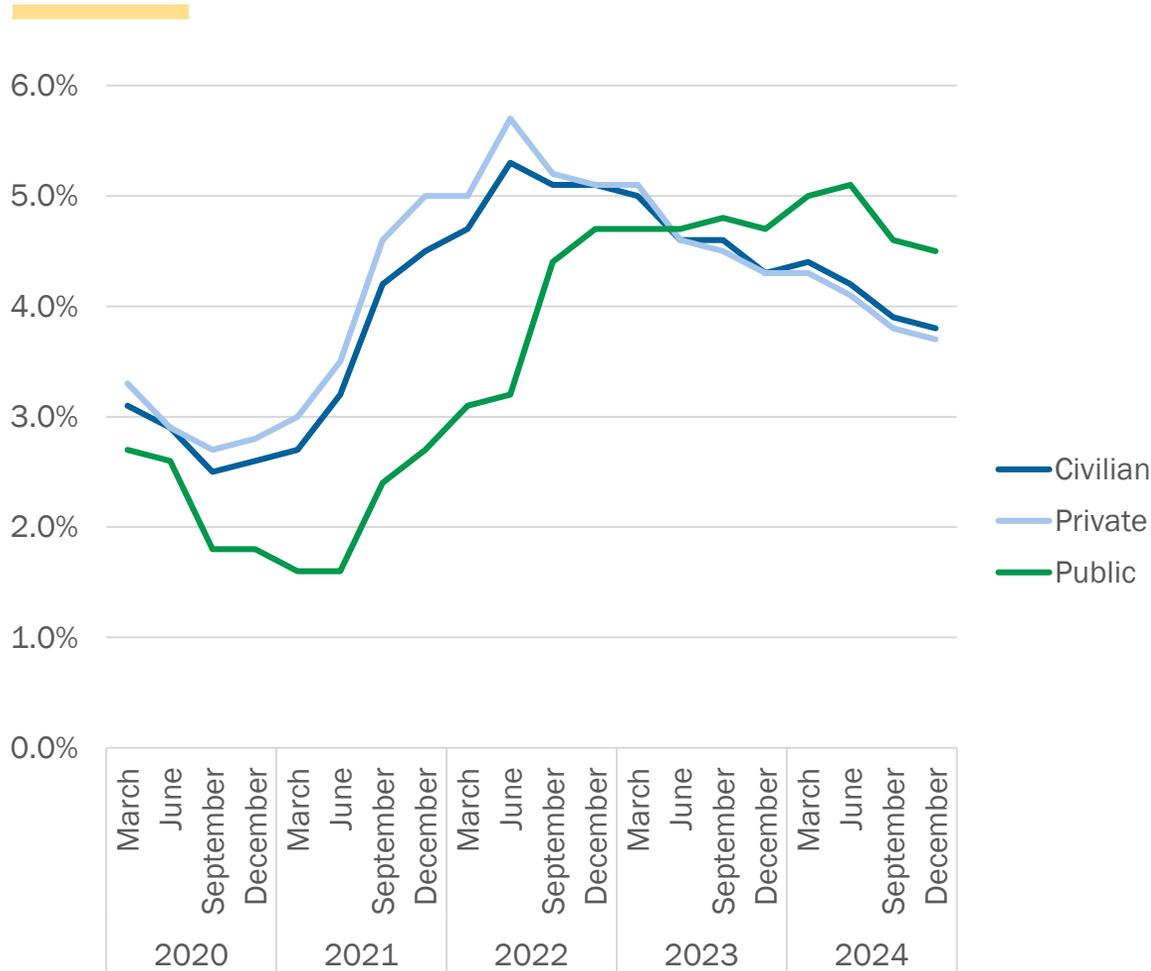


Openings & Wages





Employment Cost Index Detail

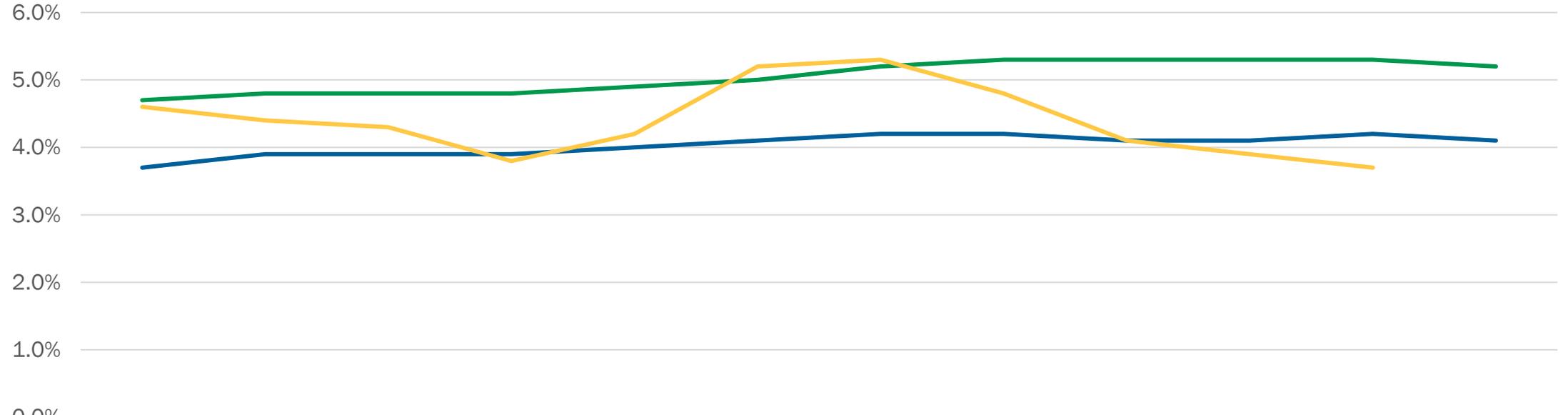


The public sector was late in responding to wage pressures

Public sector has been growing wages faster than the private sector for over a year



Unemployment



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 2024 | | | | | | | | | | | |
| United States | 3.7% | 3.9% | 3.9% | 3.9% | 4.0% | 4.1% | 4.2% | 4.2% | 4.1% | 4.1% | 4.2% | 4.1% |
| Illinois | 4.7% | 4.8% | 4.8% | 4.8% | 4.9% | 5.0% | 5.2% | 5.3% | 5.3% | 5.3% | 5.3% | 5.2% |
| Champaign | 4.6% | 4.4% | 4.3% | 3.8% | 4.2% | 5.2% | 5.3% | 4.8% | 4.1% | 3.9% | 3.7% | |

United States Illinois Champaign

Highlights

Gradual cooling of wage growth, still historically high
Labor market dynamics point to continued cooling
Public sector wage growth continue to surpass private

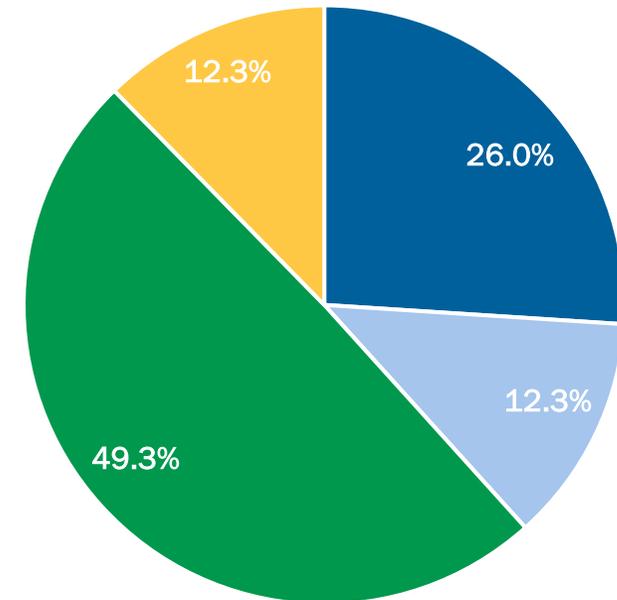
CBIZ Pension Survey Results

Key takeaways from a broad mix of public funds.

Recruitment & Retention Trends

Almost half of respondents (49.3%) indicated they are having no problems attracting and recruiting skilled staff, up from 38% of respondents to NCPERS 2023 Public Pension Compensation Survey.

Ability to Attract and Retain Skilled Staff

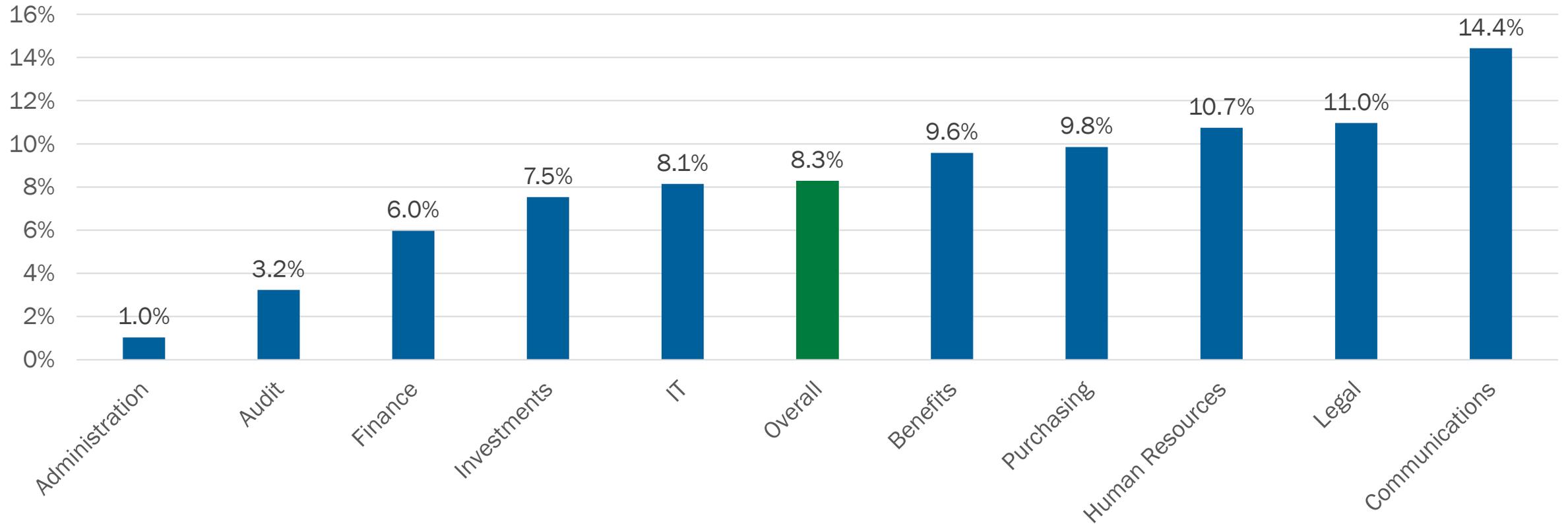


- Starting to Become a Problem
- Significant Problem
- No Problem
- Expect to Become a Problem Soon



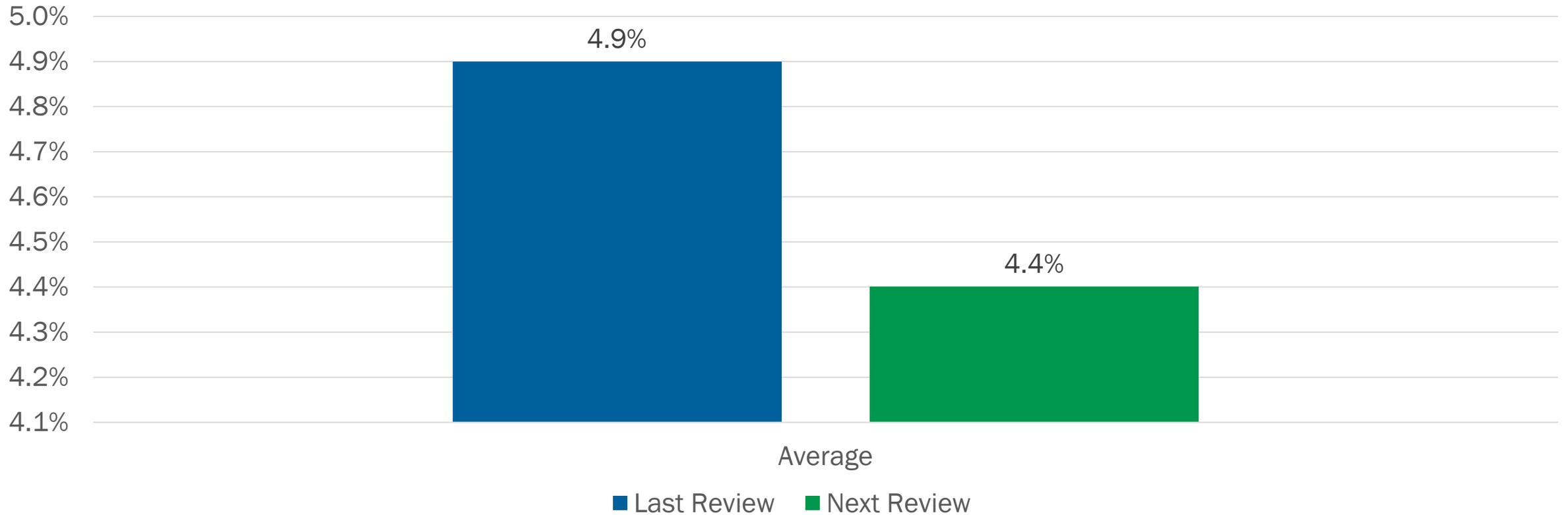
Compensation Growth by Function

Total Cash Compensation Growth



Public Fund Salary Increase Trends

Salary Increase Budgets - Average



Salary Planning Guidance

CBIZ Guidance

SURS Recommendations



CBIZ 2025 Guidance

3.1% Structure Update

- Adjusts range minimums and maximums
- Tied to ECI and Salary Budget Survey
- Broad Measure of Wage movement

4.25% Salary Increase Budget

- Establishes the salary increase pool
- Advances employee through internal/market range
- Avoid/alleviate pay compression
- Based on typical update-increase spreads

Sample Adjustments in Action

STRUCTURE UPDATE; 3.1% RANGE MOVEMENT

| Structure | Range Minimum | Range Midpoint | Range Maximum |
|-----------|---------------|----------------|---------------|
| 2024 | 44,444 | 53,333 | 62,222 |
| 2025 | 45,822 | 54,986 | 64,150 |

SALARY REVIEWS; 4.25% INCREASE BUDGET (ILLUSTRATION ONLY)

| Full Name | Salary | Increase \$ | Increase % | Notes |
|------------|----------|-------------|------------|------------------|
| Employee A | \$47,000 | \$2,115 | 4.8% | • Top performer |
| Employee B | \$59,250 | \$2,370 | 4.0% | • Good performer |

Historical Action

| Fiscal Year | Structure | Salary Budget Increase |
|-------------|-----------|------------------------|
| 2025 | 3.25% | 4.75% |
| 2024 | 4.0% | 5.0% |
| 2023 | 4.5% | 5.7% |
| 2022 | 1.4% | 3.0% ¹ |

1. Across the board, not merit based

Considerations

- SURS is not experiencing high attrition attributed to salary concerns
- SURS' compensation strategy is to pay 50% of market, not to lead the market
- SURS conducts compensation studies at least every five years which permit adjustments for any under-estimates of trends between studies



Recommendations

| SURS Staff Recommendation | Teachers' Retirement System | Illinois Municipal Retirement System |
|--|-----------------------------|--|
| Structure update – 3.1% Salary increase budget – 4.25% <i>Consistent with CBIZ recommendations</i> | Merit 0% - 4% ¹ | 3.0% Structure update 4.25% merit pool ¹ |
| | 1. FY2025 | 1. CY2025 |



QUESTIONS?

Joe Rice

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To: Administration Committee
From: Jefferey S. Saiger, Chief Strategy & Technology Officer
Date: March 7, 2025
Re: Major Proposed Initiatives for FY26 Budget Cycle

On behalf of the SURS staff, I am here today to share our proposed major initiatives for Fiscal Year 2026. Annually in March, we bring forward this information to inform the Administration Committee, as well as the Board as a whole, as to what will drive budget requests in the subsequent June meeting.

Similar to the past two fiscal cycles, while Project Velocity is ongoing, the primary focus is to address areas of definite need or potential risks while minimizing the workload impact of key resources.

We break down the initiatives by major business unit impacted, as well as what portion is expected to be capital expense (CapEx) vs. operating expense (OpEx).

I welcome any questions or feedback on any of the initiatives highlighted.

Thank you.

Project Planning and Capital Budget Discussion

Fiscal Year 2026

02/21/2025





Member Services Program Projects

PROJECT NAME: REX – New Reciprocal Data Exchange & Portal

PROJECT DESCRIPTION

This project is the replacement of the existing Reciprocal system Data Exchange and Portal functionality. The data exchange program has been in existence for well over 20 years. This includes an online portal feature that was added. These systems were developed and have been maintained by SURS at no cost to any other systems.

As part of our modernization and Velocity PAS implementation, the legacy SURS reciprocal functionality will be retired. SURS is facilitating the procurement and implementation of a third-party solution to replace our legacy solution. A cost-sharing model is being implemented with the other reciprocal systems going forward.

This new solution will be fully implemented in FY26. The budgeted amount is the SURS portion of implementation cost and annual licensing for the new solution.

PROJECT METRICS

- PROJECT RISK: Low to Medium due to dependencies on other reciprocal systems for project activities.
- PROJECT LOE: High
- PROJECT DURATION: 6-9 months
- VENDOR(S): Managed Business Solutions (same DEI vendor used for our PAS Data Migration services)

PROJECT CATEGORIZATION

- PROJECT BUDGET YEAR: 2026
- LOB: Member Services
- PROJECT SPONSOR: Suzanne Mayer
- PROJECT BUSINESS OWNER: Jennifer Bartell
- PROJECT CATEGORY: Efficiency/Productivity

ESTIMATED PROJECT BUDGET

OPX

- LICENSES
- HOSTING: \$25,000
- SUBSCRIPTIONS:
- ASSESSMENT:
- TRAINING:
- PROFESSIONAL SERVICES:
- TRAVEL:
- CAPX
- SOFTWARE:
- HARDWARE:
- IMPLEMENTATION: \$81,500

Total projects budget: \$106,500

Security Projects

PROJECT NAME: Disaster Recovery GAP Assessment

PROJECT DESCRIPTION

SURS will procure professional services to perform a GAP assessment of our current disaster recovery position. Scope for this engagement is expected to include (but is not limited to) critical technology such as our power supply, legacy pension system hardware platform, network infrastructure, call center operations.

PROJECT METRICS

- PROJECT BENEFITS: Increase protection against .
- PROJECT SUCCESS MEASUREMENT(S): Mitigation of downtime in the event of a catastrophic event that disables computer operations in SURS main location.
- PROJECT RISK: Low
- PROJECT LOE: High
- PROJECT DURATION: 3-6 months

PROJECT CATEGORIZATION

- PROJECT BUDGET YEAR: 2026
- LOB: IT Security
- PROJECT SPONSOR: Jefferey Saiger
- PROJECT BUSINESS OWNER: Napoleon Garcia
- PROJECT TYPE: GRCL (Governance, Risk, Compliance, Legal)

ESTIMATED PROJECT BUDGET

OPX

- LICENSES
- HOSTING:
- SUBSCRIPTIONS:
- ASSESSMENT: \$150,000
- TRAINING:
- PROFESSIONAL SERVICES:
- TRAVEL:

CAPX

- SOFTWARE:
- HARDWARE:
- IMPLEMENTATION:

Total projects budget: \$150,000

PROJECT NAME: Fraud Mitigation

PROJECT DESCRIPTION

This project is part of the SURS ongoing Fraud Mitigation initiatives.

PROJECT METRICS

- PROJECT BENEFITS: Increase protection of member personal & financial data.
- PROJECT SUCCESS MEASUREMENT(S): Increased level of security with minimal impact to the member experience when interacting with SURS.
- PROJECT RISK: High
- PROJECT LOE: Medium
- PROJECT DURATION: 6-9 months, including Procurement
- Vendor: TBD

PROJECT CATEGORIZATION

- PROJECT BUDGET YEAR: 2026
- LOB: IT Security
- PROJECT SPONSOR: Jefferey Saiger
- PROJECT BUSINESS OWNER: Jennifer Bartell/Sherrie Miller
- PROJECT TYPE: GRCL (Governance, Risk, Compliance, Legal)

ESTIMATED PROJECT BUDGET

OPX

- LICENSES
- HOSTING:
- SUBSCRIPTIONS:
- ASSESSMENT:
- TRAINING:
- PROFESSIONAL SERVICES: \$50,000
- TRAVEL:

CAPX

- SOFTWARE: \$200,000
- HARDWARE:
- IMPLEMENTATION:

Total projects budget: \$250,000



IT Operations/ Infrastructure Projects

PROJECT NAME: IT Infrastructure (various initiatives)

PROJECT DESCRIPTION

Replace critical infrastructure and daily operational equipment at end-of-life.

In FY26 plans include replacement of our IBMi Platform which is reaching end of support. Also, other end of life staff equipment. Additional storage capacity is being added in support of data conversion activities.

PROJECT METRICS

- PROJECT BENEFITS: Increased security, performance, and reliability.
- PROJECT SUCCESS MEASUREMENT(S): Installation on schedule and on budget. Equipment properly configured upon deployment.
- PROJECT RISK: Medium
- PROJECT LOE: Low
- PROJECT DURATION: Throughout the year
- VENDOR(S): TBD
- CONSULTANT(S): TBD

PROJECT CATEGORIZATION

- PROJECT BUDGET YEAR: 2026
- LOB: IT Infrastructure and Operations
- PROJECT SPONSOR: Jefferey Saiger
- PROJECT BUSINESS OWNER: Napoleon Garcia
- PROJECT CATEGORY: GRCL (Governance, Risk, Compliance, Legal)

ESTIMATED PROJECT BUDGET

OPX

- LICENSES:
- SUBSCRIPTIONS:
- SERVICES: \$157,000
- ASSESSMENT:
- TRAINING:
- NON-CAP EQUIPMENT: \$125,000
- ONGOING MAINTENANCE:
- TRAVEL:

CAPX

- SOFTWARE:
- HARDWARE: \$422,500
- IMPLEMENTATION:

Total Budget: \$704,500

Facilities Projects

PROJECT NAME: Building Maintenance Capital & Planning Fox Drive Renovations and Improvements Roadmap

PROJECT DESCRIPTION

In FY26 SURS will renovate the remaining areas in the 1901 Fox Drive building. Our auditorium-style training room will receive a major facelift and new AV technology. Other smaller renovations include the front lobby, restrooms and new flooring in all entries/exit vestibules.

Also includes are HVAC replacements and energy-efficient blinds.

PROJECT METRICS

- PROJECT BENEFITS: Safety code compliance, increased employee protection, more efficient use of space
- PROJECT SUCCESS MEASUREMENT(S): Successful completion of renovations and improvements on time and within budget.
- PROJECT RISK: Low, staff availability
- PROJECT LOE: Medium
- PROJECT DURATION: 12 months
- VENDOR(S): Architect Bailey Edward, General Contractor Barber & DeAtley, Furniture vendor Stocks

PROJECT CATEGORIZATION

- PROJECT BUDGET YEAR: 2026
- LOB: Facilities
- PROJECT SPONSOR: Jefferey Saiger
- PROJECT BUSINESS OWNER: Napoleon Garcia
- PROJECT CATEGORY: GRCL (Governance, Risk, Compliance, Legal)

ESTIMATED PROJECT BUDGET

OPX

- ASSESSMENT:
- SERVICES:
- TRAINING:
- ONGOING MAINTENANCE:
- TRAVEL:

CAPX

- SOFTWARE:
- HARDWARE/TECHNOLOGY:
- IMPLEMENTATION:
- FACILITIES: \$1,725,000

Total budget: \$1,725,000

Proposed Project Financial Summary

FY 25*

| | CapEx | OpEx |
|-----------------|---------------------|------------------|
| Pension Project | \$7,958,013 | \$453,858 |
| All Other | \$2,242,500 | \$452,500 |
| Total | \$10,200,513 | \$906,358 |

*Major Initiatives

- Includes approved C/O for added Velocity project scope.
- Cloud licensing fees for Velocity shift from OpEx to CapEx, per GASB rules.
- Does not include buffer for legislative mandates.

Proposed Project Financial Summary FY 26*

| | CapEx | OpEx |
|-----------------|--------------------|--------------------|
| Pension Project | \$6,413,602 | \$1,627,747 |
| All Other | \$2,429,000 | \$507,000 |
| Total | \$8,842,602 | \$2,134,747 |

*Major Initiatives

- Velocity PAS/Modernization
- Facility Renovations
- EOL Hardware replacement
- *Does not include buffer for legislative mandates.*



To: Administration Committee
From: Jefferey S. Saiger, Chief Strategy & Technology Officer
Date: March 7, 2025
Re: Quarterly Update on the Project Velocity

On behalf of the Project Velocity team, I am here today to provide a status update for Project Velocity; our initiative to replace our pension administration system (PAS) with modern tooling and architecture. Joining me will be Erica Oropeza, lead implementation project manager from Linea Solutions.

Given the increasing risk of schedule slippage being experienced by the project team, Vitech (our vendor for the new PAS tool) was asked to propose a modified schedule that would still allow for the completion of the project by the desired go-live date (March 2027) while simultaneously easing some resource constraint burdens and being cost-neutral. Vitech delivered a comprehensive replan to the project team that is currently being reviewed.

We will discuss the basis of the replan, along with other relevant project updates, during this update.

As always, any questions or dialog is welcome.

Thank you for your ongoing support of Project Velocity.

Project Velocity Update

Pension Administration System
(PAS) Replacement – March 2025



Agenda

- Project Status
- Project Progress for Validation Cycle 3 Segment
- Project Budget Contingency

The logo for Velocity, featuring the word "Velocity" in a bold, italicized, dark blue sans-serif font. To the left of the text are three parallel, slanted lines in green and blue, suggesting motion or speed.

Project Status

| Scope | Schedule |
|---|---|
|  |  |
| Budget | Quality |
|  |  |

GREEN – ON TRACK

YELLOW – AT RISK

RED – RISK IS REALIZED & ACTION PLAN IS
IN PLACE TO ADDRESS

Strategy update:

Vitech provided a proposal for the project schedule to achieve the following goals:

- Minimize cost increases.
- Keep current Vitech analysts on project.
- Provide additional 6 months for design
 - Allow more time for complex topics.
 - Give staff more bandwidth.
- Avoid holiday conflicts.

SURS is reviewing the feasibility of Vitech's proposal and other options to adjust the project schedule.

Validation Cycle 3 Progress



Project Budget Contingency

Remaining Project Contingency =
\$1,934,131.85

Expected change orders = \$950,000

- Retirement & Refund workflow changes
- Spec-based deliverables over the caps
- Data design changes
- Test scenarios over the cap



Questions?