



Shaping A Better Future



Fiscal Year 2021
Annual Financial
Report Summary



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Profile

SURS is the administrator of a cost-sharing, multiple-employer public employee retirement system established July 21, 1941, to provide retirement annuities and other benefits for employees, survivors, and other beneficiaries of those employees of the state universities, community colleges, and certain other state educational and scientific agencies. SURS services 61 employers and approximately 241,000 members and annuitants. The plans administered by SURS include a defined benefit plan established in 1941, 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 members elected, two annuitants elected, and five members appointed by the governor, of which one is the appointed chair of the Illinois Board of Higher Education.



80 years of Dedicated Service

A MESSAGE FROM THE EXECUTIVE DIRECTOR

This has been an exciting, active 80th anniversary year at SURS. Our staff, still working mostly remotely due to the pandemic, launched our redesigned defined contribution plan — the Retirement Savings Plan (RSP) and implemented the new supplemental savings plan — the Deferred Compensation Plan (DCP).

In September of 2020, SURS introduced our redesigned, renamed core 401(a) defined contribution plan — the RSP. Working closely with Voya and AllianceBernstein, the SURS team created an exceptional plan that includes an innovative default investment option called the SURS Lifetime Income Strategy (LIS), a more focused core investment lineup and a new recordkeeper. The LIS provides members an investment option with a guaranteed income stream in retirement, as well as flexibility and control to set a retirement plan that works best for them.

SURS was honored to receive three industry awards for our revamped RSP — the *Pensions & Investments* newspaper (P&I) and the Defined Contribution Institutional Investment Association (DCIIA) 2021 Excellence & Innovation Award, the 2021 Leadership Recognition Award from the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) and the Eddy Award for Excellence in Communications from P&I. SURS was chosen as a finalist for the Plan Sponsor of the Year Award from *Plan Sponsor* magazine.

To help ensure retirement readiness for all members, SURS not only redesigned and enhanced our RSP, we also launched a new Deferred Compensation 457(b) Plan (DCP) to provide an additional savings option for active members. The DCP is offered through SURS employers. As of November 1, 2021, most SURS employers are participating in the DCP and SURS, working with Voya, has enacted an educational campaign to all eligible members that includes direct mail, emails, webinars, guides and FAQs.

This year, we also launched our interactive Plan Choice Decision Tool on the SURS Member Website. The tool is designed to help newly hired members choose which of SURS three retirement plans best fit their needs by guiding them through the plan features, asking them questions about their retirement plans and connecting them to short profiles of current SURS members with similar needs and why they chose the plan they did.

FY 2021 was the year SURS began the long-term process of implementing a new pension administration software system to better manage pension benefits. SURS current system is dated and difficult to maintain. Working with Vitech Corporation, staff started development work on the projected five-year project.

Despite the pandemic and several new challenging projects SURS staff continued to deliver outstanding, uninterrupted service and benefits to our members. Our Member Service and Communications teams calculated 6,736 claims, answered 117,180 calls and 7,873 member emails, held 4,459 counseling sessions and 35 educational webinars, conducted 65 employer trainings, responded to 3,323 employer emails, scanned 86,812 documents, sent out 270,583 pieces of mail, sent over one million informational emails to members, updated the website daily and completely redesigned surs.org.

On May 3, SURS held a board election. Trustees J. Fred Giertz and Mitchell Vogel were reelected to continue serving as annuitant trustees. Trustee Giertz will serve a six-year term and Trustee Vogel will serve out the remaining three years of a six-year term. Andriy Bodnaruk and Scott Weisbenner were elected to serve six-year terms as active-member trustees. They all began their new terms on July 15.

SURS investment portfolio produced strong results in FY 2021. For the fiscal year ending June 30, the portfolio returned 23.8%, net of fees, increasing the defined benefit plan assets to \$23.8 billion. As of June 10, SURS received its full state appropriation of \$1,995,767,000 for FY 2021.

For me this past year has been both challenging and fulfilling. I've had the opportunity to work more closely with our trustees and board chairman. I am constantly amazed at the professionalism and dedication of our trustees and staff. Through the pandemic they have delivered the impeccable service our members have come to rely on and expect over the past 80 years. We will continue that service into FY 2022 and beyond.

Suzanne M. Mayer
Executive Director

Board of Trustees



John Atkinson
Chairperson
Appointed



Collin Van Meter
Vice Chairperson
Elected



John Lyons
Treasurer
Appointed



Aaron Ammons
Elected



Richard Figueroa
Appointed



Jamie-Clare Flaherty
Appointed



J. Fred Giertz
Elected



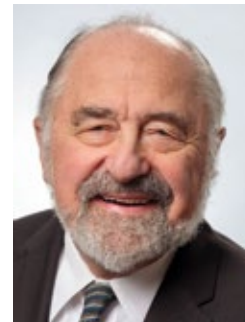
Scott Hendrie
Appointed



Steven Rock
Elected

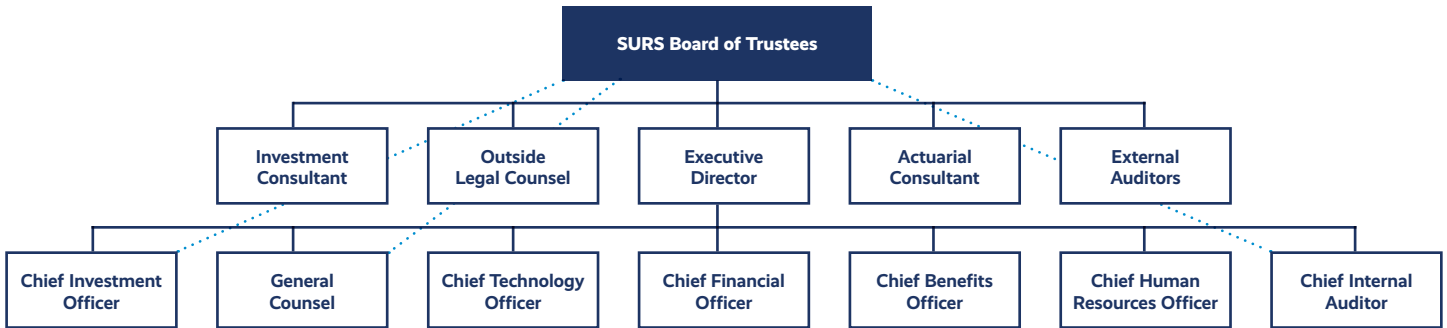


Antonio Vasquez
Elected



Mitchell Vogel
Elected

Organizational Chart



Executive Team

Executive Director.....	Suzanne Mayer
Chief Investment Officer	Doug Wesley
General Counsel	Bianca Green
Chief Technology Officer.....	Jefferey Saiger
Chief Financial Officer.....	Tara Myers
Chief Benefits Officer	Suzanne Mayer
Chief Human Resources Officer.....	Brenda Dunn
Chief Internal Auditor	Jacqueline Hohn

Awards & 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, 2020. This is the 37th consecutive year SURS has earned this award. To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual 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.



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.



SURS received a 2021 Leadership Recognition Award from the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) and an Eddy Award for Excellence in Communications from Pensions & Investments Newspaper (P&I) for the redesign of our Retirement Savings Plan (RSP). SURS also received an Excellence & Innovation Award sponsored by P&I along with the Defined Contribution Institutional Investment Association.

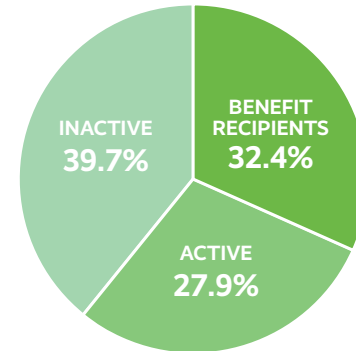
Membership

DEFINED BENEFIT – TRADITIONAL & PORTABLE PLANS

At June 30, 2021, membership was:

Benefit Recipients	70,111
Active Members	60,397
Inactive Members	86,135
	216,643

Defined Benefit Plan



Number of Benefit Recipients 5-Year Summary

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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

Average Annuity Payments For Retirees as of June 30, 2021

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-29	30+	
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	6.70	13.31	18.54	23.39	27.97	32.24	18.42

DEFINED CONTRIBUTION – 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.

At June 30, 2021, membership was:

Benefit Recipients	1,168
Active Members	13,046
Inactive Members	10,618
	24,832

At June 30, 2021, 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.

Customer Service

Mission

To secure and deliver the retirement benefits promised to our members.

Major Initiatives and Changes

In fiscal year 2021, SURS remained closed to the public. Despite having the majority of staff working from home, SURS continued to deliver outstanding, uninterrupted service and benefits to our members. In addition, staff continued to work on several major projects and withstood several administrative changes.

- The following changes occurred to SURS Board of Trustees in fiscal year 2021:
 - Trustee elections were conducted April 1–May 3.
 - Current board members Mitchell Vogel and J. Fred Giertz were elected by the System’s annuitants to continue serving on the board. Both terms began July 15, 2021.
 - There were two elected active-member seats open on the board starting in July. Andriy Bodnaruk and Scott Weisbenner were the only candidates to return petitions with the necessary signatures to qualify for the seats. For that reason, it was not necessary to hold an active-member trustee election. Their six-year terms began on July 15, 2021.
- On September 1, 2020, we launched the redesigned SMP, renamed the SURS Retirement Savings Plan (RSP) through our new recordkeeper Voya Financial. The launch included the addition of the SURS Lifetime Income Strategy, an in-plan income solution.
- The new SURS Deferred Compensation Plan (DCP) was rolled out in 2021. The 457(b) plan will provide an additional savings option for active members.
- SURS is in the early stages of implementing a new pension administration software system for managing pension benefits. We have selected Vitech Corporation to work with us on this long-term project which is slated to last the next five years.
- SURS also redesigned the website to improve usability and to optimize mobile device usage.

SURS MEMBER SERVICES/OUTREACH STATISTICS – FISCAL YEAR 2021

Counseling

Individual Retirement Counseling Appointments.....	4,459
Written Retirement Estimates Mailed	955
Retirement Education Seminars	5
Benefit Fairs	4
Webmails.....	7,873
Webinars/Group Presentations	26
Average Member Satisfaction Rating.....	96%

Call Center

Incoming Calls	117,180
Member Satisfaction Rating	90%

Employer Services

Emails/phone calls with employers	3,323
Employer Trainings.....	65

Electronic Service

SURS Website Page Views.....	1,191,190
SURS Member Website Visits	633,498
SURS Employer Website Visits	16,094
Incoming Emails Processed.....	901,464
Informational Emails Sent To Members	1,016,087

Claims Processed

Retirement	2,169
Refund.....	2,949
Death.....	1,475
Disability.....	110

Support Services

Items Mailed	270,583
Documents Scanned/Imported.....	388,738

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

Fiscal Year	Human Resources & Administration	Investments & Accounting	Member Services & Outreach	Information Systems & Support Services	RSP & DCP	Total
2012	9.90	9.65	65.80	28.75	3.70	117.80
2013	10.90	10.65	69.00	26.75	3.70	121.00
2014	12.00	10.55	67.00	26.25	4.20	120.00
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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2021

- Contributions from the state and employers were \$2,063.1 million, an increase of \$146.0 million, or 7.6% from fiscal year 2020.
- The System's benefit payments were \$2,782.8 million, an increase of \$104.8 million, or 3.9% for fiscal year 2021.
- The System's return on investment, net of investment management fees, was 23.8% for fiscal year 2021.
- The System's fiduciary net position at the end of fiscal year 2021 was \$23.9 billion, an increase of \$4.2 billion, or 21.2%.

Financial Analysis of the System

The System serves 216,643 members in its defined benefit plan, 24,832 members in its retirement savings plan, and has 287 members that participate in the 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 \$19.7 billion as of June 30, 2020, to \$23.9 billion as of June 30, 2021. This \$4.2 billion change was almost entirely due to an increase in the fair value of the System's investments.

Condensed Statement of Fiduciary Net Position

REPORTING ENTITY (\$ in millions)	2021	2020	Change Amount	Change %
Cash and short-term investments	\$ 1,723.8	\$ 1,266.8	\$ 457.0	36.1%
Receivables and prepaid expenses	81.1	188.9	(107.8)	(57.1)
Pending investment sales	78.7	1,952.1	(1,873.4)	(96.0)
Investments and securities lending collateral	24,355.7	19,766.9	4,588.8	23.2
Capital assets, net	11.1	10.4	0.7	6.7
Total assets	26,250.4	23,185.1	3,065.3	13.2
Payable to brokers-unsettled trades	128.0	2,013.9	(1,885.9)	(93.6)
Securities lending collateral	2,142.7	1,381.5	761.2	55.1
Other liabilities	50.0	40.9	9.1	22.2
Total liabilities	2,320.7	3,436.3	(1,115.6)	(32.5)
TOTAL FIDUCIARY NET POSITION	\$ 23,929.7	\$ 19,748.8	\$ 4,180.9	21.2%

Condensed Statement of Changes in Fiduciary Net Position

REPORTING ENTITY (\$ in millions)	2021	2020	Change Amount	Change %
Employer contributions	\$ 67.3	\$ 62.4	\$ 4.9	7.9%
Non-employer contributing entity contributions	1,995.8	1,854.7	141.1	7.6
Member contributions	387.0	375.4	11.6	3.1
Net investment income	4,793.2	545.5	4,247.7	778.7
Total additions	7,243.3	2,838.0	4,405.3	155.2
Benefits	2,782.8	2,678.0	104.8	3.9
Refunds	79.1	69.0	10.1	14.6
Contributions sent to third-party administrator	178.5	170.3	8.2	4.8
Administrative expense	22.0	19.2	2.8	14.6
Total deductions	3,062.4	2,936.5	125.9	4.3
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	\$ 4,180.9	\$ (98.5)	\$ 4,279.4	4,344.6%

Additions

Additions to fiduciary net position come from employer and member contributions and returns on investment funds. For fiscal year 2021, non-employer contributing entity contributions increased by \$141.1 million due to higher contributions from the state of Illinois. Employer contributions increased by \$4.9 million, or 7.9%. Member contributions increased by \$11.6 million, or 3.1%. Net investment income for fiscal year 2021 was \$4,793.2 million for the System, representing a \$4,247.7 million increase from the prior year. The System's investment rate of return was 23.8% (net of all investment management fees).

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 funding from two sources: the General Revenue Fund and the State Pensions Fund, which is funded with proceeds from unclaimed property.

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 fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions. All of the \$1.99 billion statutory contribution for fiscal year 2021 was received by June 10, 2021. As of June 30, 2021, the fiduciary net position as a percentage of the total pension liability was 45.45%.

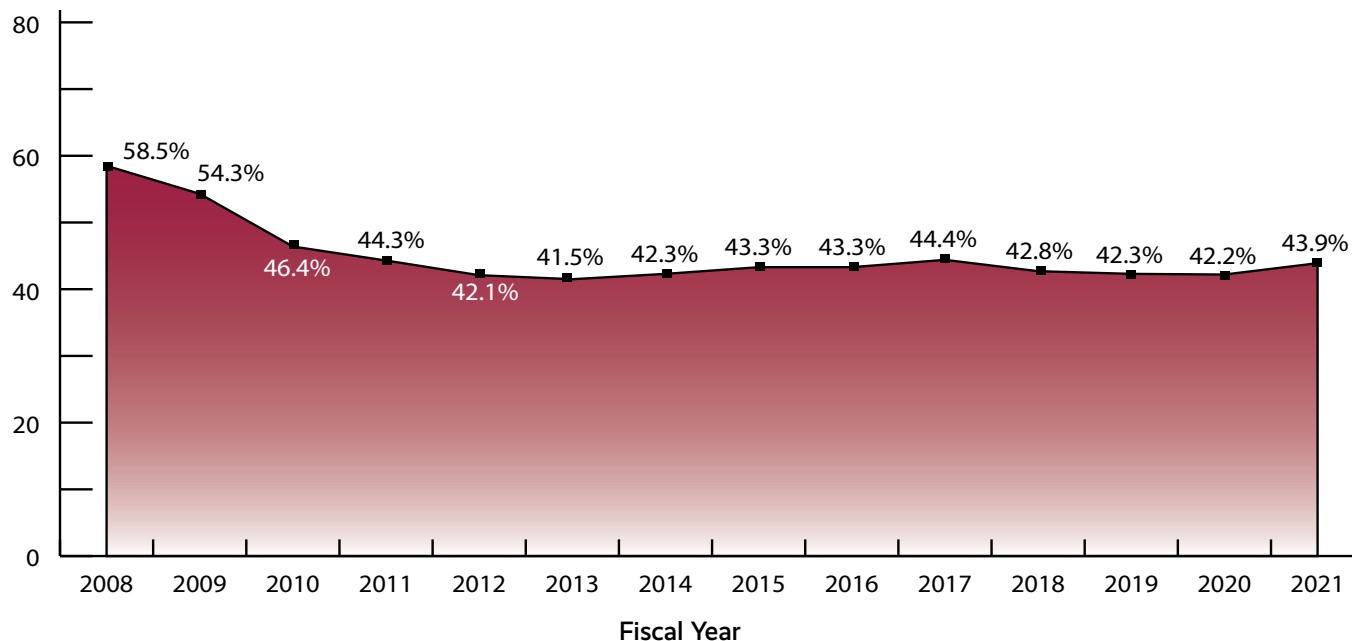
The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2021, the Statutory Funding Policy creates a perpetual contribution variance of underfunding the System in earlier years. In later years, the statutory 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.

Schedule of Contributions from Employers and Other Contributing Entities (\$ thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution		Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
		Employers	Other Contributing Entities			
2012	1,443,348	45,596	940,219	457,533	3,477,166	28.35
2013	1,549,287	41,874	1,359,607	147,806	3,533,858	39.66
2014	1,560,524	43,899	1,458,965	57,660	3,522,246	42.67
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

Historical Funding Ratios

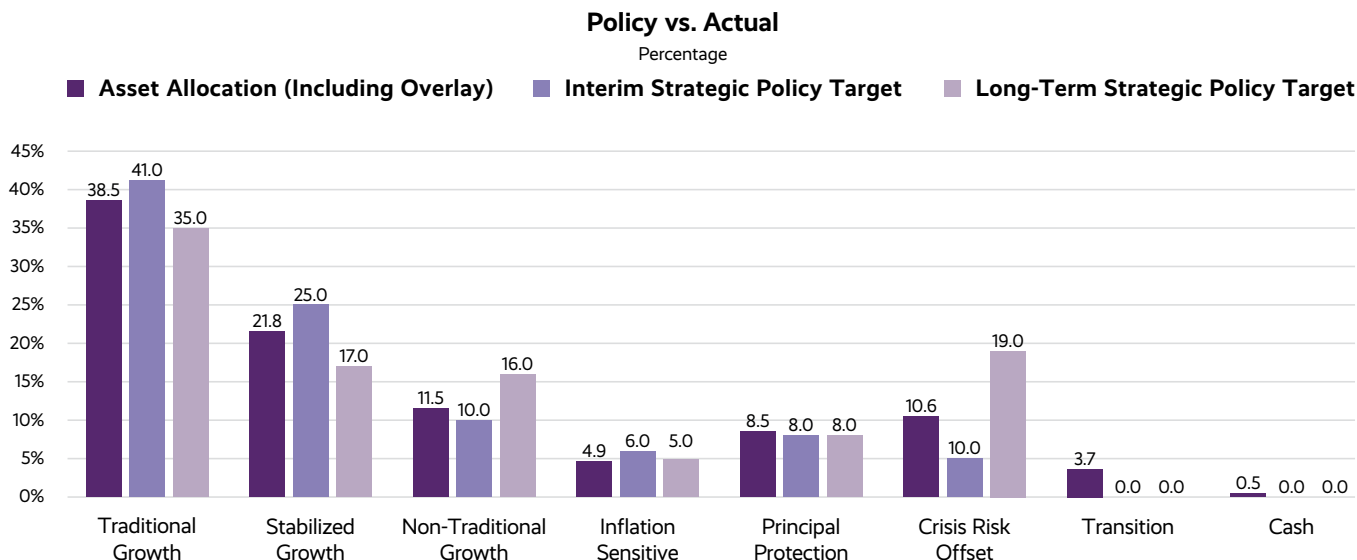
Starting with fiscal year 2009, the funding ratios were calculated using the actuarial value of assets. Prior to FY 2009, the market value of assets were used.



Investments

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, and confirms the board's prior decision in September 2018, which resulted in significant structural changes to SURS asset allocation targets. The new allocation is designed to reduce the downside risk in SURS portfolio while still achieving the actuarial assumed rate of return over the long-term. The foundation of these changes consisted of a transition from conventional asset classes to functional asset classes as the basis of portfolio weighting. The transition to functional classes was completed during FY 2020.



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.

Fiscal Year 2021 Results

During fiscal year 2021, the SURS portfolio returned 23.8%, net of fees, one of the highest fiscal year returns in SURS history; however, slightly trailing the policy portfolio for the year. Key accomplishments during FY 2021 were the completion of a search for a discretionary private credit advisor and the continued diversification of the portfolio. The search, completed in September 2020, resulted in the retention of Meketa as the discretionary private credit advisor. Meketa will partner with SURS to formulate and implement credit strategies designed to efficiently achieve portfolio objectives. The private credit allocation will enhance the diversification of our stabilized growth class, as will an initial commitment to core infrastructure. Within our non-traditional growth class, an initial allocation to farmland, as well as additional commitments to real estate debt and non-core infrastructure, further add to the diversification in the class.

Long-Term Investment Results

For the 10-year period ended June 30, 2021, SURS total fund earned an annualized total return, net of all investment management expenses, of 8.5%. This trailed the policy portfolio benchmark by 0.1% annualized. From a longer-term perspective, the SURS portfolio has performed well, earning an 8.5% annualized rate of return over the past 30 years, exceeding both the 8.2% policy portfolio return and the 7.9% average assumed rate of return in effect over the last 30 years.

Commitment to Diversity

SURS continues to display a strong commitment to diversity as investments with firms owned by minorities, women, and persons with a disability (MWDB), continue to grow. The search activity and portfolio restructuring completed during the most recent fiscal year presented an opportunity to further demonstrate this important initiative. Assets managed by diverse firms now represent approximately \$9.8 billion, or 41.6%, of the total fund.

Defined Contribution Plans

Fiscal year 2021 brought meaningful change to the SURS defined contribution plans. Highlights included the redesign and launch of the SURS Retirement Savings Plan (RSP) and the introduction of the new supplemental Deferred Compensation Plan (DCP). This new voluntary plan will provide members an avenue to save more and generate additional income in retirement.

FY 2021 was the 23rd complete year of the SURS RSP (formerly SMP). As of June 30, 2021, RSP members had almost \$3.8 billion invested in the plan. This represents an increase of approximately \$894 million since the end of fiscal year 2020. Contributing to the growth in plan assets was a market-related increase of \$855 million. 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 70% equity, 26% fixed income, and 4% real estate.

Employers

Number of defined benefit plan participating employers

	2021
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.

SURS Participating Employers

Black Hawk College	Lincoln Land Community College
Carl Sandburg College	McHenry County 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(l) 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 Colleges	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
Kishwaukee College	Waubonsee Community College
Lake Land College	Western Illinois University
Lewis & Clark Community College	William Rainey Harper College



State Universities Retirement System of Illinois
A Component Unit of the state of Illinois

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