



Staying the Course



Fiscal Year 2022
**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 245,000 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.

Mission

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



Staying the course to Succeed

A Message From The Executive Director

Fiscal year 2022 was a very productive 12 months for our System. Our staff completed the first phase of our new pension administration software project, began work to implement automatic enrollment for our Deferred Compensation Plan (DCP), and continued to provide excellent member service.

SYSTEMS DEVELOPMENT AND SECURITY

Working with Vitech Corporation and Linea Solutions, we completed approximately 25% of the pension administration system replacement project, Project Velocity, which began in July 2021. This project will improve SURS technology, provide opportunities for improved processing for all SURS employers, and enhance customer service for members.

SURS recently implemented new security measures on our Member and Employer websites adding an additional layer of identity verification as part of the login process. A dedicated systems security team also has been added to SURS Technology Department. Cyber security remains a top priority.

DEFERRED COMPENSATION PLAN (DCP)

SURS DCP has been available to active members for nearly two years and interest continues to grow. We are actively promoting the 457(b) plan and the importance of supplemental savings via webinars, in-person counseling, and email communications. On August 20, 2021, legislation was signed into law allowing auto enrollment into the plan for new SURS members effective July 1, 2023. SURS DCP, Information Technology, and Application Development teams developed internal processes to implement this enhancement.

MEMBER SERVICE

The Member Service teams calculated 8,359 claims, answered 84,587 calls and 5,807 member emails, held 4,940 counseling sessions and 35 educational webinars, conducted 15 employer trainings, and responded to 2,897 employer emails and calls. The teams' overall member satisfaction rating was 97%. The Communications team sent over 1,000,000 informational emails to members, added 100 posts to social media, and completed a redesign of the System's public-facing website – surs.org – to improve usability on mobile devices, update ADA compliance, and enhance security.

FUNDING

I am pleased to report that all the \$2.1 billion statutory contribution for fiscal year 2022 was received by June 27, 2022. As of June 30, 2022, the plan net position as a percentage of the total pension liability was 43.65%.

INVESTMENTS

Despite continuing repercussions globally from COVID-19, the Russian invasion of Ukraine, and significant inflation, the SURS portfolio produced only slightly negative returns in fiscal year 2022. As of June 30, the SURS defined benefit assets held in trust set at \$22.5 billion while the Retirement Savings Plan (RSP) and the Deferred Compensation Plan (DCP) are valued at approximately \$3.3 billion and \$8.0 million, respectively. During fiscal year 2022 the SURS portfolio returned -1.4%, net of fees, below the long-term 6.50% assumed rate but above the policy benchmark.

I want to thank our hardworking staff and board of trustees for their dedication to providing excellent service over the past fiscal year. We continue to be dedicated to our mission of securing and delivering the retirement benefits promised to our members.

Suzanne Mayer
Executive Director

Board of Trustees



John Atkinson
Chairperson
Appointed



Collin Van Meter
Vice Chairperson
Elected



John Lyons
Treasurer
Appointed



Andriy Bodnaruk
Elected



Richard Figueroa
Appointed



Jamie-Clare Flaherty
Appointed



J. Fred Giertz
Elected



Scott Hendrie
Appointed



Steven Rock
Elected

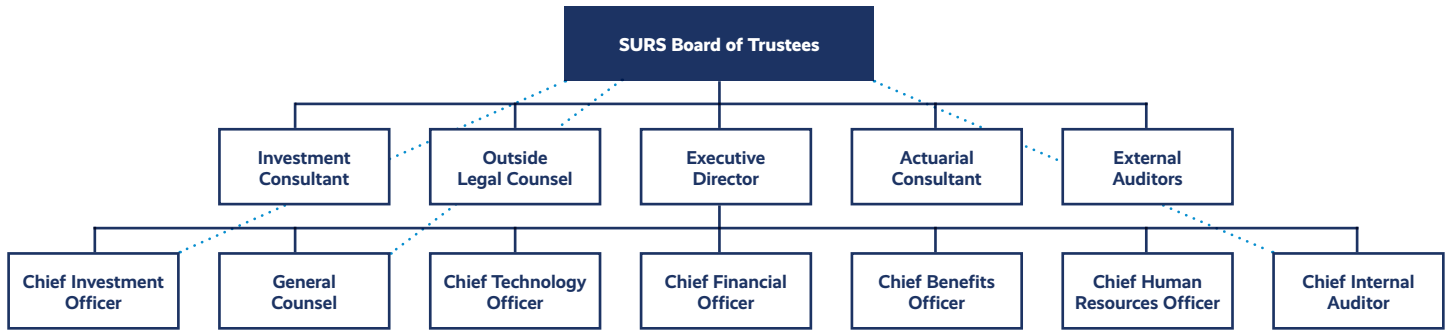


Antonio Vasquez
Elected



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.....	Nichole Hemming
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, 2021. This is the thirty-eighth 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 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.

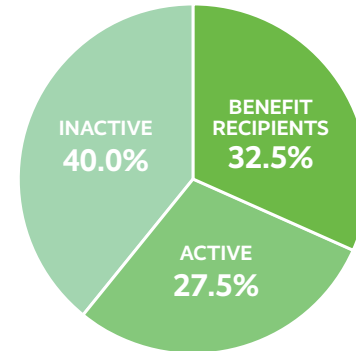
Membership

DEFINED BENEFIT – TRADITIONAL & PORTABLE PLANS

At June 30, 2022, membership was:

Benefit Recipients	71,458
Active Members	60,281
Inactive Members	87,829
	219,568

Defined Benefit Plan



Number of Benefit Recipients 5-Year Summary

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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

Average Annuity Payments For Retirees as of June 30, 2022

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-29	30+	
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	6.67	13.32	18.54	23.37	27.97	32.20	18.39

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, 2022, membership was:

Benefit Recipients	1,412
Active Members	13,026
Inactive Members	10,722
	25,160

At June 30, 2022, 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.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

- Contributions from the state and employers were \$2,228.4 million, an increase of \$165.3 million, or 8.0% from fiscal year 2021.
- The System's benefit payments were \$2,881.5 million, an increase of \$98.7 million, or 3.5% for fiscal year 2022.
- The System's return on investment, net of investment management fees, was -1.4% for fiscal year 2022.
- The System's fiduciary net position at the end of fiscal year 2022 was \$22.7 billion, a decrease of \$1.2 billion, or 5.2%.

Financial Analysis of the System

The System serves 219,568 members in its defined benefit plan, 25,160 members in its retirement savings plan, and has 1,691 members enrolled 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 decreased from \$23.9 billion as of June 30, 2021, to \$22.7 billion as of June 30, 2022. This \$1.2 billion change was almost entirely due to a decrease in the fair value of the System's investments.

Condensed Statement of Fiduciary Net Position

REPORTING ENTITY (\$ in millions)	2022	2021	Change Amount	Change %
Cash and short-term investments	\$ 1,073.6	\$ 1,723.8	\$ (650.2)	(37.7)%
Receivables and prepaid expenses	83.4	81.1	2.3	2.8
Pending investment sales	159.0	78.7	80.3	102.0
Investments and securities lending collateral	21,629.0	24,355.7	(2,726.7)	(11.2)
Capital assets, net	15.3	11.1	4.2	37.8
Total assets	22,960.3	26,250.4	(3,290.1)	(12.5)
Payable to brokers-unsettled trades	29.9	128.0	(98.1)	(76.6)
Securities lending collateral	198.4	2,142.7	(1,944.3)	(90.7)
Other liabilities	48.6	50.0	(1.4)	(2.8)
Total liabilities	276.9	2,320.7	(2,043.8)	(88.1)
TOTAL FIDUCIARY NET POSITION	\$ 22,683.4	\$ 23,929.7	\$ 1,246.3	5.2%

Condensed Statement of Changes in Fiduciary Net Position

REPORTING ENTITY (\$ in millions)	2022	2021	Change Amount	Change %
Employer contributions	\$ 69.0	\$ 67.3	\$ 1.7	2.5%
Non-employer contributing entity contributions	2,159.4	1,995.8	163.6	8.2
Member contributions	399.3	387.0	12.3	3.2
Net investment income	(687.8)	4,793.2	(5,481.0)	(114.3)
Total additions	1,939.9	7,243.3	(5,303.4)	(73.2)
Benefits	2,881.5	2,782.8	98.7	3.5
Refunds	82.5	79.1	3.4	4.3
Contributions sent to third-party administrator	198.4	178.5	19.9	11.1
Administrative expense	23.8	22.0	1.8	8.2
Total deductions	3,186.2	3,062.4	123.8	4.0
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	\$ (1,246.3)	\$ 4,180.9	\$ (5,427.2)	(129.8)%

Additions

Additions to fiduciary net position come from employer and member contributions and returns on investment funds. For fiscal year 2022, non-employer contributing entity contributions increased by \$163.6 million due to higher contributions from the State of Illinois. Those contributions included a supplemental amount of \$58.1 million received from the Pension Stabilization Fund pursuant to PA 102-696. The Pension Stabilization Fund is used to reduce the unfunded liabilities of the five State-funded retirement systems. Employer contributions increased by \$1.7 million, or 2.5%. Member contributions increased by \$12.3 million, or 3.2%. Net investment loss for fiscal year 2022 was \$687.8 million for the System, representing a \$5.5 billion decrease from the prior year. The System's investment rate of return was -1.4% (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.

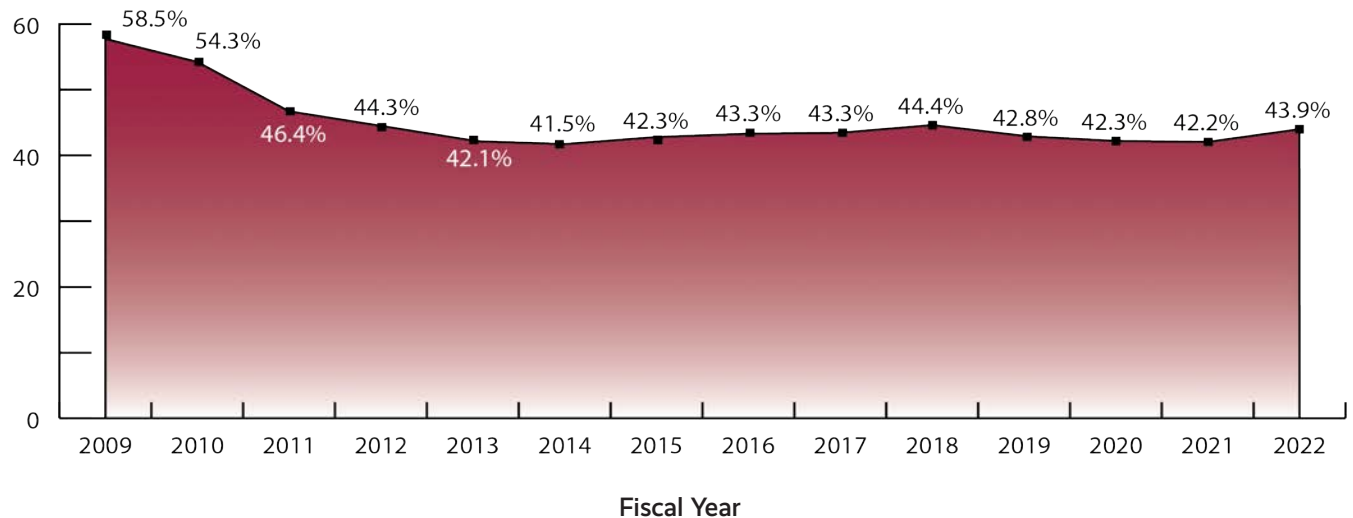
Annually, the SURS actuary determines the annual “statutory contribution” needed to meet current and future benefit obligations in accordance with the Illinois Pension Code, which sets forth the manner of calculating the statutory contribution under the Statutory Funding Plan. The Statutory Funding Plan 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 the end of fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions. All of the \$2.1 billion statutory contribution for fiscal year 2022 was received by June 27, 2022. As of June 30, 2022, the plan net position as a percentage of the total pension liability was 43.65%. The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2022, 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			
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
2022	2,377,774	57,906	2,078,153	241,715	3,613,383	59.12

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.



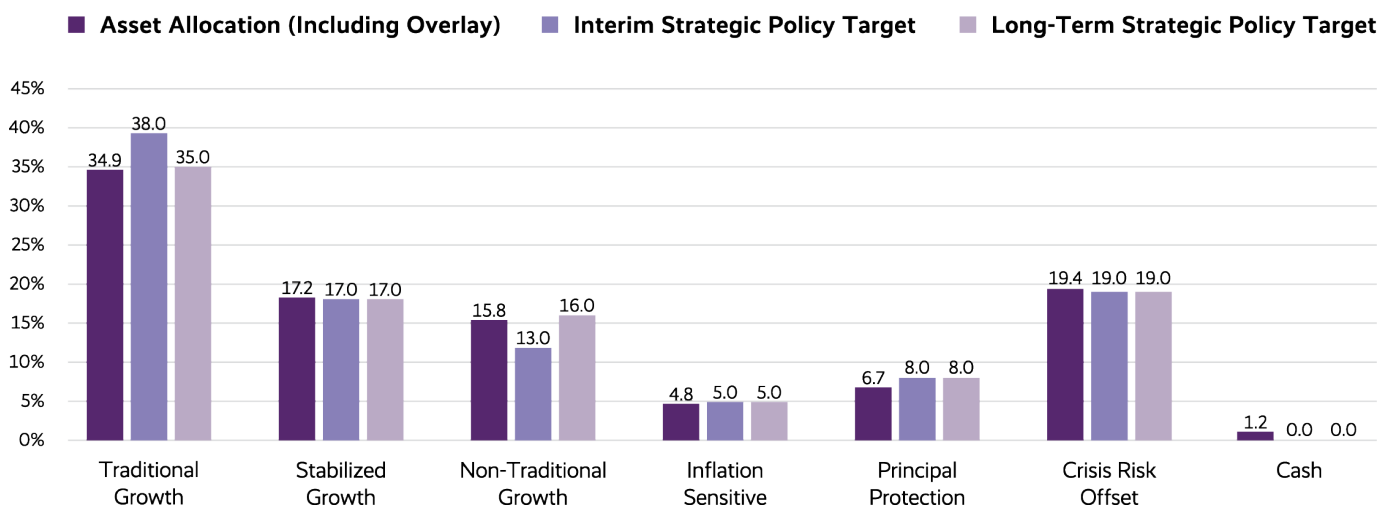
Investments

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.

Policy vs. Actual

Percentage



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 2022 Results

The SURS investment portfolio weathered the volatile markets of the past year, its defensive structure serving to cushion the portfolio from the full impact of falling global financial markets. The SURS investment portfolio returned -1.4%, net of fees, significantly outpacing the policy portfolio return of -4.9% for the year. Key accomplishments during fiscal year 2022 were the restructuring of the public credit portfolio to remove dedicated emerging market debt exposure and continued effort to achieve the long-term strategic allocation policy targets. Achieving the policy targets requires continued commitment to the private markets portfolios, including core and non-core real assets, private equity, and private credit. Additional diversification was achieved within the stabilized growth class with commitments to core infrastructure and mission critical real estate. Finally, the completion of a search for long volatility and tail risk strategies was completed in April 2022. These strategies are expected to enhance the diversification of our CRO class.

Long-Term Investment Results

For the 10-year period ended June 30, 2022, SURS total fund earned an annualized total return, net of all investment management expenses, of 8.3%. This exceeded the policy portfolio benchmark by 0.4% annualized. 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 7.8% policy portfolio return and the 7.9% actuarial assumed rate of return in effect over that time.

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) represent approximately \$9.3 billion, or 40.9%, of the total fund.

Defined Contribution Plans

Retirement Savings Plan

Fiscal year 2022 marks the twenty-fourth complete year of the Retirement Savings Plan (RSP). As of June 30, 2022, RSP members had almost \$3.3 billion invested in the plan. This represents a decrease of approximately \$485 million since the end of fiscal year 2021. 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 67.4% equity, 29.1% fixed income, and 3.5% real estate.

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, 2022, DCP participants had just over \$8.0 million invested in the plan. DCP participants maintain a balanced exposure to equities. In aggregate, the total funds invested by DCP participants have an allocation of 72% equity, 23% fixed income, and 5% real estate.

Legislation

The following bills impacting SURS passed the General Assembly in fiscal year 2022:

- Public Act 102-0696, signed into law on March 25, 2022, appropriated an additional \$300 million to reduce the unfunded liabilities of the five state-funded retirement systems in fiscal year 2022. Of this amount, SURS received \$58,138,900 from the Pension Stabilization Fund on May 2, 2022.
- Public Act 102-0698, signed into law on April 19, 2022, appropriated an additional \$200 million to reduce the unfunded liabilities of the five state-funded retirement systems in fiscal year 2023. Of this amount, SURS received \$38,759,300 from the Pension Stabilization Fund on July 6, 2022. Public Act 102-0698 also appropriated an additional \$25 million from the General Revenue Fund to reduce the bill backlog under the College Insurance Program, which provides health insurance benefits for certain community college retirees and their dependents.
- Public Act 102-0718, signed into law on May 5, 2022, extends availability of the buyout options created by Public Act 100-0587 from June 30, 2024, to June 30, 2026, and provides an additional \$1 billion in authorization for State Pension Obligation Acceleration Bonds to finance the buyout payments (bringing the total authorization to \$2 billion).

Customer Service

SURS MEMBER SERVICES/OUTREACH STATISTICS – FISCAL YEAR 2022

Counseling

Individual Retirement Counseling Appointments.....	4,940
Written Retirement Estimates Mailed.....	993
Retirement Education Seminars.....	5
Benefit Fairs.....	4
Webmails.....	5,807
Webinars/Group Presentations.....	30

Call Center

Incoming Calls.....	84,587
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Employer Services

Emails/phone calls with employers.....	2,897
Employer Trainings.....	15

Electronic Service

SURS Website Page Views.....	1,154,206
SURS Member Website Visits.....	5,037,937
SURS Employer Website Visits.....	823,941
Informational Emails Sent To Members.....	1,057,062

Claims Processed - 6,736

Retirement.....	3,107
Refund.....	3,569
Death.....	1,492
Disability.....	191

Support Services

Items Mailed.....	268,629
Documents Scanned/Imported.....	707,492

SURS Employees

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
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
2022	18.00	17.00	91.00	39.00	4.00	169.00

Employers

Number of defined benefit plan participating employers

	2022
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 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 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



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

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