

# PURPOSE-LED PERFORMANCE

The Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023



## 2023

A COMPONENT UNIT OF THE STATE OF ILLINOIS



Prepared through the joint efforts of SURS team members

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# TO PERFORM WITH PURPOSE

## 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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## AWARDS



## LETTER OF TRANSMITTAL



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[www.surs.org](http://www.surs.org)

February 8, 2024

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

We are pleased to present the 82nd 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, 2023.

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 2023 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 250,000 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.

## **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 2023 certified State of Illinois contribution of \$2,118,567,000 was received in full by June 2, 2023. SURS also received \$38,759,300 in supplemental contributions from the Pension Stabilization Fund to reduce unfunded liabilities. As of June 30, 2023, the plan net position as a percentage of the total pension liability was 44.06%. The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2023, 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 \$23.1 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 \$3.7 billion and \$28.5 million, respectively. During fiscal year 2023 the SURS portfolio returned 5.3%, net of fees, below both the long-term 6.5% assumed rate and the policy benchmark. However, SURS investment program has a long-term horizon. Portfolio returns, net of fees, are 8.8% over the last three years and 7.5% 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 bills impacting SURS passed the General Assembly in fiscal year 2023:

- 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. This applies to SURS participants beginning on September 1, 2024.
- 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 103-0080 creates a line of duty disability benefit for police officers under SURS. The amount of the benefit is the greater of 65% of basic compensation or 65% of the average earnings during the 24 months prior to becoming disabled. This applies to line of duty disabilities occurring on and after January 1, 2022.

# LETTER OF TRANSMITTAL



- Public Act 103-0006 appropriated additional funding to the state-funded retirement systems to reduce unfunded liabilities, bringing the total additional appropriations for this purpose to \$700 million. SURS received \$58,138,900 in fiscal year 2022 and \$38,759,300 in fiscal year 2023 for a total of \$96,898,200 in additional funding to reduce unfunded liabilities.

## Major Initiatives

SURS will hold a trustee election on May 1, 2024. Members will elect three active-member trustees and one annuitant trustee. Two of the active-member trustee seats are for six-year terms, and one is for a three-year term. The annuitant trustee seat is for a six-year term.

The voting period for the election is April 1, 2024, through May 1, 2024. The election will be conducted by the independent election firm YesElections. SURS staff kicked off an outreach campaign to members beginning in June 2023.

## Board of Trustees

On November 30, 2022, Antonio Vasquez was selected as an elected trustee by a majority vote of the other five elected trustees to replace Trustee Scott Weisbenner who passed away on September 29, 2022. Vasquez will serve until the next trustee election in May 2024.

Vasquez is a returning trustee. 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. He previously served as chairperson of the Investment and Administration Committees and as board treasurer and vice chairperson. Vasquez is a professor of economics at Wilbur Wright College.

## 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 member's 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 2023 the Member Service teams calculated 8,344 claims, answered 86,755 calls and 5,810 member emails, held 4,940 counseling sessions and 38 educational webinars and other member outreach events, conducted 20 employer trainings and two employer seminars, and responded to 3,323 employer emails.

The Communications team sent over 800,000 informational emails to members, added 60 posts to social media, and made thousands of informational updates to [surs.org](https://surs.org).

## Deferred Compensation Plan (DCP)

SURS DCP has been available to active members for nearly three 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. As of June 30, 2023, a total of 3,300 SURS members had voluntarily enrolled in the DCP, reflecting 4.18% of eligible enrollees. Beginning July 1, 2023, per Public Act 102-0540, newly certified members will be automatically enrolled in the SURS DCP unless they opt out.

## 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, 2022. This is the thirty-ninth 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.

# LETTER OF TRANSMITTAL



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.

SURS was also a recipient of a 2023 Leadership Recognition Award by the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) for the design and rollout of the Deferred Compensation Plan (DCP).

The NAGDCA Awards recognize the brightest ideas and most innovative solutions from across the public sector defined contribution industry. The 2023 NAGDCA Awards Committee chose the top entries in each of five categories to receive an award. The Leadership Award SURS received recognizes public-sector defined contribution plans for outstanding achievements in the category of Plan Design and Administration.

## **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](http://www.surs.org).

Respectfully submitted,

Suzanne M. Mayer  
Executive Director

Tara R. Myers  
Chief Financial Officer

# 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

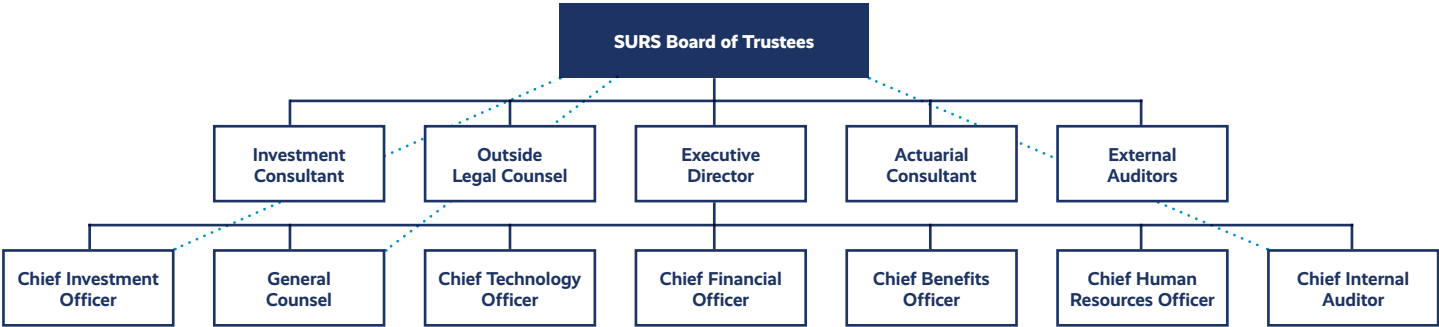


**Antonio Vasquez**  
Elected



**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

# CONSULTING AND PROFESSIONAL SERVICES



## **Actuary**

Gabriel, Roeder, Smith & Co.

## **Auditor**

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

## **Legal Counsel**

Featherstun, Gaumer, Stocks, Flynn & Eck, LLP  
Foley & Lardner LLP  
Ice Miller LLP  
K & L Gates LLP  
Kutak Rock LLP  
Mayer Brown LLP  
Morgan, Lewis & Bockius LLP  
Ottosen Dinolfo Hasenbalg & Castaldo, LTD

## **Operations**

CBIZ Talent and Compensation Solutions  
Executive Coaching Connections  
Info-Tech Research Group  
Korn Ferry  
Spherion Staffing LLC  
Surface 51  
The Berwyn Group

## **Master Trustee and Custodian**

The Northern Trust Company

## **Plan Service Providers**

Teachers Insurance Annuity Association  
Voya Financial

## **Investment Consultants**

Callan LLC  
CAPTRUST Financial Advisors  
Meketa Investment Group

## **Securities Lending**

Mitsubishi UFJ Trust and Banking Corporation

Schedule of Fees and Commissions can be found in the Investment Section Supporting Schedules, pages 76–78.



# FINANCIAL

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## Independent Auditor's Report

Honorable Frank J. Mautino, Auditor General – State of Illinois

RSM US LLP

Board of Trustees, State Universities Retirement System of Illinois

### **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, 2023, 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, 2023, 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.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

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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 consultant payments, the summary schedule of investment fees and administrative expenses, and the combining schedule of 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 consultant payments, the summary schedule of investment fees and administrative expenses, and the combining schedule of 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  
February 8, 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, 2023, with comparative reporting entity totals for the year ended June 30, 2022. 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 \$2,233.3 million, an increase of \$4.9 million, or 0.2% from fiscal year 2022.
- The System's benefit payments were \$2,997.9 million, an increase of \$116.4 million, or 4.0% for fiscal year 2023.
- The System's time-weighted return on investment, net of investment management fees, was 5.3% for fiscal year 2023.
- The System's fiduciary net position at the end of fiscal year 2023 was \$23.4 billion, an increase of \$0.7 billion, or 3.0%.

## 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, 2023, and the Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2023. 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.

As of July 1, 2022, the System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. See additional information related to the change in accounting principles in Note II.

## 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 223,813 members in its defined benefit plan and 25,759 members in its retirement savings plan. Additionally, 3,018 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 \$22.7 billion as of June 30, 2022, to \$23.4 billion as of June 30, 2023. This \$0.7 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)	2023	2022	Change	
			Amount	%
Cash and short-term investments	\$ 244.3	\$ 1,073.6	\$ (829.3)	(77.2)%
Receivables and prepaid expenses	302.1	83.4	218.7	262.2
Pending investment sales	28.6	159.0	(130.4)	(82.0)
Investments and securities lending collateral	26,173.7	21,629.0	4,544.7	21.0
Capital assets, net	22.2	15.3	6.9	45.1
<b>Total assets</b>	<b>26,770.9</b>	<b>22,960.3</b>	<b>3,810.6</b>	<b>16.6</b>
Payable to brokers-unsettled trades	56.4	29.9	26.5	88.6
Securities lending collateral	3,311.9	198.4	3,113.5	1,569.3
Other liabilities	42.1	48.6	(6.5)	(13.4)
<b>Total liabilities</b>	<b>3,410.4</b>	<b>276.9</b>	<b>3,133.5</b>	<b>1,131.6</b>
<b>TOTAL FIDUCIARY NET POSITION</b>	<b>\$ 23,360.5</b>	<b>\$ 22,683.4</b>	<b>\$ 677.1</b>	<b>3.0%</b>

The investment allocation strategy for the reporting entity as of June 30, 2023 and 2022, is as follows:

### Investment Allocation Strategy

	2023	2022
<b>Traditional Growth</b>		
Global Public Equity	36.0%	38.0%
<b>Stabilized Growth</b>		
Core Real Assets	8.0	4.5
Options Strategies	-	2.5
Public Credit Fixed Income	6.5	9.0
Private Credit	2.5	1.0
<b>Non-Traditional Growth</b>		
Private Equity	11.0	10.5
Non-Core Real Assets	4.0	2.5
<b>Inflation Sensitive</b>		
U.S. TIPS	5.0	5.0
<b>Principal Protection</b>		
Core Fixed Income	10.0	8.0
<b>Crisis Risk Offset</b>		
Systematic Trend Following	10.0	10.0
Alternative Risk Premia	3.0	5.0
Long Duration	2.0	4.0
Long Volatility/Tail Risk	2.0	-
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

# 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 is 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)	2023	2022	Change	
			Amount	%
Employer contributions	\$ 76.0	\$ 69.0	\$ 7.0	10.1%
Non-employer contributing entity contributions	2,157.3	2,159.4	(2.1)	(0.1)
Member contributions	425.9	399.3	26.6	6.7
Net investment income (loss)	1,338.1	(687.8)	2,025.9	294.5
<b>Total additions</b>	<b>3,997.3</b>	<b>1,939.9</b>	<b>2,057.4</b>	<b>106.1</b>
Benefits	2,997.9	2,881.5	116.4	4.0
Refunds	79.2	82.5	(3.3)	(4.0)
Contributions sent to third-party administrator	218.3	198.4	19.9	10.0
Administrative expense	25.3	23.8	1.5	6.3
<b>Total deductions</b>	<b>3,320.7</b>	<b>3,186.2</b>	<b>134.5</b>	<b>4.2</b>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	<b>\$ 676.6</b>	<b>\$ (1,246.3)</b>	<b>\$ 1,922.9</b>	<b>154.3%</b>

## Additions to Fiduciary Net Position

Additions to fiduciary net position come from employer contributions, member contributions and returns on investment funds. For fiscal year 2023, the System's non-employer contributing entity — the State of Illinois — contributed \$2,157.3 million, which included a supplemental contribution of \$38.8 million from the Pension Stabilization Fund pursuant to PA 102-698. The Pension Stabilization Fund is used to reduce the unfunded liabilities of the five State-funded retirement systems. Employer contributions increased by \$7.0 million, or 10.1%, to \$76.0 million. Member contributions increased by \$26.6 million, or 6.7%, to \$425.9 million. Net investment gain for fiscal year 2023 was \$1,338.1 million for the System, representing a \$2,025.9 million increase from the prior year. The System's investment rate of return was 5.3% (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
<b>Time-Weighted Annualized Return</b>	5.3%	8.8%	7.0%	7.5%	7.6%	7.9%

The annualized rate of return over a 30-year period of 7.9% was higher than the actuarial rate of return assumption of 6.5% in effect for fiscal year 2023. 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 2023 totaled \$3.3 billion, an increase of \$134.5 million, or 4.2% over deductions for 2022. This increase is primarily due to the \$116.4 million increase in retirement and survivor annuity payments made to defined benefit plan members. Portable lump sum distributions and refunds decreased by \$3.3 million, or 4.0%. Administrative expenses increased by \$1.5 million, or 6.3% from fiscal year 2022 to 2023.

## 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 2023, a total of \$41.1 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, 2017 to June 30, 2020, was completed in June 2021, and the assumptions adopted as of June 30, 2021. The next experience study will be completed in 2024 using June 30, 2020 to June 30, 2023 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 2022 (applied to SURS fiscal year 2023) was \$119,892, and the limit for calendar year 2023 (fiscal year 2024) is \$123,489. This limit on Tier 2 members' pensionable earnings decreases the anticipated amount of future payroll and contributions.

Excluding supplemental contributions made in fiscal year 2023, combined employer and State contributions are projected to increase by about 0.4% (\$9.3 million) in fiscal year 2024.

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.

Public Act 103-0006, signed into law on June 8, 2023, appropriated additional funding to the state-funded retirement systems to reduce unfunded liabilities. SURS received \$58,138,900 in fiscal year 2022, \$38,759,300 in fiscal year 2023 and will receive \$77,518,600 in fiscal year 2024 for a total of \$174,416,800 in additional funding to reduce unfunded liabilities.

## 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, 2023

	Defined Benefit Pension Plan	Other Employee Benefit Plan	Custodial Funds	Total
<b>ASSETS</b>				
Cash and short-term investments	\$ 237,096,814	\$ 1,538,057	\$ 5,650,805	\$ 244,285,676
Receivables				
Members	12,060,620	-	3,726,121	15,786,741
Federal, trust funds, and other	6,670,893	-	21,250	6,692,143
Pending investment sales	28,349,977	185,219	21,446	28,556,642
Interest and dividends	65,494,336	427,894	49,546	65,971,776
Total receivables	112,575,826	613,113	3,818,363	117,007,302
Prepaid expenses	213,682,809	-	-	213,682,809
Investments, at fair value				
Equity investments	8,298,495,950	54,216,576	6,277,715	8,358,990,241
Fixed income investments	5,547,651,496	36,244,480	4,196,734	5,588,092,710
Real asset investments	2,600,700,821	16,991,163	1,967,400	2,619,659,384
Alternative investments	6,249,490,239	40,829,804	4,727,666	6,295,047,709
Total investments	22,696,338,506	148,282,023	17,169,515	22,861,790,044
Securities lending collateral	3,287,942,382	21,481,119	2,487,290	3,311,910,791
Capital assets, at cost, net of accum deprec	22,237,138	-	-	22,237,138
<b>TOTAL ASSETS</b>	<b>26,569,873,475</b>	<b>171,914,312</b>	<b>29,125,973</b>	<b>26,770,913,760</b>
<b>LIABILITIES</b>				
Benefits payable	16,345,740	157,072	-	16,502,812
Refunds payable	3,891,456	-	-	3,891,456
Securities lending collateral	3,287,946,154	21,481,143	2,487,293	3,311,914,590
Payable to brokers for unsettled trades	56,010,310	365,932	42,371	56,418,613
Investment expenses payable	6,502,729	42,484	4,919	6,550,132
Administrative expenses payable	5,929,185	-	95,405	6,024,590
Contributions due to third-party administrator	-	-	9,124,682	9,124,682
<b>TOTAL LIABILITIES</b>	<b>3,376,625,574</b>	<b>22,046,631</b>	<b>11,754,670</b>	<b>3,410,426,875</b>
<b>FIDUCIARY NET POSITION</b>				
Restricted for pensions	23,193,247,901	-	-	23,193,247,901
Restricted for other employee benefits	-	149,867,681	-	149,867,681
Restricted for other governments	-	-	17,371,303	17,371,303
<b>TOTAL FIDUCIARY NET POSITION</b>	<b>\$ 23,193,247,901</b>	<b>\$ 149,867,681</b>	<b>\$ 17,371,303</b>	<b>\$ 23,360,486,885</b>

The accompanying notes are an integral part of the financial statements.

## FINANCIAL STATEMENTS



## Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2023

	Defined Benefit Pension Plan	Other Employee Benefit Plan	Custodial Funds	Total
<b>ADDITIONS</b>				
Contributions				
Employers	\$ 63,759,762	\$ -	\$ 12,190,675	\$ 75,950,437
Non-employer contributing entity	2,074,951,940	-	82,374,360	2,157,326,300
Members	299,585,024	-	126,352,959	425,937,983
Total contributions	2,438,296,726	-	220,917,994	2,659,214,720
Investment Income				
Net appreciation				
in fair value of investments	1,000,441,425	5,748,408	516,456	1,006,706,289
Interest	181,395,783	1,051,043	94,429	182,541,255
Dividends	261,258,010	1,513,781	136,003	262,907,794
Securities lending	3,901,358	22,605	2,031	3,925,994
	1,446,996,576	8,335,837	748,919	1,456,081,332
Less investment expense				
Asset management expense	116,960,634	677,732	60,890	117,699,256
Securities lending expense	314,311	1,821	164	316,296
Net investment income	1,329,721,631	7,656,284	687,865	1,338,065,780
<b>TOTAL ADDITIONS</b>	<b>3,768,018,357</b>	<b>7,656,284</b>	<b>221,605,859</b>	<b>3,997,280,500</b>
<b>DEDUCTIONS</b>				
Benefits	2,995,372,248	2,507,156	-	2,997,879,404
Refunds of contributions	79,236,365	-	-	79,236,365
Contributions sent to third-party administrator	-	-	218,249,362	218,249,362
Administrative expense	23,715,248	-	1,553,940	25,269,188
<b>TOTAL DEDUCTIONS</b>	<b>3,098,323,861</b>	<b>2,507,156</b>	<b>219,803,302</b>	<b>3,320,634,319</b>
<b>Net increase</b>	<b>669,694,496</b>	<b>5,149,128</b>	<b>1,802,557</b>	<b>676,646,181</b>
Fiduciary Net Position				
Beginning of year, as previously stated	22,523,123,405	144,718,553	15,568,746	22,683,410,704
Impact of adoption of new accounting standards	430,000	-	-	430,000
Beginning of year, as restated	22,523,553,405	144,718,553	15,568,746	22,683,840,704
<b>FIDUCIARY NET POSITION END OF YEAR</b>	<b>\$23,193,247,901</b>	<b>\$ 149,867,681</b>	<b>\$ 17,371,303</b>	<b>\$23,360,486,885</b>

The accompanying notes are an integral part of the financial statements.

# 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, 2023, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the statutes for more complete information.

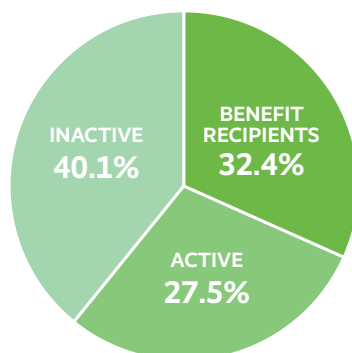
The financial statement presentation of the System's benefit plans is driven by accounting standards for fiduciary activities issued by the Governmental Accounting Standards Board. An explanation of how these standards affect the presentation of the System's three plans can be found in the Reporting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

### A. Defined Benefit Plan

As of June 30, 2023, 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, 2023, the number of participating employers was:

Universities	9
Community Colleges	39
Allied Agencies	11
State Agencies	2
<b>Total</b>	<b>61</b>

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

#### 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.

At June 30, 2023, defined benefit plan membership consisted of:

Benefit Recipients	72,580
Active Members	61,509
Inactive Members	89,724
<b>Total</b>	<b>223,813</b>

#### 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, 2023.

# NOTES TO THE FINANCIAL STATEMENTS



	Tier I	Tier II
<b>Retirement Vesting</b> Traditional Plan and Portable Plan	5 years of service	10 years of service
<b>Full Retirement Age</b> 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
<b>Final Rate of Earnings</b> 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)
<b>Retirement Automatic Annual Increase (AAI)</b> 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
<b>Survivor Benefits</b> 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
<b>Survivor Automatic Annual Increase (AAI)</b> 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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

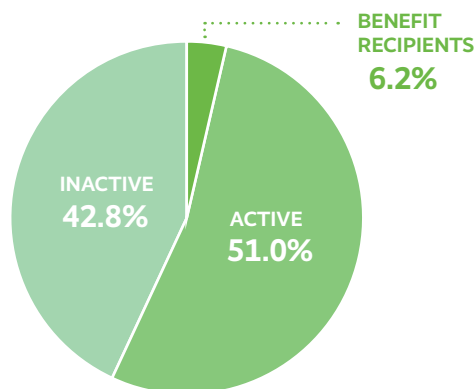


## B. Retirement Savings Plan

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.

### Retirement Savings Plan



At June 30, 2023, 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, 2023, the RSP membership consisted of:

Benefit Recipients	1,609
Active Members	13,136
Inactive Members	11,014
	25,759

### 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 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

# NOTES TO THE FINANCIAL STATEMENTS



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. Participation in the plan by SURS members is voluntary, though all SURS employers were required to adopt the plan by September 1, 2021. 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, 2023, the 3,018 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 59 1/2, 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS



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. Change in Accounting Principle**

As of July 1, 2022, the System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, the System began reporting expenditures for subscription-based software and infrastructure as capital assets and/or reductions in subscription liabilities instead of deductions from fiduciary net position. Fiduciary net position as of July 1, 2022, has been restated by \$430,000, to recognize \$637,247 of in-service right-to-use assets, \$430,000 of implementation-stage right-to-use assets, and \$637,247 of subscription liabilities.

## **D. 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.

## **E. 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.

## **F. Cash and Short-Term Investments**

Included in the \$244,285,676 of cash and short-term investments presented in the Statement of Fiduciary Net Position is \$158,853,519 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.

# NOTES TO THE FINANCIAL STATEMENTS



## G. Prepaid Expenses

Prepaid expenses as of June 30, 2023, includes \$213,604,981 of annuity payments for the July 2023 pay period which were disbursed on June 30, 2023, due to July 1, 2023, falling on a weekend.

## H. 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 (real estate and private equity). These methods generally include detailed property level appraisals and discounted cash flow analysis.

## I. 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*.

## J. 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



## K. 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.

## L. New Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was effective for financial reporting periods beginning after June 15, 2022. SURS implemented this Statement for the year ending June 30, 2023, as described in the *Change in Accounting Principle* section above. The implementation of this statement resulted in the System newly recognizing intangible right-to-use assets and amortization (as described in the *Capital Assets* section above), and subscription liabilities and interest expense (as described in the *Lease and Subscription Liabilities* section above).

GASB Statement No. 99, *Omnibus 2022*, had varying effective dates depending on the statement's requirements. Requirements related to leases, public-private partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) were effective for financial reporting periods beginning after June 15, 2022. The System has implemented the requirements for leases and SBITAs for the year ending June 30, 2023. The requirements for PPPs do not affect the System's financial statements. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for financial reporting periods beginning after June 15, 2023. SURS does not expect these requirements to have a material impact on future financial statements.

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 System will implement these requirements, as appropriate and relevant, beginning with the financial reporting period ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, is effective for financial reporting periods beginning after December 15, 2023. The System does not expect this statement to have a material impact on future financial statements.

## 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.<sup>1</sup>

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<sup>1</sup>This 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

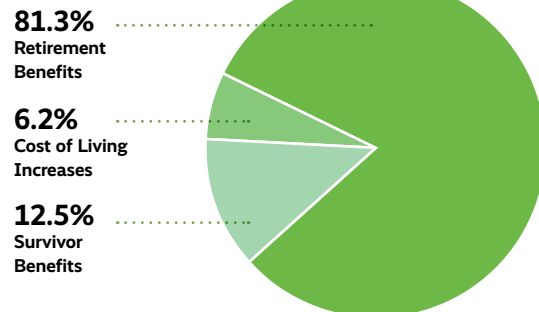


## 2. Membership Contributions

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.

## Member Contributions



## 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, 2023. 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 6.25% for the year ended June 30, 2023, and will be 7.0% for the year ended June 30, 2024.

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. The last actuarial experience study was completed in June 2021. 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 2023 the State of Illinois contributed \$2,074,951,940 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 12.83% of covered earnings as the employer normal cost for fiscal year 2023. 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 2023, total employer contributions to the defined benefit pension plan were \$63,759,762.

# 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, 2023 are as follows:

Member contributions	\$ 6,844,095,918
Benefits from member and employer contributions	16,349,151,983
<b>TOTAL FIDUCIARY NET POSITION</b>	<b>\$ 23,193,247,901</b>

## 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 0.0% 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 2023.

### 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 \$149,867,681 as of June 30, 2023.

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 2023, the investment income credited to these balances was \$7,656,284.

### 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, contribution 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 \$107,869,971 for the year ending June 30, 2023.

#### 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, 2023, members contributed \$18,482,988 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 (0.0% 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 2023, the State of Illinois contributed \$80,820,420 toward RSP member accounts, while employers contributed \$12,157,535. The State of Illinois also contributed \$1,171,051 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 \$33,140 in fiscal year 2023. The State of Illinois contributed \$382,889 to the DCP for administrative expenses during the year.

# NOTES TO THE FINANCIAL STATEMENTS



## 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 \$17,371,303 as of June 30, 2023.

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 2023, the investment income credited to these balances was \$687,865.

### 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 securities 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 securities 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, 2023, 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 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 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, 2023, 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, 2023, 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, 2023	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt securities				
U.S. government	\$ 2,781,791	\$ 2,781,791	\$ -	\$ -
U.S. agency obligations	1,043,478	-	1,039,269	4,209
U.S. municipal obligations	99,030	-	80,749	18,281
U.S. corporate obligations	650,514	-	650,407	107
U.S. asset backed	173,483	-	162,173	11,310
Foreign obligations	642,783	-	639,221	3,562
Total debt securities	\$ 5,391,079	\$ 2,781,791	\$2,571,819	\$ 37,469
Equity securities				
U.S. equity securities	\$ 3,619,659	\$ 3,617,741	\$ 1,040	\$ 878
Foreign equity securities	1,800,145	1,799,574	-	571
Total equity securities	\$ 5,419,804	\$ 5,417,315	\$ 1,040	\$ 1,449
Investment Derivative Instruments				
U.S. fixed income derivatives	\$ (1,885)	\$ -	\$ (1,885)	\$ -
Foreign fixed income derivatives	(329)	-	(329)	-
U.S. equity derivatives	110	-	-	110
Total investment derivative instruments	\$ (2,104)	\$ -	\$ (2,214)	\$ 110
Investments Measured at the Net Asset Value (NAV)				
Commingled equity funds	\$ 550,787			
Commingled foreign equity funds	2,388,289			
Private real asset funds	2,619,659			
Private equity funds	3,062,112			
Private credit funds	524,457			
Diversifying strategy funds	2,708,478			
Total investments measured at the NAV	\$ 11,853,782			
Short-term securities and cash adjustments	\$ 358,082			
Total investments by fair value level and measured at the NAV	\$ 23,020,643			
Invested Securities Lending Collateral				
Fixed income securities	\$ 3,311,911	\$ -	\$3,311,911	\$ -

# NOTES TO THE FINANCIAL STATEMENTS



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

	As of June 30, 2023	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled U.S. equity, international equity, and global equity funds <sup>(1)</sup>	\$ 2,939,076	\$ -	Daily, Monthly	2–5 Days
Private real asset funds <sup>(2)</sup>	2,619,659	484,749	Quarterly, if Eligible	45–90 Days, if Eligible
Private equity funds <sup>(3)</sup>	3,062,112	1,044,851	Not Eligible	N/A
Private credit funds <sup>(4)</sup>	524,457	684,226	Annually, if Eligible	90 Days, if Eligible
Diversifying strategy funds <sup>(5)</sup>	2,708,478	-	Daily, Monthly, Quarterly, Semi-Annually, Annually	3–90 Days
	<b>\$ 11,853,782</b>	<b>\$ 2,213,826</b>		

- <sup>(1)</sup> **Commingled funds.** One U.S. equity fund, 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.
- <sup>(2)</sup> **Private real asset funds.** The real assets investments are 47 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.
- <sup>(3)</sup> **Private equity funds.** The private equity funds are 115 limited partnership interests in equity or debt securities of privately held companies. Private equity funds are not eligible for redemption.
- <sup>(4)</sup> **Private credit funds.** The private credit portfolio currently consists of ten 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, specialty 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.
- <sup>(5)</sup> **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, 2023, the carrying amount of cash was \$244,285,676. The bank balance was \$93,191,140, of which \$8,580,432 was foreign currency deposits and was exposed to custodial credit risk. The carrying amount of cash includes \$158,853,519 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

# NOTES TO THE FINANCIAL STATEMENTS



of Trustees establishes specific investment guidelines in the investment management agreement of each investment 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, 2023, are summarized below:

### PUBLIC EQUITY INVESTMENTS

U.S. equities	\$ 4,170,445,928
Non-U.S. equities	4,188,433,635
U.S. equity derivatives	110,678

### PUBLIC FIXED INCOME INVESTMENTS

U.S. government obligations	2,627,030,976
U.S. agency obligations	1,039,384,747
U.S. corporate fixed income	923,026,170
Non-U.S. fixed income securities	642,783,249
U.S. short-term investments	663,154,254
Non-U.S. short-term investments	(146,219,171)
U.S. fixed income derivatives	(198,901,301)
Non-U.S. fixed income derivatives	196,687,305

### ALTERNATIVE INVESTMENTS

U.S. diversifying strategy funds	2,465,549,945
Non-U.S. diversifying strategy funds	242,927,657
U.S. private credit funds	416,278,357
Non-U.S. private credit funds	108,178,355
U.S. private equity	2,508,445,506
Non-U.S. private equity	553,667,889
U.S. real asset funds	2,285,336,615
Non-U.S. real asset funds	334,322,769

<b>TOTAL INVESTMENTS</b>	<b>\$ 23,020,643,563</b>
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- (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 \$158,853,519 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 \$281,232,648 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, 2023, 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.

## 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, 2023, SURS had no investments in any one issuer that represented 5% or more of the System's total investments.

# NOTES TO THE FINANCIAL STATEMENTS



## 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, 2023, are as follows:

Quality Rating: Standard & Poor's	Domestic	International	Total
AAA	\$ 120,271,040	\$ 7,266,266	\$ 127,537,306
AA+ *	1,045,188,677	4,553,289	1,049,741,966
AA	32,127,217	17,569,164	49,696,381
AA-	40,990,571	5,780,600	46,771,171
A+	20,503,652	15,802,428	36,306,080
A	43,156,812	13,226,785	56,383,597
A-	76,605,275	34,674,701	111,279,976
BBB+	79,396,270	38,983,212	118,379,482
BBB	59,111,618	87,014,717	146,126,335
BBB-	59,281,386	71,541,570	130,822,956
BB+	31,739,917	63,663,950	95,403,867
BB	50,189,842	58,381,123	108,570,965
BB-	51,231,907	64,353,233	115,585,140
B+	50,091,879	41,617,654	91,709,533
B	51,241,405	29,469,897	80,711,302
B-	28,279,459	38,447,700	66,727,159
CCC+	35,818,523	6,385,739	42,204,262
CCC	14,058,966	8,283,679	22,342,645
CCC-	564,442	14,835,445	15,399,887
CC	5,204,183	2,177,013	7,381,196
C	-	189,125	189,125
D	1,406,056	8,538,731	9,944,787
Not Rated *	30,135,068	10,027,228	40,162,296
<b>Total credit risk: debt securities</b>	<b>\$ 1,926,594,165</b>	<b>\$ 642,783,249</b>	<b>\$ 2,569,377,414</b>
U.S. government & agencies **	2,821,701,247	-	2,821,701,247
<b>TOTAL DEBT SECURITIES INVESTMENTS</b>	<b>\$ 4,748,295,412</b>	<b>\$ 642,783,249</b>	<b>\$ 5,391,078,661</b>

\* 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, 2023, the segmented time distribution of the various types of debt securities of the System are as follows:

Investment	2023 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	\$ 3,824,520,412	\$ 482,901,821	\$ 1,149,073,772	\$ 616,407,589	\$ 421,347,996	\$ 1,154,789,234
U.S. corporate fixed income	923,775,001	15,638,095	471,123,602	223,797,183	102,369,161	110,846,960
Non-U.S. fixed income	642,783,248	13,449,100	246,345,464	198,097,434	88,306,934	96,584,316
<b>TOTAL *</b>	<b>\$ 5,391,078,661</b>	<b>\$ 511,989,016</b>	<b>\$ 1,866,542,838</b>	<b>\$ 1,038,302,206</b>	<b>\$ 612,024,091</b>	<b>\$ 1,362,220,510</b>

\* 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, 2023, the System's exposure to foreign currency risk is as follows:

Currency	Alternative	Equity	Fixed Income *	Total
Argentine peso	\$ -	\$ -	\$ 126	\$ 126
Australian dollar	-	45,297,787	(674,870)	44,622,917
Brazilian real	-	26,510,881	4,008,056	30,518,937
British pound	3,399,809	250,172,911	(19,307,589)	234,265,131
Canadian dollar	-	52,202,959	1,282,685	53,485,644
Chilean peso	-	-	210,628	210,628
Chinese yuan renminbi	-	-	(2,084,756)	(2,084,756)
Chinese yuan renminbi offshore	-	-	(1,018,085)	(1,018,085)
Czech koruna	-	-	116,203	116,203
Danish krone	-	25,023,270	218,717	25,241,987
Euro	99,763,990	538,675,387	(252,300)	638,187,077
Hong Kong dollar	-	100,862,130	(8,980,237)	91,881,893
Hungarian forint	-	-	(533)	(533)
Indonesian rupiah	-	3,020,437	1,344	3,021,781
Japanese yen	-	315,696,721	43,573,576	359,270,297
Mexican peso	-	10,274,662	(475,037)	9,799,625
New Israeli shekel	-	5,224,283	46	5,224,329
New Taiwan dollar	-	40,439,763	5	40,439,768
New Zealand dollar	-	-	(726,832)	(726,832)
Norwegian krone	-	8,637,711	(5,548,729)	3,088,982
Peruvian sol	-	-	115,205	115,205
Polish zloty	-	1,614,698	123	1,614,821
Singapore dollar	-	12,552,619	507,300	13,059,919
South African rand	-	5,091,348	11,300	5,102,648
South Korean won	-	34,507,854	(138,425)	34,369,429
Swedish krona	-	19,417,701	(737,300)	18,680,401
Swiss franc	-	107,613,397	(20,061,519)	87,551,878
Thai baht	-	6,606,455	(5,523)	6,600,932
Turkish lira	-	1,893,411	(6,757)	1,886,654
Total securities subject to foreign currency risk	\$ 103,163,799	\$ 1,611,336,385	\$ (9,973,178)	\$ 1,704,527,006
Foreign investments denominated in U.S. dollars	1,135,932,871	2,577,097,250	703,224,561	4,416,254,682
<b>TOTAL FOREIGN INVESTMENT SECURITIES</b>	<b>\$ 1,239,096,670</b>	<b>\$ 4,188,433,635</b>	<b>\$ 693,251,383</b>	<b>\$ 6,120,781,688</b>

\* 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 Securities

The System invests in derivative securities through its investment managers. A derivative security 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 derivatives are considered investments. The fair value of all derivative financial 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 derivatives, 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, 2023, SURS derivative investments included foreign currency forward contracts, rights and warrants, futures, and swaps. At June 30, 2023, SURS investments in derivatives had the following balances:

	Notional Value 2023	Fair Value 2023	Fair Value 2022	Change in Fair Value
Forwards	\$ -	\$ (1,373,784)	\$ 6,881,390	\$ (8,255,174)
Rights and warrants	\$ 93,615	\$ 110,678	\$ 108,704	\$ 1,974
Futures				
Equity				
Long	\$ 276,853,817	\$ 1,950,207	\$ (4,574,769)	\$ 6,524,976
Short	(215,492,862)	(1,371,991)	3,423,356	(4,795,347)
Fixed income				
Long	717,397,425	(294,271)	1,641,926	(1,936,197)
Short	(444,589,815)	(32,072)	(7,869,831)	7,837,759
Commodity				
Long	67,888,769	1,024,551	(6,289,321)	7,313,872
Short	(81,636,407)	(889,839)	1,792,409	(2,682,248)
Foreign exchange				
Long	505,295,561	1,632,590	34,530	1,598,060
Short	(237,837,979)	(1,013,872)	(3,882,995)	2,869,123
Total futures	\$ 587,878,509	\$ 1,005,303	\$ (15,724,695)	\$ 16,729,998
Options				
Equity				
Call	\$ -	\$ -	\$ (481,126)	\$ 481,126
Put	-	-	(341,789)	341,789
Swaptions				
Call	-	-	(53,256)	53,256
Total options	\$ -	\$ -	\$ (876,171)	\$ 876,171
Swaps				
Credit default				
Selling protection	\$ 34,082,000	\$ 482,968	\$ (2,601,121)	\$ 3,084,089
Interest rate				
Pay fixed	88,798,485	(4,532,409)	(2,790,219)	(1,742,190)
Receive fixed	29,700,000	1,835,445	1,678,941	156,504
Total swaps	\$ 152,580,485	\$ (2,213,996)	\$ (3,712,399)	\$ 1,498,403

# 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, 2023, SURS investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2023	Fair Value 2022	Change in Fair Value
Australian dollar	\$ 13,959	\$ (47,065)	\$ (33,106)	\$ -	\$ (33,106)
Brazilian real	233,851	-	233,851	1	233,850
British pound	371,579	(1,074,730)	(703,151)	(7,536)	(695,615)
Canadian dollar	373,593	(180,183)	193,410	14,192	179,218
Chilean peso	4,907	-	4,907	-	4,907
Chinese yuan renminbi	-	-	-	(17)	17
Chinese yuan renminbi - offshore	-	-	-	(827)	827
Czech koruna	-	(8,865)	(8,865)	-	(8,865)
Euro	143,197	(1,678,293)	(1,535,096)	519	(1,535,615)
Hungarian forint	20,992	(47,342)	(26,350)	-	(26,350)
Japanese yen	16,467	-	16,467	-	16,467
South Korean won	499	-	499	-	499
Mexican peso	64,209	(94,103)	(29,894)	(11,802)	(18,092)
New Zealand dollar	66,668	(96)	66,572	-	66,572
Norwegian krone	892	(50,647)	(49,755)	(4,830)	(44,925)
Peruvian sol	-	-	-	206,733	(206,733)
Polish zloty	19,792	(12,945)	6,847	-	6,847
Swedish krona	7,228	(5,949)	1,279	-	1,279
Swiss franc	104,229	(54,022)	50,207	7,894	42,313
Singapore dollar	-	-	-	5,561	(5,561)
Thai baht	787	(788)	(1)	-	(1)
Total securities subject to foreign currency risk	\$ 1,442,849	\$ (3,255,028)	\$ (1,812,179)	\$ 209,888	\$ (2,022,067)
Foreign investments denominated in U.S. dollars	3,789,109	(3,350,714)	438,395	6,671,502	(6,233,107)
<b>TOTAL FOREIGN INVESTMENT SECURITIES</b>	<b>\$ 5,231,958</b>	<b>\$ (6,605,742)</b>	<b>\$ (1,373,784)</b>	<b>\$ 6,881,390</b>	<b>\$ (8,255,174)</b>

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.

SURS investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge)

# NOTES TO THE FINANCIAL STATEMENTS



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, inflation-linked, and interest rate swap agreements.

## Swaps and Credit Risk

	Counterparty Credit Rating	Notional Value 2023	Fair Value 2023	Fair Value 2022	Change in Fair Value
<b>Swaps</b>					
Credit default	A	\$ 9,500,000	\$ (253,154)	\$ (1,063,017)	\$ 809,863
	No Rating	24,582,000	736,122	(1,538,104)	2,274,226
		34,082,000	482,968	(2,601,121)	3,084,089
Interest rate	No Rating	118,498,485	(2,696,964)	(1,111,278)	(1,585,686)
		<b>\$ 152,580,485</b>	<b>\$ (2,213,996)</b>	<b>\$ (3,712,399)</b>	<b>\$ 1,498,403</b>
<b>Swaptions</b>					
	A	\$ -	\$ -	\$ (53,256)	\$ 53,256
<b>Forwards</b>					
	No Rating	\$ -	\$ (1,373,784)	\$ 6,881,390	\$ (8,255,174)

## Swaps and Maturities

	Maturities in Years					Fair Value 2023
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years	
<b>Swaps</b>						
Credit default	\$ -	\$ 482,968	\$ -	\$ -	\$ -	\$ 482,968
Interest rate	(2,367)	(2,618,906)	(75,691)	-	-	(2,696,964)
	\$ (2,367)	\$ (2,135,938)	\$ (75,691)	\$ -	\$ -	\$ (2,213,996)
<b>Forwards</b>						
	\$ (1,373,784)	\$ -	\$ -	\$ -	\$ -	\$ (1,373,784)

# 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.

Inflation-linked swap agreements involve a stream of fixed payments in exchange for variable payments linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are utilized to transfer inflation risk from one counterparty to another.

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 2023	Fair Value 2023	Pay Fixed / Receive Fixed
0.25%	1 Day U.S. dollar SOFR <sup>1</sup>	\$ 87,400,000	\$ (4,456,719)	Pay Fixed
3.75%	1 day British pound SONIA <sup>2</sup>	1,398,485	(75,690)	Pay Fixed
		<b>\$ 88,798,485</b>	<b>\$ (4,532,409)</b>	
1 Day U.S. dollar SOFR <sup>1</sup>	0.36%	<b>\$ 29,700,000</b>	<b>\$ 1,835,445</b>	Receive Fixed

<sup>1</sup> Secured Overnight Financing Rate (SOFR)

<sup>2</sup> Sterling Overnight Interbank Average Rate (SONIA)

Derivatives which are exchange-traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. SURS maximum loss that would be recognized at June 30, 2023, if all of its derivatives counterparties failed to perform as contracted, is \$8.4 million. This maximum exposure is reduced by approximately \$11.9 million in liabilities and approximately \$1.7 million in collateral held, resulting in \$(5.2) 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 2023, lent securities in exchange for cash collateral at 101%. 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). Lent securities are included in total investments on the Statement of Fiduciary Net Position. Types of lent securities include corporate bonds, government and agency bonds, domestic equities, and international 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 lent securities. 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 1.0 day. 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 \$3,311.9 million.

### Collateral as of June 30, 2023 (\$ in millions)

Securities on loan as of June 30, 2023	\$ 3,275.5
Fair value of cash collateral invested	\$ 3,311.9
Fair value of collateral received	\$ 3,311.9
Change in fair value*	\$ -

\*Included in net depreciation in fair value of investments in Statement of Changes in Fiduciary Net Position.

## Reverse Repurchase Agreements

SURS held \$0 in reverse repurchase agreements on June 30, 2023. 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, 2023, the System's credit exposure was \$0.

# NOTES TO THE FINANCIAL STATEMENTS



## V. Net Pension Liability

The net pension liability for the defined benefit pension plan as of June 30, 2023, 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
2023	\$ 52,637.8	\$ 23,193.2	\$ 29,444.5	44.06%

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 2021. The total pension liability as of June 30, 2023, is based on the results of an actuarial valuation date of June 30, 2022, 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, 2023
Actuarial valuation date	June 30, 2022
Actuarial cost method	Individual entry age
Actuarial assumptions	
Single discount rate	6.37%
Expected rate of return	6.5%
Municipal bond rate	3.86% (based on fixed-income municipal bonds reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023)
Inflation	2.25%
Projected salary increases	3.00% to 12.75% including inflation
Post-retirement cost of living adjustments	3.0%
Mortality table	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.

### Single Discount Rate

A single discount rate of 6.37% was used to measure the total pension liability as of June 30, 2023. This single discount rate was based on an expected return on pension plan investments of 6.5% and a municipal bond rate of 3.86%. 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 2024) are provided by the State of Illinois, are projected to be \$2.3 billion in 2024 and growing to \$3.9 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 2074. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2074, 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 6.37%, 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, 2023 (\$ in millions)

	1% Decrease 5.37%	Current Discount Rate 6.37%	1% Increase 7.37%
Net Pension Liability	\$ 35,695.4	\$ 29,444.5	\$ 24,236.5

## 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 2023 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)
<b>Traditional Growth</b>		
Global Public Equity	36.0%	7.97%
<b>Stabilized Growth</b>		
Core Real Assets	8.0	4.68
Public Credit Fixed Income	6.5	4.52
Private Credit	2.5	7.36
<b>Non-Traditional Growth</b>		
Private Equity	11.0	11.32
Non-Core Real Assets	4.0	8.67
<b>Inflation Sensitive</b>		
U.S. TIPS	5.0	2.09
<b>Principal Protection</b>		
Core Fixed Income	10.0	1.13
<b>Crisis Risk Offset</b>		
Systematic Trend Following	10.0	3.18
Alternative Risk Premia	3.0	3.27
Long Duration	2.0	3.02
Long Volatility/Tail Risk	2.0	(1.14)
<b>Total</b>	<b>100.0%</b>	<b>5.98%</b>
<b>Inflation</b>		<b>2.60</b>
<b>Expected arithmetic return*</b>		<b>8.58%</b>

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

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of fees, was 5.31%. 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, 2023, was as follows:

	Beginning Balance (as restated)	Additions/ Transfers in	Disposals/ Transfers out	Ending Balance
Land and improvements	\$ 683,934	\$ 35,107	\$ -	\$ 719,041
Office building	14,090,845	968,590	1,481	15,057,954
Information system equipment and software	17,397,095	210,598	346,614	17,261,079
Furniture and fixtures	1,326,842	186,999	185,648	1,328,193
Intangible right-to-use assets	637,247	14,614	-	651,861
Construction in progress	4,372,321	7,071,915	1,196,788	10,247,448
<b>Total capital assets</b>	<b>38,508,284</b>	<b>8,487,823</b>	<b>1,730,531</b>	<b>45,265,576</b>
Less accumulated depreciation and amortization:				
Land and improvements	18,830	12,091	-	30,921
Office building	5,560,432	545,518	1,481	6,104,469
Information system equipment and software	15,763,821	465,946	326,576	15,903,191
Furniture and fixtures	838,116	108,147	183,382	762,881
Intangible right-to-use assets	-	226,976	-	226,976
<b>Total accumulated depreciation</b>	<b>22,181,199</b>	<b>1,358,678</b>	<b>511,439</b>	<b>23,028,438</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 16,327,085</b>	<b>\$ 7,129,145</b>	<b>\$ 1,219,092</b>	<b>\$ 22,237,138</b>

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, 2023, remaining amortization periods for in-service right-to-use assets ranged from 2 months to 3.2 years, with a weighted average period of 2.6 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, 2023, the System had a liability of \$1,680,698 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, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	\$ 1,641,742	\$ 1,253,781	\$ 1,214,825	\$ 1,680,698	\$ 232,980

## 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, 2023, 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	\$ 40,824	\$ 206
Administrative expense	186,153	13,019
	<b>\$ 226,977</b>	<b>\$ 13,225</b>

As of June 30, 2023, the System had the following future minimum payments due for subscription-based information technology arrangements.

Year ended June 30	Principal	Interest	Total
2024	\$ 165,995	\$ 10,324	\$ 176,319
2025	106,715	5,977	112,692
2026	91,287	2,711	93,998
2027 and later	-	-	-
	<b>\$ 363,997</b>	<b>\$ 19,012</b>	<b>\$ 383,009</b>

## 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
2022	\$ 405,274	\$ 1,568,239	\$ (1,879,966)	\$ 93,547
2023	93,547	2,570,681	(2,507,156)	157,072

## REQUIRED SUPPLEMENTARY INFORMATION



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

	2023	2022	2021	2020	2019
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 677.57	\$ 723.51	\$ 657.10	\$ 634.45	\$ 631.54
Interest on net pension liability	3,221.92	3,133.08	3,190.01	3,123.59	3,047.55
Changes in benefit terms	0.12	-	2.34	-	-
Differences between expected and actual experience	99.18	(45.07)	109.92	167.49	254.28
Changes in assumptions	112.43	(1,545.03)	960.40	618.76	327.95
Benefit payments	(2,995.37)	(2,879.64)	(2,780.37)	(2,676.19)	(2,558.99)
Refunds of member accounts	(79.24)	(82.46)	(79.13)	(69.00)	(80.54)
Net change in pension liability	1,036.61	(695.61)	2,060.27	1,799.10	1,621.79
Total pension liability — beginning	51,601.18	52,296.79	50,236.52	48,437.42	46,815.63
<b>Total pension liability — ending</b>	<b>\$ 52,637.79</b>	<b>\$ 51,601.18</b>	<b>\$ 52,296.79</b>	<b>\$ 50,236.52</b>	<b>\$ 48,437.42</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Member contributions	\$ 299.59	\$ 289.07	\$ 288.48	\$ 282.36	\$ 280.02
Employer contributions	63.76	57.91	57.00	52.97	49.41
Non-employer contributing entity contributions	2,074.95	2,078.15	1,921.74	1,785.82	1,592.64
Net investment income	1,329.72	(685.63)	4,762.97	542.18	1,129.81
Benefit payments	(2,995.37)	(2,879.64)	(2,780.38)	(2,676.19)	(2,558.99)
Refunds of member accounts	(79.24)	(82.46)	(79.13)	(69.00)	(80.54)
Non-investment administrative expenses	(23.71)	(22.59)	(19.39)	(18.47)	(16.08)
Net change in fiduciary net position	669.70	(1,245.19)	4,151.29	(100.33)	396.27
<b>Fiduciary net position — beginning</b>	<b>22,523.55 (A)</b>	<b>23,768.31</b>	<b>19,617.02</b>	<b>19,717.35</b>	<b>19,321.08</b>
<b>Fiduciary net position — ending</b>	<b>\$ 23,193.25</b>	<b>\$ 22,523.12</b>	<b>\$ 23,768.31</b>	<b>\$ 19,617.02</b>	<b>\$ 19,717.35</b>
<b>NET PENSION LIABILITY — ENDING</b>	<b>\$ 29,444.54</b>	<b>\$ 29,078.06</b>	<b>\$ 28,528.48</b>	<b>\$ 30,619.50</b>	<b>\$ 28,720.07</b>
Fiduciary net position as a percentage of total pension liability	44.06%	43.65%	45.45%	39.05%	40.71%
Covered payroll	\$ 3,744.81	\$ 3,613.40	\$ 3,638.20	\$ 3,642.60	\$ 3,506.70
Net pension liability as a percentage of covered payroll	786.28%	804.73%	784.13%	840.59%	819.02%

(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)

	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 628.35	\$ 658.72	\$ 666.38	\$ 654.97	\$ 675.26
Interest on net pension liability	3,050.58	2,951.25	2,876.93	2,723.72	2,643.35
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(281.81)	210.63	(3.43)	40.41	130.59
Changes in assumptions	1,992.36	(396.10)	532.52	831.62	-
Benefit payments	(2,446.29)	(2,339.90)	(2,235.81)	(2,129.98)	(2,002.87)
Refunds of member accounts	(93.49)	(89.57)	(85.02)	(83.72)	(82.90)
Net change in pension liability	2,849.70	995.03	1,751.57	2,037.02	1,363.43
Total pension liability — beginning	43,965.93	42,970.90	41,219.33	39,182.31	37,818.88
<b>Total pension liability — ending</b>	<b>\$ 46,815.63</b>	<b>\$ 43,965.93</b>	<b>\$ 42,970.90</b>	<b>\$ 41,219.33</b>	<b>\$ 39,182.31</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Member contributions	\$ 282.73	\$ 278.64	\$ 278.88	\$ 267.68	\$ 283.08
Employer contributions	39.66	38.39	39.35	39.93	43.90
Non-employer contributing entity contributions	1,568.22	1,612.17	1,542.95	1,488.59	1,458.97
Net investment income	1,499.83	1,994.31	17.04	503.20	2,667.90
Benefit payments	(2,446.29)	(2,339.90)	(2,235.81)	(2,129.97)	(2,002.87)
Refunds of member accounts	(93.49)	(89.57)	(85.02)	(83.71)	(82.90)
Non-investment administrative expenses	(14.40)	(14.85)	(14.73)	(14.07)	(13.86)
Net change in fiduciary net position	836.26	1,479.19	(457.34)	71.65	2,354.22
Fiduciary net position — beginning	18,484.82	17,005.63	17,462.97	17,391.32	15,037.10
<b>Fiduciary net position — ending</b>	<b>\$ 19,321.08</b>	<b>\$ 18,484.82</b>	<b>\$ 17,005.63</b>	<b>\$ 17,462.97</b>	<b>\$ 17,391.32</b>
<b>NET PENSION LIABILITY — ENDING</b>	<b>\$ 27,494.55</b>	<b>\$ 25,481.11</b>	<b>\$ 25,965.27</b>	<b>\$ 23,756.36</b>	<b>\$ 21,790.99</b>
Fiduciary net position as a percentage of total pension liability	41.27%	42.04%	39.57%	42.37%	44.39%
Covered payroll	\$ 3,470.20	\$ 3,458.30	\$ 3,513.10	\$ 3,606.50	\$ 3,522.20
Net pension liability as a percentage of covered payroll	792.30%	736.81%	739.10%	658.71%	618.67%

## REQUIRED SUPPLEMENTARY INFORMATION



### Schedule of Investment Returns

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

2014	18.15%
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	5.31

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

Fiscal Year	Actuarially Determined Contribution	Actual Contribution		Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
		Employers	Non-Employer Contributing Entity			
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
2023	2,373,000	63,760	2,074,952	234,288	3,744,813	57.11

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



### Schedule of Net Pension Liability

The covered employee payroll is equal to the defined benefit pension plan payroll from the June 30, 2022 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 6.39% and the end of the year total pension liability uses a single discount rate of 6.37%. 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 3.69% as of June 30, 2022, and 3.86% as of June 30, 2023.

### Schedule of Contributions from Employers and Other Contributing Entities

The following actuarial assumptions and methods were used in determining contributions for fiscal year 2023:

Valuation Date	June 30, 2021
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	23 years remaining for fiscal year 2023 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	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.

## OTHER SUPPLEMENTARY INFORMATION



### Summary Schedule of Administrative Expenses For the Year Ended June 30, 2023

<b>Personnel services</b>	
Salary and wages	\$ 12,171,859
Retirement contributions	1,486,219
Insurance and payroll taxes	3,859,033
	17,517,111
<b>Professional services</b>	
Computer services	2,686,045
Medical consultation	3,142
Technical and actuarial	1,153,694
Legal services	546,585
	4,389,466
<b>Communications</b>	
Postage	177,175
Printing and copying	64,686
Telephone	184,983
	426,844
<b>Other services</b>	
Equipment repairs, rental, and maintenance	176,888
Building operations, maintenance, office rental	479,051
Surety bonds and insurance	575,963
Memberships and subscriptions	76,921
Transportation, travel, and conferences	112,615
Education	35,803
EDP supplies and equipment	89,597
Office supplies	71,073
	1,617,911
<b>Depreciation and amortization</b>	1,317,856
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 25,269,188</b>

## OTHER SUPPLEMENTARY INFORMATION


**Summary Schedule of Consultant Payments  
For the Year Ended June 30, 2023**

<b>Technical and actuarial services</b>	
Aatrix Software	\$ 450
Accurate Employment Screening, LLC	3,945
The Berwyn Group	9,405
CapFinancial Partners, LLC	81,250
CBIZ	33,255
Champaign Multimedia Group	485
Dreamstime	822
Executive Coaching Connections	26,350
External Contractors	21,063
Gabriel, Roeder, Smith & Company	210,221
Info-Tech Research Group	35,853
Korn Ferry	125,000
LexisNexis	2,701
Miscellaneous	615
Open position advertising/ Recruitment	7,309
Propio Language Services, LLC	1,265
Reed Group	1,724
RetireAware	3,902
Spherion Staffing LLC	240,907
Surface 51	21,450
SurveyMonkey Inc.	1,500
Teachers' Retirement System	4,713
The Northern Trust Company	48,691
Vimeo	192
Voya	270,626
	<b>\$ 1,153,694</b>
<b>Legal services</b>	
Area Wide Reporting Service	3,030
Featherstun, Gaumer, et al.	33,041
Foley & Lardner LLP	119,952
Ice Miller, LLP	170,432
K & L Gates LLP	6,511
Kutak Rock LLP	12,756
Mayer Brown LLP	53,805
Meyer Capel	308
Miscellaneous	5,802
Morgan, Lewis & Bockius LLP	111,373
Ottosen Dinolfo	29,575
	<b>\$ 546,585</b>
<b>TOTAL CONSULTANT PAYMENTS</b>	<b>\$ 1,700,279</b>

## OTHER SUPPLEMENTARY INFORMATION



### Summary Schedule of Investment Fees and Administrative Expenses For the Year Ended June 30, 2023

INVESTMENT MANAGER	
Adams Street Partners	\$ 4,129,901
Aksia	979,167
Advent International	311,781
Altaris Capital Partners	13,832
Avance Investment Management	451,178
Base10 Partners	1,293,640
Bregal Sagemount	1,194,684
Clearlake Capital Partners	(46,852)
Cortec Group	270,402
GGV Capital	612,000
Great Hill Equity Partners	67,175
Greenbriar Equity Group	150,719
Harvest Partners	502,075
Hg Capital	917,028
Inflexion Private Equity Partners	373,942
MBK Partners	659,705
Nautic Partners	450,192
Nordic Capital	376,928
Oak HC-FT Partners	1,069,992
OceanSound Partners	34,977
One Equity Partners	419,674
One Rock Capital	465,245
Orchid Asia Group	600,000
PAI Partners	662,571
Reverence Capital Partners	522,881
Rubicon Technology Partners	1,032,340
Stellex Capital Management	371,352
Thoma Bravo	328,744
TorreyCove Co-Investment	110,735
Alinda Capital Partners	14,301
Ariel Investments	1,145,283
Aspect Capital	2,594,586
Ativo Capital Management	757,183
Basis Investment Group	942,405
Bivium Capital Partners	1,823,514
BlackRock	7,656,577
Blackstone Group	4,106,292
Blue Vista Capital Management	221,704
Brasa Capital Management	568,247
Brookfield Asset Management	1,738,099
Cabot Properties	1,052,419
Campbell & Company	2,633,177
Carlyle Property Partners	1,763,047
Channing Capital Management	489,655
Clarion Partners	696,880
Credit Suisse Asset Management	1,379,991
Crow Holdings Realty Partners	520,835
Dune Real Estate Partners	1,354,994

## OTHER SUPPLEMENTARY INFORMATION


**Summary Schedule of Investment Fees and Administrative Expenses  
For the Year Ended June 30, 2023 (continued)**

EARNEST Partners	\$ 1,240,956
Ember Infrastructure Partners	682,218
Fairview Capital Partners	578,012
Franklin Templeton Real Estate Advisors	463,234
Garcia Hamilton & Associates	519,207
GI Partners	586,956
Gladius Capital Management	491,322
GlobeFlex Capital	2,492,176
GQG Partners	923,338
Heitman Capital Management	2,184,089
Homestead Capital	852,075
IFM Investors	192,767
J.P. Morgan Asset Management	2,347,485
LM Capital Group	490,782
Lombard Odier Asset Management	1,085,922
Long Wharf Capital	579,649
Longpoint Realty Partners	845,113
LongTail Alpha	4,910,464
Macquarie Infrastructure Partners	1,142,489
Meketa Investment Group	383,965
Ares Management	353,649
Crayhill Capital Management	161,795
Fortress Capital Formation	128,137
Neuberger Berman Private Credit	1,248,905
Silver Point Specialty Credit	2,849
Silver Rock Financial	1,336,210
Turning Rock Partners	279,773
Mesirow Financial Investment Management	1,503,113
Mondrian Investment Partners	1,449,595
Muller and Monroe Asset Management	479,348
Neuberger Berman	2,686,860
Newport Capital Partners	117,280
Nipun Capital	322,276
Northern Trust Asset Management	475,153
Oaktree Capital Management	139,651
One River Asset Management	4,421,789
Pacific Alternative Asset Management Company	19,866
Pacific Investment Management Company	6,416,117
Pantheon Ventures	3,254,233
Parametric Portfolio Associates	388,107
Prologis	1,889,988
Pugh Capital Management	468,229
Ramirez Asset Management	527,644
RhumbLine Advisers	237,432
Solstein Capital	336,881
State Street Global Advisors	14,673
StepStone Group	112,922
Strategic Global Advisors	1,568,119

## OTHER SUPPLEMENTARY INFORMATION



### Summary Schedule of Investment Fees and Administrative Expenses For the Year Ended June 30, 2023 (continued)

T. Rowe Price	\$	1,478,142
Torchlight Investors		911,889
UBS Realty Investors		627,949
Versor Investments		2,053,299
Wellington Management Company		2,534,451
Westbrook Partners		851,729
William Blair		244,182
Xponance		1,315,295
Total management fees		113,134,946
<b>MASTER TRUSTEE &amp; CUSTODIAN</b>		
The Northern Trust Company		875,350
<b>INVESTMENT CONSULTANT, MEASUREMENT &amp; COUNSEL</b>		
Adams Street Partners		38,161
Aksia		26,248
Callan		329,000
Foley & Lardner		82,931
K&L Gates		141,795
Meketa Investment Group		549,174
Morgan, Lewis, & Bockius		128,265
Seyfarth Shaw		1,920
Squire Patton Boggs		22,648
US Department of State		40
Total consultant, measurement & counsel fees		1,320,182
<b>INVESTMENT ADMINISTRATIVE EXPENSES</b>		
Personnel		2,052,695
Resources and travel		187,185
Performance measurement and database		128,898
Total administrative expenses		2,368,778
<b>TOTAL INVESTMENT EXPENSES</b>	<b>\$</b>	<b>117,699,256</b>

## OTHER SUPPLEMENTARY INFORMATION


**Combining Statement of Fiduciary Net Position as of June 30, 2023**  
**Custodial Funds**

	Retirement Savings Plan	Deferred Compensation Plan	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 5,605,139	\$ 45,666	\$ 5,650,805
Receivables			
Members	3,174,227	551,894	3,726,121
Federal, trust funds, and other	21,250	-	21,250
Pending investment sales	21,446	-	21,446
Interest and dividends	49,546	-	49,546
Total receivables	3,266,469	551,894	3,818,363
Investments, at fair value			
Equity investments	6,277,715	-	6,277,715
Fixed income investments	4,196,734	-	4,196,734
Real asset investments	1,967,400	-	1,967,400
Alternative investments	4,727,666	-	4,727,666
Total investments	17,169,515	-	17,169,515
Securities lending collateral	2,487,290	-	2,487,290
<b>TOTAL ASSETS</b>	<b>28,528,413</b>	<b>597,560</b>	<b>29,125,973</b>
<b>LIABILITIES</b>			
Securities lending collateral	2,487,293	-	2,487,293
Payable to brokers for unsettled trades	42,371	-	42,371
Investment expenses payable	4,919	-	4,919
Administrative expenses payable	77,746	17,659	95,405
Contributions due to third-party administrator	8,544,781	579,901	9,124,682
<b>TOTAL LIABILITIES</b>	<b>11,157,110</b>	<b>597,560</b>	<b>11,754,670</b>
<b>FIDUCIARY NET POSITION</b>			
Restricted for other governments	17,371,303	-	17,371,303
<b>TOTAL FIDUCIARY NET POSITION</b>	<b>\$ 17,371,303</b>	<b>\$ -</b>	<b>\$ 17,371,303</b>

## OTHER SUPPLEMENTARY INFORMATION



### Combining Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2023 Custodial Funds

	Retirement Savings Plan	Deferred Compensation Plan	Total
<b>ADDITIONS</b>			
Contributions			
Employers	\$ 12,157,535	\$ 33,140	\$ 12,190,675
Non-employer contributing entity	81,991,471	382,889	82,374,360
Members	107,869,971	18,482,988	126,352,959
Total contributions	202,018,977	18,899,017	220,917,994
Investment Income			
Net appreciation (depreciation)			
in fair value of investments	516,456	-	516,456
Interest	94,429	-	94,429
Dividends	136,003	-	136,003
Securities lending	2,031	-	2,031
	748,919	-	748,919
Less investment expense			
Asset management expense	60,890	-	60,890
Securities lending expense	164	-	164
Net investment income (loss)	687,865	-	687,865
<b>TOTAL ADDITIONS</b>	<b>202,706,842</b>	<b>18,899,017</b>	<b>221,605,859</b>
<b>DEDUCTIONS</b>			
Contributions sent to third-party administrator	199,733,234	18,516,128	218,249,362
Administrative expense	1,171,051	382,889	1,553,940
<b>TOTAL DEDUCTIONS</b>	<b>200,904,285</b>	<b>18,899,017</b>	<b>219,803,302</b>
<b>Net increase (decrease)</b>	<b>1,802,557</b>	<b>-</b>	<b>1,802,557</b>
Fiduciary Net Position			
Beginning of year	15,568,746	-	15,568,746
<b>FIDUCIARY NET POSITION END OF YEAR</b>	<b>\$ 17,371,303</b>	<b>\$ -</b>	<b>\$ 17,371,303</b>





# 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, 2022 through June 30, 2023.

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, 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](http://www.surs.org)

February 8, 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, 2023, 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, 2023, the defined benefit plan is valued at approximately \$23.0 billion while the RSP and DCP are valued at approximately \$3.7 billion and \$28.5 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 2023 began with an elevated but declining inflation rate. Over the past 12 months Core CPI fell from 8.9% to 4.8%, while the headline inflation number decreased from 9.1% in June 2022 to 3.0% in June 2023. Meanwhile, the Federal Reserve has remained steadfast in the fight against inflation, increasing the federal funds rate by 350 basis points over the past 12 months to a range of 5.00-5.25%. The increases in short-term rates resulted in an inversion in the US yield curve. The yield spread between two-year and ten-year Treasuries finished July 2022 at -0.23%. The yield curve remained inverted for almost the entire fiscal year, eventually deepening the inversion as the year went on. The yield spread between two-year and ten-year Treasuries finished June 2023 at -1.06%, the most deeply inverted yield curve since the early 1980s. Inversions in the yield curve have historically signaled building recessionary pressures.

Remarkably, despite a fiscal year where a recession was forecasted by many economists, GDP growth and employment remained unexpectedly robust, and inflation continued to decline. GDP growth in the US ranged from 2.0% to 3.2% per quarter during fiscal year 2023. Unemployment ticked up to 3.7% during the fiscal year but ultimately settled where it started at 3.6%.

Outside the US, unemployment and inflation painted a more mixed picture. The Eurozone ended fiscal year 2023 with unemployment numbers at 6.5%, down from 6.6% at the beginning of the fiscal year. Japan ended with an unemployment figure where it started at 2.6%. Inflation in the Eurozone ended the fiscal year at 6.1%, down from 8.6% a year earlier. Inflation increased in Japan for the first time in many years, ending at 3.2% versus 2.5% at the beginning of the fiscal year. China notably had inflation levels at the end of the fiscal year close to 0% given the weak economic reopening.

Over the full fiscal year developed market equities posted strong returns with US stocks slightly outperforming developed markets outside the US. Emerging market equities significantly trailed developed market equities over the period. The Russell 3000 index (US equities) returned 19.0% for the fiscal year, compared to the MSCI EAFE index at 18.8% (developed market equities), and a return of 1.8% for the MSCI Emerging Markets index. The MSCI Emerging Markets index was greatly influenced by returns from China, as the MSCI China index declined by 16.8% over the 12 months ending on June 30. Within fixed income, declining inflation, and a slightly longer relative duration for the index hurt TIPS' full year relative results. The Bloomberg TIPS index decreased 1.4% over the full year, while the Bloomberg Aggregate index declined by 0.9%. Riskier bonds held up well in the fiscal year, as the Bloomberg High Yield index increased 9.1% over the period.

# REPORT OF INVESTMENT ACTIVITY



SURS' portfolio restructuring discussed over the past several years is nearly complete with relatively minor changes expected over the coming year. The new portfolio structure was designed to protect System assets and to minimize the impact of near-term negative surprises. Importantly, the new 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, 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, its defensive posture keeping total portfolio risk in check. The portfolio returned 5.3%, net of fees, trailing the policy benchmark return of 6.1%. From a long-term perspective, the SURS portfolio has performed well, earning a 7.9% annualized rate of return over the past 30 years, exceeding both the 7.6% policy portfolio return and the 7.8% actuarial assumed rate of return in effect over that time.

Key accomplishments during fiscal year 2023 include the successful completion of searches for emerging markets equity managers, General Investment Consultant, Defined Contribution Consultant and Real Assets Consultant. A steady pace of commitments to private market investments continued, increasing our Core Real Assets allocation to its 8% target during the year while also increasing the policy allocation to Private Credit from 1% to 2.5%, halfway to its ultimate 5% policy allocation. In addition, at their April meeting, the SURS Board of Trustees approved updated strategic policy allocations to take advantage of improved return expectations for fixed income assets. The policy changes increased the target allocation to Principal Protection with a corresponding decrease to the Crisis Risk Offset portfolio, while also reallocating assets within the stabilized growth portfolio.

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 expected to achieve its target weight over the next several years.

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 \$10.2 billion, or 44.3%, of the total fund.

Sincerely,

Douglas C. Wesley, 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 and eliminating option strategies. 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 and Public Credit Fixed Income).
- **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 Duration Treasury, Long Volatility, and Tail Risk).

The following table shows the sub-asset classes from June 30, 2023, mapped into the appropriate functional class:

	Functional Asset Class	Allocation
Growth Oriented	<b>Traditional Growth</b>	<b>35.7%</b>
	Global Equity	35.7
	<b>Stabilized Growth</b>	<b>15.8</b>
	Core Real Assets	7.5
	Option Strategies	0.1
	Public Credit Fixed Income	6.0
	Private Credit	2.2
	<b>Non-Traditional Growth</b>	<b>16.9</b>
	Private Equity	13.1
Diversifying	Non-Core Real Assets	3.8
	<b>Inflation Sensitive</b>	<b>4.7</b>
	U.S. TIPS	4.7
	<b>Principal Protection</b>	<b>10.8</b>
	Core Fixed Income	10.8
	<b>Crisis Risk Offset</b>	<b>16.0</b>
	Systematic Trend Following	9.4
	Alternative Risk Premia	3.0
	Long Duration	1.9
Cash	Long Volatility	1.6
	Tail Risk	0.1
	<b>Cash</b>	<b>0.1</b>
	Cash	0.1

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

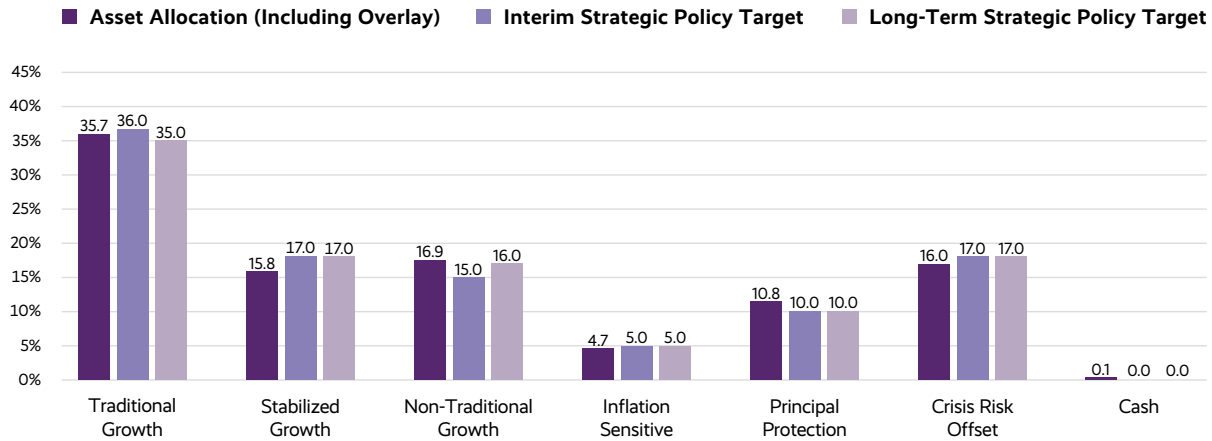
Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be conducted as needed to ensure conformance with policy target levels. Such rebalancing is necessary to reflect cash flows and performance imbalances among strategic classes. SURS rebalancing 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 System cash flows.

# INVESTMENT RESULTS



## Policy vs. Actual

Percentage



### Long-Term Investment Results

For the 10-year period ended June 30, 2023, SURS total fund earned an annualized total return, net of all investment management expenses, of 7.5%. 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, 2023, the strategic policy portfolio is comprised of the benchmarks shown below:

### Strategic Policy Portfolio

Asset Class	Benchmark	Strategic Target
<b>Traditional Growth</b>	MSCI ACWI IMI	36.0%
<b>Stabilized Growth</b>		
Public Credit Fixed Income	Custom blended benchmark <sup>1</sup>	6.5
Private Credit	Custom blended benchmark <sup>2</sup>	2.5
Core Real Assets	Custom blended benchmark <sup>3</sup>	8.0
<b>Non-Traditional Growth</b>		
Private Equity	MSCI ACWI IMI +2%	11.0
Non-Core Real Assets	Custom blended benchmark <sup>4</sup>	4.0
<b>Inflation Sensitive</b>	BB Barclays U.S. TIPS	5.0
<b>Principal Protection</b>	BC U.S. Intermediate Agg x Credit Bond	10.0
<b>Crisis Risk Offset</b>		
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
		<b>100.0%</b>

(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		
	2019	2020	2021	2022	2023	3 yrs	5 yrs	10 yrs
<b>Total Fund</b>								
State Univ. Retirement NEW	6.0%	2.6%	23.8%	(1.4)%	5.3%	8.8%	7.0%	7.5%
SURS Policy Benchmark	6.8	2.0	24.4	(4.9)	6.1	7.8	6.5	7.3
CPI U	1.6	0.6	5.4	9.1	3.0	5.8	3.9	2.7
<b>Traditional Growth</b>								
SURS Total Traditional Growth	5.3	1.7	40.5	(14.9)	16.3	11.6	8.3	9.4
Performance Benchmark	5.8	1.4	40.9	(16.5)	16.1	11.0	7.9	8.9
<b>Stabilized Growth</b> (Inception 9/30/2019)								
SURS Total Stabilized Growth	-	-	13.1	0.1	0.1	4.3	-	-
Performance Benchmark	-	-	11.9	(2.6)	1.8	3.5	-	-
Options Strategies (Inception 4/30/2018)	3.0	1.3	25.6	(6.8)	10.9	9.1	6.3	-
SURS Option Strategies Blend	1.1	(6.2)	27.6	(1.1)	10.6	11.7	5.7	-
Core Real Assets	2.6	(0.0)	8.6	31.6	(7.3)	9.8	6.3	7.7
Core Real Assets Blend	6.5	3.9	1.5	26.9	(3.7)	7.4	6.5	8.5
Public Credit Fixed Income (Inception 9/30/2019)	-	-	10.3	(13.3)	7.2	0.8	-	-
SURS Credit Fixed Income Blend	-	-	9.5	(14.2)	6.5	0.0	-	-
Private Credit <sup>1</sup> (Inception 6/30/2020)	-	-	-	14.0	5.2	-	-	-
SURS Private Credit Blend	-	-	-	(8.0)	11.1	-	-	-
<b>Non-Traditional Growth</b>								
SURS Total Non-Traditional Growth	11.2	1.4	42.3	26.2	(1.6)	20.9	14.8	12.9
Performance Benchmark	11.1	(4.8)	43.5	11.4	(4.3)	15.2	10.1	12.6
Non-Core Real Assets	8.5	1.7	3.3	23.6	5.2	10.3	8.2	9.7
Non-Core Real Assets Blend	7.9	5.7	4.1	25.4	0.3	9.4	8.4	9.4
Private Equity <sup>1</sup>	13.6	0.6	60.8	28.8	(3.0)	24.5	17.7	14.4
SURS Total PE Blend	11.9	(8.6)	59.9	8.1	(5.8)	17.7	10.7	13.5
<b>Inflation Sensitive</b>								
SURS Total Inflation Sensitive	1.8	7.4	6.5	(5.1)	(1.4)	(0.1)	1.7	1.9
Inflation Sensitive Blend	0.9	6.8	6.5	(5.1)	(1.4)	(0.1)	1.4	1.5
TIPS	4.9	7.8	6.5	(5.1)	(1.4)	(0.1)	2.4	2.0
BB Barclays U.S. TIPS	4.8	8.3	6.5	(5.1)	(1.4)	(0.1)	2.5	2.1
<b>Principal Protection</b>								
SURS Total Principal Protection	7.4	6.5	(0.2)	(6.8)	(0.8)	(2.7)	1.1	1.7
Performance Benchmark	7.9	7.5	(0.7)	(7.6)	(1.2)	(3.2)	1.0	1.6
<b>Crisis Risk Offset</b> (Inception 11/30/2019)								
SURS Total Crisis Risk Offset ex Tail Risk	-	-	(0.1)	12.2	0.9	4.2	-	-
Performance Benchmark	-	-	6.6	8.4	1.3	5.4	-	-
Systematic Trend Following (Inception 11/30/2019)	-	-	14.2	26.0	2.1	13.7	-	-
CS Mngd Fut Liq 15% Volatility	-	-	29.8	23.6	0.0	17.1	-	-
Long Duration (Inception 12/03/2019)	-	-	(11.0)	(18.4)	(6.7)	(12.2)	-	-
BBG Barclays U.S. Long Govt	-	-	(10.4)	(18.4)	(6.8)	(12.0)	-	-
Alternative Risk Premia (Inception 11/30/2019)	-	-	(3.6)	8.5	3.6	2.7	-	-
90 Day T-Bills + 2%	-	-	2.1	2.4	6.4	3.6	-	-
Long Volatility (Inception 6/30/2022)	-	-	-	-	(3.2)	-	-	-
CBOE Eureka Long Vol Hdg Fd	-	-	-	-	(6.0)	-	-	-

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 ALLOCATION



Total Investment Allocation, June 30, 2023 (\$ in thousands)

	Fair Value
<b>Traditional Growth</b>	
<b>U.S. Equity Managers</b>	
RhumbLine Advisers	\$ 2,182,648
<b>Subtotal</b>	<b>2,182,648</b>
<b>Non-U.S. Equity Managers</b>	
Ativo Capital Management	289,360
GlobeFlex Capital	363,477
Nipun Capital	87,861
Northern Trust Asset Management	102,624
Solstein Capital	96,239
Strategic Global Advisors	354,838
William Blair	83,795
<b>Subtotal</b>	<b>1,378,194</b>
<b>Global Equity Managers</b>	
Ariel Investments	241,671
BlackRock	2,265,538
EARNEST Partners	379,368
Mondrian Investment Partners	536,710
Strategic Global Advisors	183,258
T. Rowe Price	370,806
Wellington Management Company	590,028
Xponance	295,483
<b>Subtotal</b>	<b>4,862,862</b>
<b>Stabilized Growth</b>	
<b>Option Strategies Managers</b>	
Neuberger Berman	15,593
Pacific Alternative Asset Management Company	2,377
<b>Subtotal</b>	<b>17,970</b>
<b>Core Real Asset Managers</b>	
Blackstone Group	242,410
BlackRock	63,656
Carlyle Property Partners	258,967
Clarion Partners	191,428
GI Partners	41,246
Heitman Capital Management	280,234
IFM Investors	105,161
J.P. Morgan Asset Management	274,784
Prologis	169,459
UBS Realty Investors	89,882
<b>Subtotal</b>	<b>1,717,227</b>
<b>Credit Ex Dedicated EMD Managers</b>	
Bivium Capital Partners	361,951
Neuberger Berman	737,686
Pacific Investment Management Company	277,606
<b>Subtotal</b>	<b>1,377,243</b>
<b>Private Credit Managers</b>	
Meketa Investment Group	524,458
<b>Subtotal</b>	<b>524,458</b>
<b>Non-Traditional Growth</b>	
<b>Non-Core Real Asset Managers</b>	
Alinda Capital Partners	158
Basis Investment Group	46,262
Blackstone Group	62,961
Blue Vista Capital Management	11,827
Brasa Capital Management	22,911
Brookfield Asset Management	100,550
Cabot Properties	47,041
Crow Holdings Realty Partners	43,772
Dune Real Estate Partners	112,669
Ember Infrastructure Partners	11,836
Franklin Templeton Real Estate Advisors	67,008
Homestead Capital	56,217
Longpoint Realty Partners	48,352
Long Wharf Capital	29,997
Macquarie Infrastructure Partners	122,905
Newport Capital Partners	4,700
Oaktree Capital Management	8,862
Pantheon Ventures	30,204

# INVESTMENT ALLOCATION



## Total Investment Allocation, June 30, 2023 (\$ in thousands) (continued)

	Fair Value
StepStone Group	\$ 13,568
Torchlight Investors	32,221
Westbrook Partners	32,602
<b>Subtotal</b>	<b>906,623</b>
<b>Private Equity Managers</b>	
Adams Street Partners	963,433
Aksia	958,389
Fairview Capital Partners	130,633
Mesirow Financial Investment Management	362,267
Muller and Monroe Asset Management	123,810
Pantheon Ventures	524,388
Progress Venture Capital	812
<b>Subtotal</b>	<b>3,063,732</b>
<b>Inflation Sensitive</b>	
<b>Treasury Inflation-Protected Securities Managers</b>	
RhumbLine Advisers	1,081,261
<b>Subtotal</b>	<b>1,081,261</b>
<b>Principal Protection</b>	
<b>Fixed Income Managers</b>	
Cash	90,954
Garcia Hamilton & Associates	550,543
LM Capital Group	551,405
Pugh Capital Management	550,838
Ramirez Asset Management	550,678
<b>Subtotal</b>	<b>2,294,418</b>
<b>Crisis Risk</b>	
<b>Systematic Trend Following Managers</b>	
Aspect Capital	587,284
Campbell & Company	541,794
Credit Suisse Asset Management	555,929
Longtail Alpha	491,060
<b>Subtotal</b>	<b>2,176,067</b>
<b>Long Duration Managers</b>	
RhumbLine Advisers	431,761
<b>Subtotal</b>	<b>431,761</b>
<b>Alternative Risk Premia Managers</b>	
Pacific Investment Management Company	455,864
Versor Investments	242,875
<b>Subtotal</b>	<b>698,739</b>
<b>Tail Risk</b>	
Longtail Alpha	21,289
<b>Subtotal</b>	<b>21,289</b>
<b>Long Volatility</b>	
One River Asset Management	365,917
<b>Subtotal</b>	<b>365,917</b>
<b>Cash Overlay</b>	
Parametric Portfolio Associates	43,777
<b>Subtotal</b>	<b>43,777</b>
<b>TOTAL FUND</b>	<b>\$ 23,144,186</b> (a) (b)

(a) Amount includes net pending transactions of \$(27,862) and accrued investment income receivable of \$65,972.

(b) Amount represents total SURS investments, of which \$22,971,270 is for the defined benefit pension plan; \$150,067 is for the other employee benefit plan; and \$22,849 is for the custodial funds.

# INVESTMENT ALLOCATION



## Retirement Savings Plan

Fiscal year 2023 marks the twenty-fifth complete year of the Retirement Savings Plan (RSP). As of June 30, 2023, RSP members had \$3.7 billion invested in the plan. This represents an increase of approximately \$449 million since the end of fiscal year 2022. 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 68.8% equity, 28.0% fixed income, and 3.2% 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, 2023 (\$ in thousands)

	U.S. Equity	Non-U.S. Equity	Global Equity	Fixed Income	Balanced	Real Estate	Total
<b>Voya Investment Options</b>							
SURS Fixed Account	\$ -	\$ -	\$ -	\$ 56,302	\$ -	\$ -	\$ 56,302
Vanguard Federal Mny Mkt Fd Inv	-	-	-	864	-	-	864
SURS Multi-Sector Bond Fund	-	-	-	14,566	-	-	14,566
SURS High Yield Bond Fund	-	-	-	10,396	-	-	10,396
SURS U.S. ESG Core Bond Fund	-	-	-	4,036	-	-	4,036
SURS U.S. Inflation Protected Bond Fund	-	-	-	18,194	-	-	18,194
SURS Non-U.S. Growth Equity Fund	-	26,844	-	-	-	-	26,844
SURS Non-U.S. Value Equity Fund	-	8,393	-	-	-	-	8,393
SURS U.S. Small-Mid Cap Growth Fund	40,485	-	-	-	-	-	40,485
SURS U.S. Small-Mid Cap Value	15,779	-	-	-	-	-	15,779
SURS Lifetime Income Strategy <sup>1</sup>	-	-	1,430,110	278,257	874,485	98,364	2,681,216
SURS U.S. Core Bond Index Fund	-	-	-	40,909	-	-	40,909
SURS U.S. Large Cap Equity Index Fund	342,182	-	-	-	-	-	342,182
SURS U.S. Small-Mid Cap Equity Index Fund	54,764	-	-	-	-	-	54,764
SURS Non-U.S. Equity Index Fund	-	30,992	-	-	-	-	30,992
SURS U.S. REIT Index Fund	-	-	-	-	-	17,675	17,675
SURS Global ESG Equity Fund	-	-	19,365	-	-	-	19,365
<b>Voya Total</b>	<b>\$ 453,210</b>	<b>\$ 66,229</b>	<b>\$ 1,449,475</b>	<b>\$ 423,524</b>	<b>\$ 874,485</b>	<b>\$ 116,039</b>	<b>\$ 3,382,962</b>
<b>TIAA-CREF Investment Options<sup>2</sup></b>							
CREF Money Market Account R3	-	-	-	6,620	-	-	6,620
TIAA Traditional Annuity	-	-	-	147,053	-	-	147,053
CREF Bond Market Account R3	-	-	-	15,667	-	-	15,667
CREF Inflation-Linked Bond Account R3	-	-	-	7,539	-	-	7,539
CREF Social Choice Account R3	-	-	-	-	22,046	-	22,046
CREF Growth Account R3	307	-	-	-	-	-	307
CREF Stock Account R3	82,703	-	-	-	-	-	82,703
CREF Global Equities Account R3	-	-	25,879	-	-	-	25,879
TIAA Real Estate Account	-	-	-	-	-	3,155	3,155
CREF Equity Index Account R3	48,975	-	-	-	-	-	48,975
<b>TIAA-CREF Total</b>	<b>\$ 131,985</b>	<b>\$ -</b>	<b>\$ 25,879</b>	<b>\$ 176,879</b>	<b>\$ 22,046</b>	<b>\$ 3,155</b>	<b>\$ 359,944</b>
<b>GRAND TOTAL</b>	<b>\$ 585,195</b>	<b>\$ 66,229</b>	<b>\$ 1,475,354</b>	<b>\$ 600,403</b>	<b>\$ 896,531</b>	<b>\$ 119,194</b>	<b>\$ 3,742,906</b>

(1) As of June 30, 2023, 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 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, 2023, DCP participants had \$28.5 million invested in the plan. This represents an increase of approximately \$20.5 million since the end of fiscal year 2022. DCP participants maintain a balanced exposure to equities. In aggregate, the total funds invested by DCP participants have an allocation of 74.8% equity, 21.1% fixed income, and 4.1% 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, 2023 (\$ in thousands)

	U.S. Equity	Non-U.S. Equity	Global Equity	Fixed Income	Balanced	Real Estate	Total
<b>Voya Investment Options</b>							
SURS Fixed Account	\$ -	\$ -	\$ -	\$ 939	\$ -	\$ -	\$ 939
SURS Multi-Sector Bond Fund	-	-	-	217	-	-	217
SURS High Yield Bond Fund	-	-	-	241	-	-	241
SURS U.S. ESG Core Bond Fund	-	-	-	64	-	-	64
SURS U.S. Inflation Protected Bond Fund	-	-	-	367	-	-	367
SURS Non-U.S. Growth Equity Fund	-	472	-	-	-	-	472
SURS Non-U.S. Value Equity Fund	-	253	-	-	-	-	253
SURS U.S. Small-Mid Cap Growth Fund	801	-	-	-	-	-	801
SURS U.S. Small-Mid Cap Value	417	-	-	-	-	-	417
SURS Lifetime Income Strategy	-	-	9,949	1,725	4,260	621	16,555
SURS U.S. Core Bond Index Fund	-	-	-	323	-	-	323
SURS U.S. Large Cap Equity Index Fund	5,461	-	-	-	-	-	5,461
SURS U.S. Small-Mid Cap Equity Index Fund	876	-	-	-	-	-	876
SURS Non-U.S. Equity Index Fund	-	581	-	-	-	-	581
SURS U.S. REIT Index Fund	-	-	-	-	-	539	539
SURS Global ESG Equity Fund	-	-	411	-	-	-	411
<b>TOTAL</b>	<b>\$ 7,555</b>	<b>\$ 1,306</b>	<b>\$ 10,360</b>	<b>\$ 3,876</b>	<b>\$ 4,260</b>	<b>\$ 1,160</b>	<b>\$ 28,517</b>

# SUPPORTING SCHEDULES



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)	Shares	Carrying Value
Microsoft Corp	605,440	\$ 206,176,538
Apple Inc	1,021,680	198,175,270
Amazon.com Inc	961,145	125,294,862
Meta Platforms Inc	277,624	79,672,536
Alphabet Inc Class A	580,093	69,437,132
Nvidia Corp	154,678	65,431,888
Exxon Mobil Corp	467,458	50,134,871
Johnson & Johnson	287,119	47,523,937
Eli Lilly & Co	92,508	43,384,402
Tesla Inc	163,730	42,859,602

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

TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)	Shares	Carrying Value
ASML Holdings NV (Netherlands)	47,495	\$ 34,354,704
Roche Holdings AG (Switzerland)	96,713	29,565,758
GSK PLC (United Kingdom)	1,441,905	25,459,010
Sanofi SA (France)	199,898	21,416,314
Novartis AG (Switzerland)	209,360	21,061,197
Sony Group (Japan)	234,200	21,008,081
ADR Baidu Inc (Cayman Islands)	149,345	20,446,824
Enel Spa (Italy)	2,820,249	18,978,270
L'Oreal (France)	40,025	18,650,295
Accenture PLC (Ireland)	54,169	16,715,470

**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	Carrying Value
U.S. Treasury Notes	AA+	1.875%	February 15, 2032	\$ 59,935,000	\$ 51,338,073
U.S. Treasury Bonds	AA+	2.375	May 15, 2027	52,029,000	48,447,942
U.S. Treasury Notes	AA+	1.750	December 31, 2024	45,920,000	43,656,287
U.S. Treasury Notes	AA+	1.250	August 15, 2031	51,570,000	42,319,631
U.S. Treasury Notes	AA+	0.625	July 15, 2032	41,855,000	40,161,774
U.S. Treasury Notes	AA+	1.625	May 15, 2031	46,650,000	39,643,389
U.S. Treasury Notes	AA+	2.875	May 15, 2032	41,300,000	38,292,844
U.S. Treasury Notes	AA+	3.500	April 30, 2028	39,000,000	37,897,031
U.S. Treasury Inflation-Indexed Bonds	AA+	6.125	November 15, 2027	35,000,000	37,612,695
U.S. Treasury Inflation-Indexed Notes	AA+	0.125	January 15, 2032	38,523,000	37,108,801

**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, 2023

Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Williams Capital Group	\$ 27,731	2,777,714	\$ 0.01
Loop Capital Markets	24,186	1,331,828	0.02
Cabrera Capital Markets	21,147	1,175,669	0.02
Jefferies & Company	4,530	219,891	0.02
Keefe, Bruyette & Woods	4,372	175,035	0.02
Stifel, Nicolaus & Company	4,086	192,430	0.02
CastleOak Securities	4,001	79,444	0.05
Robert W. Baird & Company	3,953	152,025	0.03
SunTrust Robinson Humphrey	3,652	121,734	0.03
Raymond James & Associates	3,555	142,197	0.03
Stephens	3,164	105,465	0.03
MKM Partners	2,733	91,095	0.03
Seaport Group	2,571	100,391	0.03
KeyBanc Capital Markets	2,363	84,167	0.03
CJS Securities, Inc.	2,363	78,753	0.03
BMO Capital Markets	2,303	123,943	0.02
Cowen & Company	2,154	71,797	0.03
Piper Sandler	2,153	97,574	0.02
Penserra Securities	1,799	152,734	0.01
Wells Fargo Advisors	1,733	68,906	0.03
JP Morgan Chase & Company	1,560	57,168	0.03
ISI Group	1,291	43,045	0.03
RBC Capital Markets	1,137	37,908	0.03
Capital One Southcoast	1,059	35,289	0.03
Cantor Fitzgerald	895	29,817	0.03
Needham & Company	857	28,580	0.03
Deutsche Bank	737	38,974	0.02
CL King & Associates	671	44,721	0.02
Liquidnet	644	82,664	0.01
JMP Securities	643	42,873	0.01
Luminex Trading & Analytics	629	41,946	0.01
Instinet	535	39,497	0.01
William Blair & Company	517	34,478	0.02
Morgan Stanley	493	24,651	0.02
Bank of America	256	17,075	0.02
Telsey Advisory Group	224	14,956	0.02
Goldman Sachs	151	7,544	0.02
ROTH Capital Partners	104	3,467	0.03
Johnson Rice & Company	101	6,735	0.01
Sanford C. Bernstein	64	2,123	0.03
Academy Securities	49	3,271	0.01
<b>TOTAL</b>	<b>\$ 137,166</b>	<b>7,979,574</b>	<b>\$ 0.02</b>

# SUPPORTING SCHEDULES



## Summary Schedule of International Equity Investment Commissions For the Year Ended June 30, 2023

Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Northern Trust Securities	\$ 137,068	38,567,438	\$ 0.00
Loop Capital Markets	126,270	22,290,823	0.01
Penserra Securities	84,735	31,652,450	0.00
Macquarie Securities	61,115	8,089,398	0.01
North South Capital	44,657	7,523,590	0.01
Citigroup Global Markets	29,617	2,907,342	0.01
Goldman Sachs	29,543	3,043,226	0.01
Credit Suisse	22,655	2,941,960	0.01
Mischler Financial Group	19,367	2,172,099	0.01
Merrill Lynch	14,012	1,421,441	0.01
Morgan Stanley	8,955	1,745,557	0.01
Piper Sandler	4,911	289,935	0.02
Mizuho Securities	2,736	406,155	0.01
Liquidnet	2,563	526,548	0.00
Instinet	2,336	173,761	0.01
CastleOak Securities	2,160	111,400	0.02
Jefferies & Company	1,963	426,132	0.00
Berenberg Bank	1,766	150,615	0.01
BTIG (Bass Trading International Group)	1,435	289,120	0.00
Virtu Financial Capital Markets	1,075	185,630	0.01
Exane	815	20,985	0.04
Baypoint Trading	628	31,420	0.02
JP Morgan Chase & Company	545	49,158	0.01
JonesTrading Institutional Services	457	195,179	0.00
UBS	457	46,330	0.01
Sanford C. Bernstein	235	63,997	0.00
Redburn Partners	220	42,453	0.01
HSBC	192	30,297	0.01
Strategas Research Partners	160	6,415	0.03
SMBC Nikko Securities	92	12,200	0.01
Daiwa Securities Group	61	1,400	0.04
BTG Pactual	52	9,900	0.01
Canaccord Capital	38	1,729	0.02
Barclays	14	2,004	0.01
<b>TOTAL</b>	<b>\$ 602,905</b>	<b>125,428,087</b>	<b>\$ 0.00</b>

# SUPPORTING SCHEDULES



## Summary Schedule of Global Equity Investment Commissions For the Year Ended June 30, 2023

Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	\$ 102,058	12,851,948	\$ 0.01
Morgan Stanley	58,487	8,165,794	0.01
Jefferies & Company	44,695	7,493,145	0.01
Penserra Securities	31,682	3,573,479	0.01
JP Morgan Chase & Company	30,512	2,820,387	0.01
Sanford C. Bernstein	28,318	3,867,287	0.01
Mischler Financial Group	27,160	3,124,580	0.01
CastleOak Securities	25,897	1,087,933	0.02
Bank of America Securities	24,458	3,697,049	0.01
Citigroup Global Markets	22,847	2,861,840	0.01
Cabrera Capital Markets	21,556	1,421,585	0.02
UBS	21,346	4,071,586	0.01
Goldman Sachs	20,590	2,894,360	0.01
Bank of America	16,693	1,569,376	0.01
Piper Sandler	16,439	771,808	0.02
Barclays	14,800	1,160,530	0.01
Credit Suisse	13,960	1,752,373	0.01
CLSA	13,817	2,086,635	0.01
Telsey Advisory Group	12,977	378,683	0.03
Macquarie Securities	11,840	2,355,285	0.01
Instinet	10,662	873,545	0.01
Sumitomo Mitsui Banking Corporation	10,637	915,000	0.01
Cowen & Company	9,924	944,381	0.01
AllianceBernstein	7,657	562,168	0.01
Exane	7,507	1,646,788	0.00
BMO Capital Markets	7,493	219,857	0.03
Capital Institutional Services, Inc (CAPIS)	7,214	131,749	0.05
Nomura	6,850	1,172,663	0.01
Evercore Partners	6,751	431,449	0.02
RBC Capital Markets	6,612	446,062	0.01
JonesTrading Institutional Services	6,469	93,699	0.07
Royal Bank of Canada	6,295	667,763	0.01
Stonex Financial, Inc	5,476	113,700	0.05
Guzman & Company	5,204	197,794	0.03
Wells Fargo Advisors	5,123	202,948	0.03
Liquidnet	4,942	1,017,005	0.00
Itausa	4,613	1,467,612	0.00
BNP Paribas	4,389	1,338,418	0.00
Virtu Financial Capital Markets	4,254	736,431	0.01
BTIG (Bass Trading International Group)	4,221	202,960	0.02
Mizuho Securities	4,083	257,796	0.02
Bank of Montreal	4,070	464,888	0.01
North South Capital	3,873	256,541	0.02
Tigress Financial Partners	3,780	475,373	0.01
Stifel, Nicolaus & Company	3,631	192,440	0.02
Roberts & Ryan Investments	3,444	180,404	0.02
Santander Investment Securities	3,357	450,956	0.01
Credit Lyonnais	3,314	570,600	0.01
Berenberg Bank	3,226	89,685	0.04
Virtu Financial, Inc	3,159	589,736	0.01
All Other Brokers	55,244	70,373,036	0.00
<b>TOTAL</b>	<b>\$ 783,606</b>	<b>155,289,110</b>	<b>\$ 0.01</b>

# SUPPORTING SCHEDULES



## Summary Schedule of Fixed Income Investment Brokerage For the Year Ended June 30, 2023

Investment Brokerage Firm	Fair Value Traded
Loop Capital Markets	\$ 2,345,828,792
Barclays	1,052,064,931
Academy Securities	865,095,122
Deutsche Bank	850,540,678
JP Morgan Chase & Company	627,840,704
Cabrera Capital Markets	610,308,062
Morgan Stanley	439,729,724
Citigroup Global Markets	385,688,711
Goldman Sachs	327,093,224
Wells Fargo Advisors	262,881,178
Siebert Brandford Shank & Company	247,870,567
CastleOak Securities	246,464,000
Bank of America	245,471,076
Jefferies & Company	210,902,289
MFR Securities	184,762,246
Great Pacific Securities	172,875,246
Mischler Financial Group	133,433,360
Stonex Financial, Inc	128,843,804
ASL Capital Markets Inc.	125,972,907
HSBC	111,032,058
Williams Capital Group	109,713,853
Bank of America Securities	93,418,533
BMO Capital Markets	87,591,397
Nomura	83,104,241
INTL FCStone	80,445,234
BNP Paribas	74,975,548
TD Securities	72,233,704
MarketAxess	69,423,775
Mizuho Securities	60,069,904
Credit Suisse	55,076,062
Stifel, Nicolaus & Company	50,058,589
Stern Brothers and Company	46,966,647
State Street Global Markets	45,277,652
Penserra Securities	37,213,775
UBS	36,658,023
RBC Capital Markets	35,319,616
Jane Street Execution Services, LLC	34,279,938
Merrill Lynch	31,459,880
Royal Bank of Canada	30,695,583
Flow Traders US	25,613,437
Santander Investment Securities	20,809,300
BCP Securities	18,558,479
RBC Dain Rauscher	16,304,258
Standard Chartered	16,019,125
Citibank	15,462,608
Cantella & Co.	14,981,952
Mitsubishi UFJ Securities	14,172,749
Societe Generale Securities	13,687,003
Robert W. Baird & Company	12,686,056
Bank of Oklahoma	12,434,828
All Other Brokers	241,074,514
<b>TOTAL</b>	<b>\$ 11,130,484,942</b>





# ACTUARIAL

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# LETTER OF CERTIFICATION



P: 312.456.9800 | [www.grsconsulting.com](http://www.grsconsulting.com)

February 8, 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, 2023. GRS provided the June 30, 2023 actuarial valuation report to the Board of Trustees on November 7, 2023. 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. SURS is currently not moving forward with the implementation of the Optional Hybrid Plan (OHP) created under PA 100-0023. Additional clarifying legislation is needed for SURS to be able to do so. Therefore, provisions related to the OHP are not reflected in this actuarial valuation. Public Act 102-0718 extended the pension buyout through June 30, 2026. Public Act 103-0080, effective June 9, 2023, created a line of duty disability benefit for police officers injured in the line of duty on or after January 1, 2022 and was first reflected in the actuarial valuation as of June 30, 2023.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

# LETTER OF CERTIFICATION



- 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. 50% of the total disability rates were assumed to be line of duty related and the remaining 50% of the total disability rates were assumed to be non-duty related for police officers (as a result of the newly created line of duty disability benefit which required this assumption). All other actuarial assumptions remain unchanged from the prior June 30, 2022 actuarial valuation and were reviewed and updated as part of the experience study conducted for the period June 30, 2017 through June 30, 2020 and adopted by the Board first effective for the actuarial valuation as of June 30, 2021. 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 6.37% for fiscal year ending June 30, 2023. Liabilities as of June 30, 2022, projected to June 30, 2023, 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, 2023, 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, FCA, MAAA  
Senior Consultant

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

Kevin Noelke, ASA, FCA, MAAA  
Consultant





## **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 Segal Consulting in May 2016. 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 2024.

## **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 2023 was 12.83%. 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

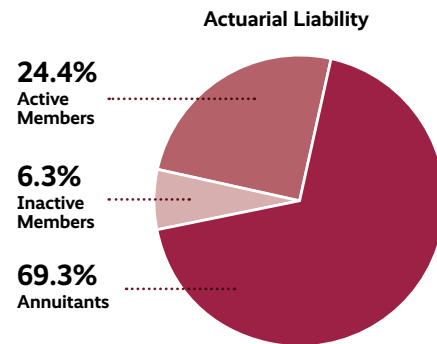


## Valuation Results for Fiscal Year Ended June 30, 2023 (\$ in millions)

### ACTUARIAL LIABILITY (RESERVES)

For members receiving annuities	\$ 35,360.2
For inactive members	3,224.6
For active members	12,465.9
<b>Total</b>	<b>51,050.7</b>

Actuarial value of assets available for benefits	23,381.2
<b>Unfunded actuarial accrued liability</b>	<b>\$ 27,669.5</b>



As of June 30, 2023, the Unfunded Actuarial Accrued Liability (UAAL) to be amortized was \$27,669,542,000.

## Analysis of Financial Experience For Fiscal Year Ended June 30, 2023 (\$ in millions)

Investment return	\$ (41.5)
Salary increases	293.9
Age and service retirement differences	(62.9)
Termination differences	0.4
Mortality and disability differences	3.4
Benefit recipient differences	108.2
Other actuarial differences	1.5
<b>Total actuarial loss</b>	<b>\$ 303.0</b>

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

Unfunded actuarial accrued liability at June 30, 2022	\$ 27,315.2
Expected increase in unfunded actuarial accrued liability	51.2
Plan provision changes	0.1
Total actuarial loss	303.0
<b>Unfunded actuarial accrued liability at June 30, 2023</b>	<b>\$ 27,669.5</b>



## Summary of Major Actuarial Assumptions

### Interest

6.5% per annum, compounded annually (adopted by the SURS Board effective June 30, 2021) for funding purposes. The actuarial assumption rate credited to member accounts is 6.5% per annum (adopted by the SURS Board effective June 30, 2021).

### 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, 2021 actuarial valuation. They were developed based on an experience study completed in June 2021. 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 2018–2020 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%	15.0%
2	12.0	15.0
3	11.0	14.0
4	10.0	12.0
5	9.0	10.0
6	8.0	9.0
7	7.0	8.0
8	6.0	7.0
9	5.0	6.0
10–11	4.0	5.0
12–14	3.0	3.5
15–19	2.5	3.0
20–24	2.0	2.0
25–29	1.5	1.5

### Mortality

Mortality rates are based on tables developed from public sector pension plan mortality experience (Pub-2010 Healthy Retiree Mortality Table) and the most recent MP-2020 projection scale. The “Teachers” table was used for Academic members with adjustments for SURS experience. The “General Employees” table was used for Non-Academic members with adjustments for SURS experience.

# ACTUARIAL REPORT



## Salary Increases

Each member's compensation is assumed to increase by 3.00% each year; 2.25% reflecting salary inflation and 0.75% reflecting standard of living increases. That rate is increased for members with less than 35 years of service as shown in the table to the right. The payroll of the entire system is assumed to increase at 3.00% per year for purposes of calculating employer required contributions.

## Retirement Age

Upon eligibility, active members are assumed to retire as shown in the table below.

## 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.

## Annual Compensation Increases

Years of Service	Under Age 50	50 and Older
0	12.75%	12.00%
1	12.75	12.00
2	9.00	8.25
3	7.75	7.00
4	6.75	6.00
5	6.25	5.50
6	6.00	5.25
7	5.50	4.75
8-10	5.00	4.25
11-14	4.50	3.75
15-18	4.25	3.50
19	4.00	3.25
20-33	3.75	3.25
34+	3.50	3.00

## Retirement Rates

Tier 1						
Age	Normal (Unreduced) Retirement				Early (Reduced) Retirement	
	Academic		Non-Academic		Academic	Non-Academic
	Under 40 Years	40+ Years	Under 40 Years	40+ Years		
Under 50	55.0%	-%	55.0%	-%	-%	-%
50	55.0	-	40.0	-	-	-
51-52	40.0	-	30.0	-	-	-
53-54	30.0	-	30.0	-	-	-
55	20.0	30.0	25.0	37.5	4.0	8.0
56-58	20.0	30.0	25.0	37.5	4.0	5.5
59	20.0	30.0	25.0	37.5	4.0	7.0
60	13.0	19.5	20.0	30.0	-	-
61-64	13.0	19.5	15.0	22.5	-	-
65-69	17.0	25.5	25.0	37.5	-	-
70	17.0	25.5	20.0	30.0	-	-
71-79	15.0	22.5	20.0	30.0	-	-
80+	100.0	100.0	100.0	100.0	-	-

Tier 2						
Age	Normal (Unreduced) Retirement				Early (Reduced) Retirement	
	Academic	Non-Academic	Police		Academic	Non-Academic
60	-%	-%	60.0%		-%	-%
61	-	-	25.0		-	-
62	-	-	25.0		25.0	35.0
63-64	-	-	25.0		10.0	15.0
65-66	-	-	15.0		10.0	15.0
67	35.0	35.0	15.0		-	-
68-69	17.0	25.0	25.0		-	-
70	17.0	20.0	20.0		-	-
71-79	15.0	20.0	20.0		-	-
80+	100.0	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 2023

State appropriations	\$ 1,859,951,940
State pension fund	215,000,000
Federal/trust/employer funds/other	63,759,762
<b>Total</b>	<b>\$ 2,138,711,702</b>

## Reconciliation to Total State Appropriations

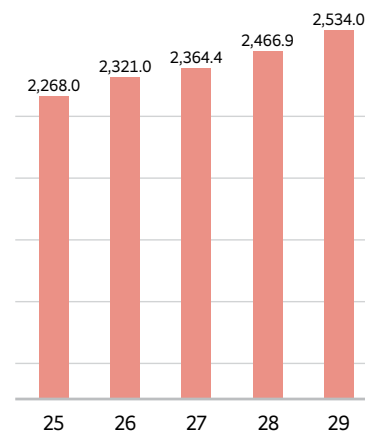
State appropriations received:	
Defined benefit pension plan	\$ 2,074,951,940
Custodial funds	82,374,360
<b>Total State appropriations received</b>	<b>\$ 2,157,326,300</b>

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, 2023, actuarial valuation.

## Projected Required Contribution

Fiscal Year	Assumed % of Payroll	Required Payroll (\$ in billions)	Contribution (\$ in millions)
2025	41.1%	\$ 5.52	\$ 2,268.0
2026	41.0	5.66	2,321.0
2027	40.7	5.81	2,364.4
2028	41.3	5.97	2,466.9
2029	41.4	6.13	2,534.0

**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
2014	\$ 1,843.6	\$ 283.1	\$ 1,560.5	\$ 1,502.9	96.3%	96.9%
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

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
2014	\$ 15,844.7	\$ 37,429.5	\$ 21,584.8	42.3%	\$ 3,522.2	612.8%
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

For fiscal year 2023, if calculated using fair Value of Assets of \$23,193.2, the funding ratio is 45.4%.

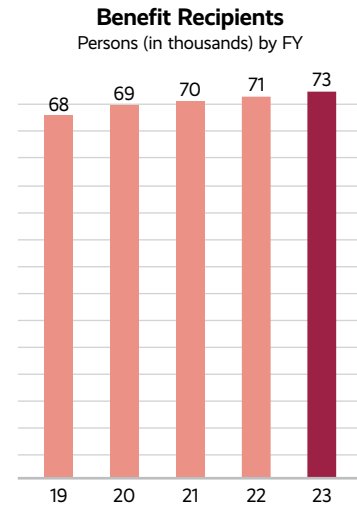
- (A) Per Public Act 96-0043, beginning fiscal year 2009, measures of financial soundness will be calculated using an actuarial value of assets based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 6.75% rate on fair value is smoothed over a five-year period 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 10-Year Summary

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
2014	57,229	4,073	1,896	59,406
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



## Active Participant Statistics 10-Year Summary

Fiscal Year	Males	Females	Total Actives	Percent Change	Average Salary	Percent Change	Average Age	Average Service Credit
2014	29,423	40,013	69,436	(1.6)%	\$ 48,893	1.3%	47.1	9.8
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

# ANALYSIS OF FUNDING



## Analysis of Change in Membership 10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
2014	70,556	8,962	2,098	91	7,893	69,436
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

## Schedule of Retirees and Beneficiaries Added to and Removed from Rolls 10-Year Summary

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
2014	57,229	4,073	\$ 166,748,080	1,896	\$ (51,879,123)	59,406	\$ 1,984,416,426	\$ 33,404	0.1%
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

# 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: Fiscal Year 2014–2023 (\$ 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 (6) (D)
2014	\$ 1,843.6	\$ 283.1	\$ 1,560.5	\$ 43.9	\$ 1,459.0	96.3%
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

- (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 10-Year Summary (\$ 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
2014	\$ 14,234.5	\$ 15,844.7	\$ 37,429.5	38.0%	42.3%
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

- (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.

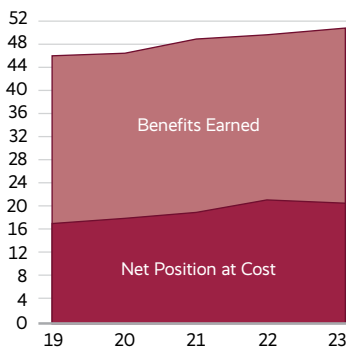
## Percentage of Benefits Covered by Net Position

### 10-Year Summary (\$ in millions)

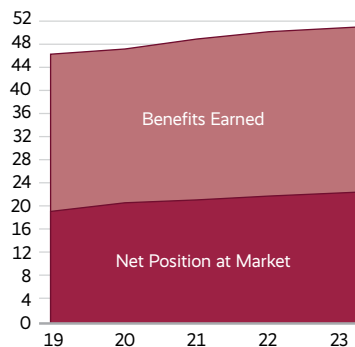
Fiscal Year	Member Accumulated Contributions	Members Currently Receiving Benefits	Active/ Inactive/ Members/ Employer's Portion	Net Position/ Actuarial Value of Assets	% of Benefits Covered by Net Position/Actuarial Value of Assets		
	{1} (A)	{2} (A)	{3} (A)	(B)	{1}	{2}	{3}
2014	\$ 6,094.9	\$ 24,388.6	\$ 6,946.0	\$ 15,844.7	100.0%	40.0%	-
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 (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 2023, the percentage of benefits covered by net position would decrease to 46.2%.

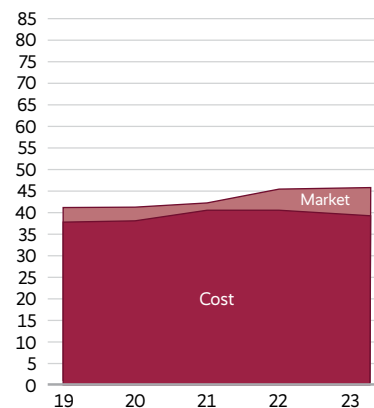
**Benefits Covered by  
Net Position at Cost**  
\$ (in millions) by FY



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



**Funding Ratios**  
Percentage by FY



# 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: Fiscal Year 2014–2023 (\$ 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
2014	\$ 3,522.2	\$ 21,584.8	612.8%	\$ 415.1	11.8%	\$ 1,428.5	\$ 1,843.6	52.3%	\$ 1,502.9	42.7%
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

(A) Actuarially determined normal cost less member contributions.

## CHANGES IN PLAN PROVISIONS



There were no changes in the SURS benefit plan provisions in fiscal year 2023. The plan summary can be found in the Notes to the Financial Statements.



# STATISTICAL

- 100 Financial Schedules
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- 104 Benefit Summary
- 108 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	
2014	\$ 283.1	\$ 2,667.9	\$ 1,502.8	42.7%	\$ 4,453.8
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

### DEDUCTIONS

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses	Total	Changes in Fiduciary Net Position
2014	\$ 2,002.9	\$ 82.9	\$ 13.8	\$ 2,099.6	\$ 2,354.2
2015	2,130.0	83.7	14.1	2,227.8	71.6
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

# 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
2014	\$ 1,843.0	\$ 125.4	\$ 16.1	\$ 2.2	\$ 16.2	\$ 2,002.9
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

### REFUND DEDUCTIONS BY TYPE

Fiscal Year	Withdrawals	Survivor Ins Refunds	Death Benefits	Portable Lump Sum Retirement	Total
2014	\$ 50.4	\$ 5.4	\$ 12.5	\$ 14.6	\$ 82.9
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

## 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

#### 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

**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

#### 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

**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
2014	8,144	634	4,734	50,237	391
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

## 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
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
2023	18.00	19.00	87.00	41.00	4.00	169.00

# BENEFIT SUMMARY



## Schedule of New Benefit Payments - Defined Benefit Pension Plan July 1, 2022 through June 30, 2023

Age	Retirement		Disability		Survivor	
	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	-	\$ -	-	\$ -	6	\$ 433
10-14	-	-	-	-	10	404
15-19	-	-	-	-	19	536
20-24	-	-	-	-	1	2,754
25-29	-	-	1	3,303	5	1,124
30-34	-	-	3	2,487	1	547
35-39	-	-	9	2,735	4	389
40-44	-	-	10	2,154	3	184
45-49	3	4,453	7	2,228	12	698
50-54	68	4,144	29	2,434	11	1,094
55-59	543	2,576	26	2,834	18	1,462
60-64	808	2,584	21	2,302	52	1,466
65-69	644	2,357	15	2,755	72	2,297
70-74	318	2,454	4	2,697	148	2,027
75-79	74	3,184	1	1,889	162	2,147
80-84	25	2,407	-	-	173	2,147
85-89	6	1,275	-	-	113	2,368
90-94	-	-	-	-	59	2,066
95-99	-	-	-	-	13	3,055
Over 99	-	-	-	-	2	692
<b>TOTALS</b>	<b>2,489</b>	<b>\$ 2,565</b>	<b>126</b>	<b>\$ 2,533</b>	<b>884</b>	<b>\$ 1,998</b>

Average Age—Retirement 63.9 years

Average Age—Disabiltant 54.5 years

Average Age—Survivors 73.8 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, 2023

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-29	30+	
Fiscal Year 2014							
Number of Retirees	12,819	7,316	7,197	8,453	7,117	7,335	50,237
Avg Monthly Annuity	\$ 752	\$ 1,597	\$ 2,623	\$ 3,895	\$ 5,029	\$ 6,415	\$ 3,104
Final Average Salary	\$ 37,418	\$ 40,779	\$ 50,254	\$ 59,673	\$ 67,783	\$ 74,267	\$ 53,111
Avg Service Credit							18.99
Fiscal Year 2015							
Number of Retirees	13,435	7,512	7,416	8,727	7,264	7,277	51,633
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	6.64	13.33	18.53	23.37	27.98	32.15	18.30

# BENEFIT SUMMARY



## Number of Covered Employees by Employer - Defined Benefit Pension Plan

Participating Employer	Year ended June 30, 2023		Year ended June 30, 2014	
	Covered Employees	% of Total SURS Membership	Covered Employees	% of Total SURS Membership
University of Illinois - Chicago	12,761	20.7%	11,439	16.5%
University of Illinois - Urbana	9,878	16.0	9,922	14.3
City Colleges of Chicago	3,876	6.3	5,039	7.2
Southern Illinois University - Carbondale	3,866	6.3	4,064	5.8
Illinois State University	2,638	4.3	2,747	4.0
Northern Illinois University	2,219	3.6	2,740	3.9
College of DuPage	1,976	3.2	2,327	3.4
Southern Illinois University - Edwardsville	1,838	3.0	2,100	3.0
College of Lake County	1,329	2.2	N/A*	N/A*
Triton College	1,018	1.7	N/A*	N/A*
Western Illinois University	N/A**	N/A**	1,582	2.3
Eastern Illinois University	N/A**	N/A**	1,434	2.1
<b>Subtotal, 10 largest employers</b>	<b>41,399</b>	<b>67.3%</b>	<b>43,394</b>	<b>62.5%</b>
<b>All other employers</b>	<b>20,110</b>	<b>32.7%</b>	<b>26,042</b>	<b>37.5%</b>
<b>TOTAL</b>	<b>61,509</b>	<b>100.0%</b>	<b>69,436</b>	<b>100.0%</b>

\*In FY 2014, this entity did not rank in the Top Ten.

\*\*In FY 2023, this entity did not rank in the Top Ten.

## Number of Covered Employees by Employer - Retirement Savings Plan

Participating Employer	Year ended June 30, 2023		Year ended June 30, 2014	
	Covered Employees	% of Total SURS Membership	Covered Employees	% of Total SURS Membership
University of Illinois - Urbana	3,256	24.8%	2,022	17.7%
University of Illinois - Chicago	3,098	23.6	2,408	21.1
Southern Illinois University - Carbondale	940	7.1	743	6.5
Illinois State University	624	4.8	565	5.0
Northern Illinois University	596	4.5	655	5.7
Southern Illinois University - Edwardsville	458	3.5	377	3.3
College of DuPage	295	2.2	337	3.0
City Colleges of Chicago	292	2.2	368	3.2
William Rainey Harper College	257	2.0	N/A*	N/A*
Western Illinois University	245	1.9	312	2.7
Eastern Illinois University	N/A**	N/A**	250	2.2
<b>Subtotal, 10 largest employers</b>	<b>10,061</b>	<b>76.6%</b>	<b>8,037</b>	<b>70.4%</b>
<b>All other employers</b>	<b>3,075</b>	<b>23.4%</b>	<b>3,372</b>	<b>29.6%</b>
<b>TOTAL</b>	<b>13,136</b>	<b>100.0%</b>	<b>11,409</b>	<b>100.0%</b>

\*In FY 2014, this entity did not rank in the Top Ten.

\*\*In FY 2023, 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, 2023

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
<b>TOTAL</b>	<b>72,580</b>	<b>26,379</b>	<b>35,345</b>	<b>180</b>	<b>63</b>	<b>343</b>	<b>530</b>	<b>9,740</b>

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

## PARTICIPATING EMPLOYERS

Black Hawk College  
Carl Sandburg College  
Chicago State University  
City Colleges of Chicago  
College of DuPage  
College of Lake County  
Danville Area Community College  
Eastern Illinois University  
Elgin Community College  
Governors State University  
Heartland Community College  
Highland Community College  
ILCS Section 15-107(l) Members  
ILCS Section 15-107(c) Members  
Illinois Board of Examiners  
Illinois Board of Higher Education  
Illinois Central College  
Illinois Community College Board  
Illinois Community College Trustees Association  
Illinois Department of Innovation and Technology  
Illinois Eastern Community College  
Illinois Mathematics and Science Academy  
Illinois State University  
Illinois Valley Community College  
John A. Logan College  
John Wood Community College  
Joliet Junior College  
Kankakee Community College  
Kaskaskia College  
Kishwaukee College  
Lake Land College  
Lewis & Clark Community College

Lincoln Land Community College  
McHenry College  
Moraine Valley Community College  
Morton College  
Northeastern Illinois University  
Northern Illinois University  
Northern Illinois University Foundation  
Oakton Community College  
Parkland College  
Prairie State College  
Rend Lake College  
Richland Community College  
Rock Valley College  
Sauk Valley College  
Shawnee College  
South Suburban College  
Southeastern Illinois College  
Southern Illinois University Carbondale  
Southern Illinois University Edwardsville  
Southwestern Illinois College  
Spoon River College  
State Universities Civil Service System  
State Universities Retirement System  
Triton College  
University of Illinois Alumni Association  
University of Illinois Chicago  
University of Illinois Foundation  
University of Illinois Springfield  
University of Illinois Urbana-Champaign  
Waubonsee Community College  
Western Illinois University  
William Rainey Harper College





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