

INSIGHTS

SURS TRUSTEE ELECTION 2024

Members Encouraged to Apply this Fall

On May 1, 2024, SURS members will elect three active-member trustees and one annuitant trustee.

The voting period for the election will take place April 1 – May 1, 2024. The election will be conducted by the independent election firm YesElections. SURS encourages all eligible members to consider running for a seat on the board.

Two of the active-member trustee seats are for six-year terms, and one is for a three-year term. The three-year term was created by an appointment that occurred during an unexpired six-year term. The annuitant trustee seat is for a six-year term.

Active members must declare the seat they are seeking when they request a candidate packet, and they can only circulate petitions for the seat they choose. Candidate packets will be available this fall.



The following trustees' terms expire in July 2024:

- Active-Member Trustee Steven Rock
- Active-Member Trustee Collin Van Meter
- Active-Member Trustee Antonio Vasquez
- Annuitant Trustee Mitchell Vogel

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State Budget Includes Extra \$200 Million for Pension Payments

The state's FY 24 budget includes a \$200 million additional pension payment beyond what's required, bringing total pension stabilization investments to \$700 million. It also includes a \$100 million increase in funding for MAP grants, an \$80.5 million increase for public universities and \$19.4 million more for community colleges - the highest increases in more than two decades. SURS applauds the General Assembly and the governor for continuing to increase pension payments and higher education funding. ▴

MESSAGE FROM THE EXECUTIVE DIRECTOR

I am pleased to report that the state fiscal year 2024 budget includes SURS full state appropriation of \$2,133,335,000 as well as an additional payment of \$200 million to reduce the unfunded liabilities of the five state-funded retirement systems. Also significant is that SURS received our full state appropriation for fiscal year 2023. The state's efforts over the past years to deliver SURS full appropriation along with additional funds to pay down the unfunded liabilities is very encouraging.



SUZANNE
MAYER

One of the most important developments taking place this year is the start of auto enrollment for new SURS' members into our supplemental Deferred Compensation Plan (DCP). Auto enrollment begins July 1 and affects only members who are originally hired and begin participation in SURS on or after that date. The DCP is an important tool to help members supplement their future

retirement income. See the full article on Page 4 or read all about the DCP and the investment options available at surs.org/retirement-plans/dcp/.

As you read in the cover article, we will be holding a trustee election in the spring of 2024. Trustee elections are vitally important. Trustees represent you when making critical fiduciary decisions that affect the pension fund. I encourage all members working at or retired from community colleges and universities throughout the state to consider running for a term on the board. It's important to have representation on our board that reflects the interests, views and diversity of our membership. Interested members can request a candidate packet beginning this October 1st.

As always, SURS is here to serve you. Consider attending one of our educational lunch hour webinars being offered this summer and fall on Page 6. And please reach out to our contact center at anytime with your questions and concerns at 800-275-7877 or webmail@surs.org. ▴

Legislative Update

Prior to adjourning its spring session, the Illinois General Assembly passed a budget for fiscal year 2024 (SB 250 and HB 3817) and it has now been signed into law.

The budget appropriates the full certified state contribution to SURS -- \$2,133,335,000. It also appropriates an additional \$200 million to reduce the unfunded liabilities of the five state-funded retirement systems. This additional contribution brings the total additional amounts contributed since fiscal year 2022 to \$700 million. SURS expects to receive a total of \$135,657,500 of the \$700 million.

COLLEGE INSURANCE PROGRAM (CIP)

Changes to Rates

Additionally, the fiscal year 2024 budget changes the contribution rates under the College Insurance Program (CIP). CIP provides health insurance benefits for certain community college retirees and their eligible beneficiaries. Under state law, full-time employees of community colleges, community colleges, and the state each contribute 0.5% of full-time employees' payroll to CIP. Statutory



contribution rates have not changed since the inception of CIP. As a result, inflation and rising healthcare costs have produced a bill backlog under CIP, with some of the oldest outstanding bills dating as far back as October 2019. To reduce the bill backlog, the Illinois Department of Central Management Services (CMS) and key stakeholders agreed to increase the statutory contribution rates for full-time community college employees, community colleges, and the state from 0.5% to 0.75% of full-time employees' payroll, effective July 1, 2023. CMS will be allowed to increase these contribution rates by an additional 0.1% in fiscal year 2025 and fiscal year 2026, and up to an additional 5% beginning in fiscal year 2027. Retirees are not impacted by the increase in statutory contribution rates.

Bills impacting SURS that passed both houses of the General Assembly and will go to the governor for further action include:

SENATE BILL 1115

Police Disability

SB 1115 creates a special line of duty disability benefit for police officers within SURS. Under the bill, a police officer who is injured in the line of duty would be eligible to receive the greater of: 65% of his or her basic compensation or 65% of his or her average earnings during the 24 months preceding the disability. This special line of duty disability benefit aims to provide parity between university and municipal police officers. It applies to police officers whose line of duty disability occurs on or after Jan. 1, 2022. There are currently approximately 1,124 police officers in SURS.

SENATE BILL 2152

Proxy Voting

SB 2152 allows the board of a pension fund, retirement system, or investment

board to give the state treasurer the authority to vote its proxies. When a publicly traded company issues shares of stock, the purchasers or owners of the stock have the power to vote on issues impacting that company. SURS votes on its shares of stock on behalf of the SURS members and in accordance with its fiduciary duty to SURS members. Under SB 2152, the SURS board could vote to give the state treasurer the ability to vote proxies on its behalf. In calendar year 2022, SURS voted on over 34,000 proposals.

SENATE BILL 1235

Service Credit and Part Time

SB 1235 changes the requirement that participants must work 15 days in a month to receive a month of service credit. Instead, participants will receive a month of service credit as long as they make contributions in a given month. SB 1235 also eliminates the part-time adjustment, which currently adjusts service credit when a participant works 50% time or less for at least three years. Finally, SB 1235 clarifies that part-time participants who work 50% time or less for at least three years are subject to the 20% limitation on pensionable salary increases during the final rate of earnings period. SB 1235 applies to active and inactive participants on Sept. 1, 2024, for all periods of service. It does not impact service credit purchases, repay refunds, or service credit transfers initiated prior to Sept. 1, 2024, and it does not impact retirees or participants who take a distribution prior to that date.

Veto Session

The General Assembly has scheduled the fall veto session from October 24-26 and November 7-9 in Springfield. ▾

NEW HIRES NOW AUTOMATICALLY ENROLLED IN SURS DCP

Beginning July 1, all newly hired* SURS members will be enrolled in SURS Deferred Compensation Plan (DCP).

Saving and investing for the future is important. Many people need more than one source of retirement income, and SURS members do not contribute to Social Security.

That's why SURS offers our members the supplemental DCP, a 457(b) plan that complements your SURS core retirement plan.

Newly hired* members will be automatically enrolled in the SURS DCP and will begin saving and investing just 30 days after they are hired. Their contribution rate will be 3% of their income, deducted before taxes from their paychecks, and will be invested in the SURS Lifetime Income Strategy (LIS) – a carefully designed, professionally managed target date like portfolio with a guaranteed income feature.



Newly hired members do have the ability to change their contribution rate, create their own portfolio or opt out of the DCP within the 30-day opt-out period.

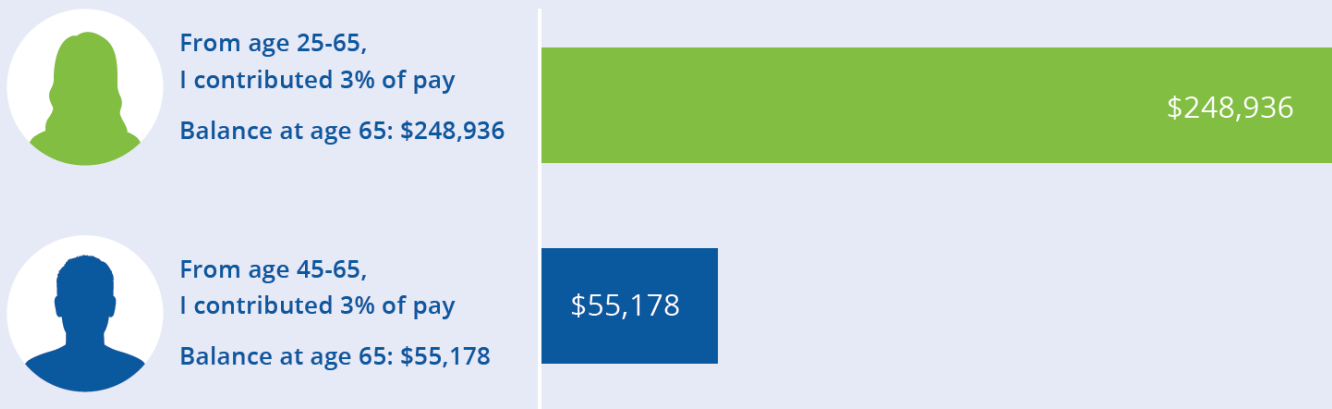
Current SURS members are also encouraged to enroll in the DCP to supplement future retirement savings.

Learn more at <https://surs.org/dcp>.

SURS is implementing automatic enrollment in the DCP for newly hired members in accordance with Illinois state law. ▴

It's never too early or too late to save

Contributing regularly to the DCP sooner offers the potential to accumulate a larger account balance over time than if you put off enrolling. As you can see, starting early has advantages.



Assumes annual pay of \$50,000 and 6% interest compounded monthly. This hypothetical illustration is not guaranteed and does not reflect the performance of any specific investment option. If contributions are made on a pre-tax basis, they reduce your current taxable income dollar-for-dollar which may lower the taxes you pay today. Taxes due upon withdrawal.

*Only members who are originally hired and certified in SURS on or after 7/1/23 will be automatically enrolled. Members who previously certified in SURS that are re-employed are not subject to automatic enrollment but may voluntarily enroll.

INVESTMENT UPDATE

SURS Portfolio Weathers Difficult Market, Exceeds Benchmark in Calendar Year 2022

Calendar year 2022 proved to be a difficult year in the global financial markets. Stubbornly high inflation and rising interest rates resulted in significant declines in the U.S. equity market during 2022, with the Russell 3000 Index falling 19.2%. Non-U.S. equity markets declined as well last year due to both inflation fears and the strong U.S. dollar. While bonds typically provide protection during periods of falling stock prices, 2022 was an exception. The broad U.S. bond market fell 13.0% during 2022, one of the worst calendar years on record. On a positive note, global equity markets and global bond markets rebounded strongly in the month of December on the hopes of slowing inflation and an end to interest rate hikes.

The SURS investment portfolio returned -6.3%, net of fees, for the one year ended Dec. 31, 2022. Although not immune to the effects from falling financial markets, the portfolio's return significantly exceeded the -8.2% policy benchmark return. In addition, when compared to a peer universe of other large public pension plans, the SURS portfolio ranked in the sixth percentile (exceeding the return of 94% of other large public plans in the universe). The portfolio's robust diversification and intentional risk mitigation strategies are designed to lessen the impact of continuing downside volatility.

As of December 31, 2022, SURS total assets were \$25.8 billion, consisting of the \$22.3 billion defined benefit investment portfolio, Retirement Savings Plan (RSP) assets of \$3.5 billion, and the new Deferred Compensation Program (DCP) assets of \$16 million.

While the weakness in financial markets has impacted the absolute returns of the total SURS portfolio, performance relative to the Policy Portfolio return remains strong across all time periods shown in the table that follows. In addition, long-term performance remains above the 6.50% assumed rate of return in effect as of Dec. 31, 2022.

Markets Turn Positive in March 31, 2023, Quarter

The first calendar quarter of 2023 was marked by volatility across most asset classes resulting from uncertain interest rate expectations and several notable bank failures. Timely responses to the bank failures by government and private institutions served to calm markets in March. Global bond and equity markets generally provided strong positive returns during the quarter, adding to the strong gains from the fourth quarter of 2022. The SURS portfolio returned 2.6%, net of fees, in the quarter ending March 31, 2023, lagging the policy benchmark return of 3.5%. The market value of the defined benefit portfolio, as of March 31, 2023, was \$22.6 billion. Assets in SURS RSP were approximately \$3.7 billion, as of March 31, 2023, while assets in the DCP were \$22 million. ▲

INVESTMENT PERFORMANCE* AS OF DECEMBER 31, 2022

	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS	25 YEARS	30 YEARS
SURS	-6.3%	5.8%	6.0%	7.5%	7.8%	6.8%	7.9%
POLICY PORTFOLIO	-8.2%	4.2%	5.3%	7.2%	7.7%	6.5%	7.6%

*NET OF INVESTMENT MANAGEMENT FEES

EDUCATIONAL WEBINARS

Whether you're just starting your career or are getting close to retirement, you can learn more about your career stage and your SURS benefits from our educational webinars. SURS is offering a wide range of short virtual presentations over the next four months. They are scheduled over the lunch-hour period between 11:30 am and 1:30 pm CT to better fit your schedule. All webinars will be recorded and posted to surs.org.



Upcoming "lunch-hour" webinars.

- Police and Fire Participants – Tier I
- Police and Fire Participants – Tier II
- Understanding Your SURS Benefits – Tier I
- Understanding Your SURS Benefits – Tier II
- College Insurance Plan (*CIP*)
- State Employee Insurance Plan
- From Here to Retirement – Early to Mid-career
- Estimator Workshop - (*Limited Enrollment*)
- Mid-career Counseling
- SURS Q&A for the Defined Benefit Plan (*Limited Enrollment*)
- Social Security
- SURS Q&A for the Retirement Savings Plan (*RSP*) (*Limited Enrollment*)
- RSP Distribution Options
- Navigating the RSP Plan

SURS will also offer nine Deferred Compensation Plan (DCP) webinars during July through December.

Go to <https://surs.org/seminars-and-webinars> to read more, view dates and times, and to register for all SURS webinars. ▾

RETIREMENT SAVINGS PLAN UPDATE

The Retirement Savings Plan (RSP) is SURS core defined contribution plan. Plan assets were in excess of \$3.56 billion, as of March 31, 2023, which equates to an average account balance of \$152,910 per each of the 23,339 RSP participants. The RSP experienced a decrease in plan assets of 5.2% from a year ago. The RSP enrollment figure increased 2% year over year.

The average asset allocation as of March 31, 2023, was 56.4% Equities, 23.4% Balanced Funds and 17% Fixed Income. The re-

maining 3.2% was attributable to Real Estate.

Health Insurance Eligibility

It's important that RSP members understand the options which make a member eligible for health insurance at retirement. First, members may annuitize 100% of their account balance. Secondly, members must utilize a minimum of 50% of their account balance in the SURS Lifetime Income Strategy (LIS) by converting it to income. A combination of these two options also works. Any

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SURS TRUSTEE ELECTION 2024 CONT.

State Law Limits Number of Trustees with Ties to U of I

According to state law, the SURS board can have a maximum of two active-member trustees and one annuitant trustee who are employed by or retired from the University of Illinois (all campuses.) The current board includes one active-member trustee – Andriy Bodnaruk – from the University of Illinois Chicago and one annuitant trustee – Fred Giertz – retired from the University of Illinois Urbana Champaign whose terms do not expire until 2027.

Therefore, a maximum of one active-member trustee from any of the University of Illinois campuses may be elected in this election. No annuitants can be elected from the U of I campuses in this election.

To be included on the ballot, active SURS members will need to:

- *Be actively employed by a SURS-covered employer and be making employee contributions to SURS as of the date they submit their application and continue to be so employed and actively making employee contributions to SURS through the 31 days preceding March 1, 2024.*
- *Fill out an application and provide biographic information to SURS before Dec. 29, 2023.*
- *Collect at least 400 signatures from active SURS members and return completed hard copy or electronic petitions to SURS by Jan. 31, 2024, for validation.*

To be included on the ballot, annuitants will need to:

- *Be retired from a SURS-covered employer that is not the University of Illinois (see above).*

- *Be retired from a SURS-covered employer for at least one full year prior to the election.*
- *Fill out an application and provide biographic information to SURS by Dec. 29, 2023.*
- *Collect at least 100 signatures from annuitant SURS members and return the completed hard copy or electronic petitions to SURS by Jan. 31, 2024, for validation.*

Applications, nominating petitions and detailed information will be available at surs.org beginning Oct. 1, 2023. Questions can be directed to Kelly Carson at kcarson@surs.org.

Candidates may utilize electronic petitions for members to sign online via YesElections, they may circulate hard copy petitions, or they can use a combination of both.

All eligible SURS members will receive voting instructions and candidate information on or before April 1, 2024. Members will be able to vote online, by phone or by returning a paper ballot in a postage-paid envelope. Voting will be handled directly through YES Elections.

The SURS board is made up of 11 trustees. Four trustees are elected by active SURS members, two are elected by retired SURS members and five are appointed by the governor of Illinois (one of whom is the chairperson of the Illinois Board of Higher Education). The governor designates the board chairperson from the 11 trustees.

The board meets quarterly, with additional committee meetings scheduled throughout the year. Trustees are also required to complete at least eight hours of annual training. ▀

Join Our Team!

We're hiring. Go to <https://surs.org/careers> or scan our QR code and review our current job postings. Don't see anything in your field...check back. We list new positions frequently.

SURS is an inclusive workplace, offering excellent benefits including medical, vision and dental insurance, paid vacation, paid sick leave, 11 paid holidays, paid parental leave, participation in SURS defined benefit or defined contribution plans, a flexible work environment, advancement and continuing educational opportunities, on-site parking, a beautiful campus and more.



Retirement Savings Plan Update Cont.

funds not in the LIS at the time of retirement must be annuitized for insurance eligibility. While both options guarantee lifetime monthly income, the annuity and LIS options are considerably different. The annuity option typically provides a higher monthly income, while the LIS provides a lower monthly income with several additional benefits. While payout rates for the LIS and annuities have increased the past year, LIS payout rates are up approximately 40% since inception in September of 2020. We encourage members to read the materials available at surs.org/retirement-plans/rsp/ and take advantage of the counseling appointments available at SURS.

Members are also strongly encouraged to utilize the LIS estimator to assist in determining what their monthly retirement benefits might be under that option. Members

can change their retirement age, LIS percentage and salary assumptions in the estimator. Members must continue to contact SURS for annuity estimates with Principal and TIAA.

SURS also offers the "LIS Securing Income" pre-recorded webinar. Go to <https://vimeo.com/747308736> to view. ▲

Have You Moved or Are You Planning a Move?

Keep your address up to date with SURS. Use our secure Member Website to safely update your address, email, phone numbers or beneficiaries. Click on the Member Login button on SURS homepage and follow the prompts. ▲

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