

20
20



ANNUAL FINANCIAL REPORT SUMMARY





TABLE OF CONTENTS

Board of Trustees	1
Organizational Chart	2
Executive Team	2
Awards & Recognition	2
Membership	3
Defined Benefit Plan	
– Breakdown of Membership	
– Number of Benefit Recipients – Five-Year Summary	
– Average Annuity Payments for Retirees	
Defined Contribution Plan	
– Breakdown of Membership	
– Participating Employers	
Customer Service	4
Mission	
Initiatives	
Customer Service Statistics	
Number of SURS Employees	
Financial	5
Highlights	
Analysis	
Condensed Statement of Plan Net Position	
Condensed Statement of Changes in Plan Net Position	
Funding	6
Schedule of Employer Contributions	
Historic Funding Ratios	
Investments	7
Investment Policy	
Policy Portfolio	
Investment Objectives	
Fiscal Year Investment Results	
Long-Term Investment Results	
Self-Managed Plan Assets	
Employers	8
Breakdown of Participating Employers	
Employer List	

Profile

SURS is the administrator of a cost-sharing, multiple-employer public employee retirement system established July 21, 1941, to provide retirement annuities and other benefits for employees, survivors and other beneficiaries of those employees of the state universities, community colleges, and certain other state educational and scientific agencies. SURS services 61 employers and approximately 241,000 members and annuitants. The plans administered by SURS include a defined benefit plan established in 1941 and a defined contribution plan established in 1998.

SURS is governed by an 11-member board of trustees. Four trustees are elected by active SURS members, two trustees are elected by retired SURS members, and five trustees 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 among the 11 trustees. All appointed trustees must be approved by the Illinois Senate. Trustees serve six-year terms.



BOARD OF TRUSTEES



John Atkinson
Chairperson
Appointed



Collin Van Meter
Vice Chairperson
Elected



John Lyons
Treasurer
Appointed



Aaron Ammons
Elected



Richard Figueroa
Appointed



Jamie-Clare Flaherty
Appointed



J. Fred Giertz
Elected



Scott Hendrie
Appointed



Steven Rock
Elected

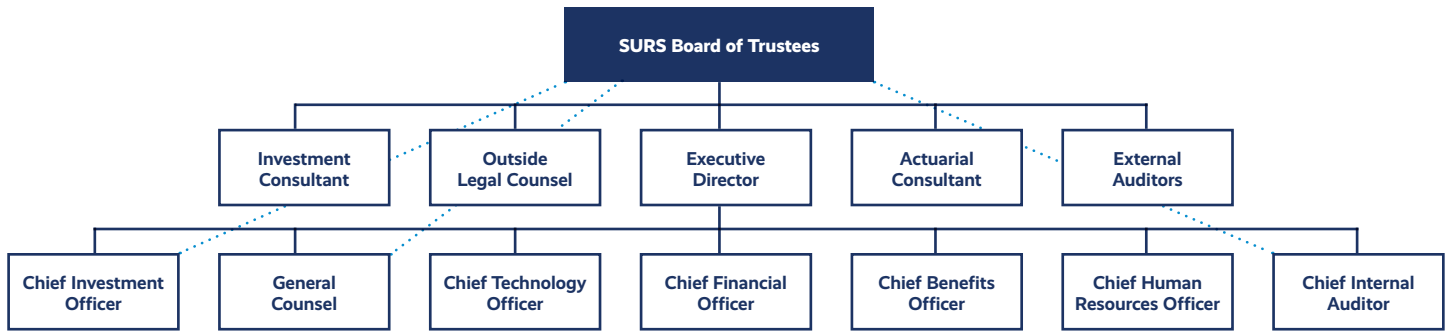


Antonio Vasquez
Elected



Mitchell Vogel
Elected

ORGANIZATIONAL CHART



EXECUTIVE TEAM

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

Awards & Recognition

Excellence in Financial Reporting Award



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 FY 2019 financial report. It was the 36th consecutive year the System has earned the award. To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.



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.

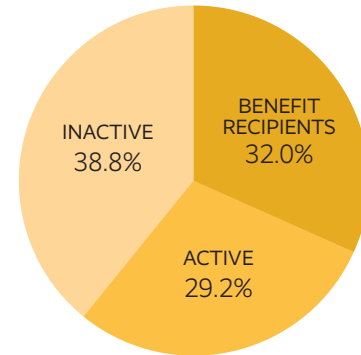
DEFINED BENEFIT – TRADITIONAL & PORTABLE PLANS

At June 30, 2020, membership was:

Benefit Recipients*	69,172
Active Members	63,206
Inactive Members	83,744
	216,122

*Does not include lump-sum refund recipients

Defined Benefit Plan



Number of Benefit Recipients 5-Year Summary

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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

Average Annuity Payments For Retirees as of June 30, 2020

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-29	30+	
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	6.74	13.31	18.54	23.39	27.96	32.26	18.45

DEFINED CONTRIBUTION – SELF-MANAGED PLAN

SURS is the plan sponsor and administrator of a defined contribution plan established as of January 1, 1998, by the Illinois General Assembly as an amendment to the Illinois Pension Code through Illinois Public Act 90-0448. This plan is referred to as the Self-Managed Plan (SMP) and 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 SMP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code, and are made up of the account balances of individual members.

At June 30, 2020, membership was:

Benefit Recipients	1,007
Active Members	13,129
Inactive Members	10,280
	24,416

At June 30, 2020, the number of SMP 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.

Mission

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

Major Initiatives and Changes

In March of 2020, SURS closed to the public and most of the staff began working from home to protect their health. Our staff has risen to the work challenges caused by the coronavirus outbreak and will continue to change and adapt when necessary. As we have adopted new working conditions, our members have seen the same excellent service, delivery of benefits and fiduciary responsibility they have come to expect. Benefit checks are going out on time, our call center is fully operational and retirement counselors are conducting appointments remotely.

Although we are coping with the COVID-19 pandemic, we continue to move forward with major initiatives and changes at SURS.

The following changes occurred to SURS Board of Trustees in fiscal year 2020

- In August 2019, Mitchell Vogel, SURS annuitant and former board member, was selected to fill a vacancy on the SURS Board of Trustees by the elected SURS trustees. The vacancy was created when elected annuitant board member John Engstrom resigned after the June 2019 board meeting.
- In March 2020, Gov. Pritzker appointed Scott Hendrie to the board. Trustee Hendrie's term will expire in June 2021.

SURS staff worked diligently to complete IT, administration and member service projects.

- Several new software packages were implemented to assist the administrative support teams.
 - Sage Intacct – a cloud-based financial management and services software
 - ADP – cloud-based human capital management solution
 - Agiloft - software for contract lifecycle management that will be used for legal and compliance
- A pension administration system assessment was done by the consulting firm Linea. This was the first step of many as SURS moves forward with the replacement of the pension administration system.
- Renovations to the Champaign headquarters began. The call center and the counselor offices are being restructured to make more room for the growing staff. Just under 6,000 sq. ft. are being renovated.
- New security and life safety tool updates, such as perimeter and interior monitoring of the main office, were completed.
- Work continued on the redesign of the Self-Managed Plan (SMP) and implementation of a new supplemental plan. On Sept. 1, 2020, we launched the redesigned SMP, renamed the SURS Retirement Savings Plan (RSP). The new SURS Deferred Compensation Plan (DCP) will be rolled out in 2021.

SURS MEMBER SERVICES/OUTREACH STATISTICS – FISCAL YEAR 2020

Counseling

Individual Retirement Counseling Appointments.....	4,423
Written Retirement Estimates Mailed.....	910
Campus Visits (July-March).....	68
Retirement Education Seminars.....	8
Benefit Fairs.....	11
Webinars/Group Presentations.....	44
Average Member Satisfaction Rating.....	97%

Call Center

Incoming Calls.....	104,052
Member Satisfaction Rating.....	90%

Lobby Visits

Walk-in Visits (July-March).....	6,022
Member Satisfaction Rating (July-March).....	96%

Electronic Service

SURS Website Page Views.....	958,630
SURS Member Website Visits.....	477,127
SURS Employer Website Visits.....	14,700
Incoming Webmails Processed.....	6,668
Informational Emails Sent To Members.....	730,238

Claims Processed

Retirement.....	2,669
Refund.....	3,486
Death.....	1,399
Disability.....	136

Support Services

Items Mailed.....	270,595
Documents Scanned/Imported.....	525,656

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

Fiscal Year	Human Resources & Administration	Investments & Accounting	Member Services & Outreach	Information Systems & Support Services	Self-Managed Plan	Total
2011	10.55	12.80	62.00	29.75	3.70	118.80
2012	9.90	9.65	65.80	28.75	3.70	117.80
2013	10.90	10.65	69.00	26.75	3.70	121.00
2014	12.00	10.55	67.00	26.25	4.20	120.00
2015	13.00	11.55	72.00	24.25	4.20	125.00
2016	14.00	11.55	73.00	22.25	4.20	125.00
2017	14.00	13.55	73.00	22.25	4.20	127.00
2018	14.00	14.00	68.00	30.00	3.00	129.00
2019	13.00	15.00	75.00	31.00	3.00	137.00
2020	14.00	17.00	82.00	41.00	3.00	157.00

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

- Contributions from the State and employers were \$1,917.0 million, an increase of \$203.8 million, or 11.9% from fiscal year 2019.
- The System's benefit payments were \$2,744.1 million, an increase of \$126.9 million or 4.8% for fiscal year 2020.
- The System's return on investment, net of investment management fees, was 2.6% for fiscal year 2020.
- The System's net position at the end of fiscal year 2020 was \$22.6 billion, an increase of \$193.2 million or 0.9%.

Financial Analysis of the System

The State Universities Retirement System serves 216,122 members in its defined benefit plan and 24,416 members in its Self-Managed 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 total net position of the System increased from \$22.4 billion as of June 30, 2019 to \$22.6 billion as of June 30, 2020. This \$0.2 billion change was due to the following: an increase in cash and short-term investments, an increase in pending investment sales, an increase in payables to brokers-unsettled trades, and an increase to securities lending collateral.

Condensed Statement of Plan Net Position

Reporting Entity (\$ in millions)	2020	2019	Change Amount	Change %
Cash and short-term investments	\$ 1,266.8	\$ 819.4	\$ 447.4	54.6
Receivables and prepaid expenses	188.9	224.4	(35.5)	(15.8)
Pending investment sales	1,952.1	360.5	1,591.6	441.5
Investments and securities lending collateral	22,651.6	22,510.7	140.9	0.6
Capital assets, net	10.4	9.8	0.6	6.1
Total assets	<u>26,069.8</u>	<u>23,924.8</u>	<u>2,145.0</u>	<u>9.0</u>
Payable to brokers-unsettled trades	2,013.9	483.3	1,530.6	316.7
Securities lending collateral	1,381.5	876.6	504.9	57.6
Other liabilities	34.3	118.0	(83.7)	(71.0)
Total liabilities	<u>3,429.7</u>	<u>1,477.9</u>	<u>1,951.8</u>	<u>132.0</u>
Total plan net position	<u>\$22,640.1</u>	<u>\$22,446.9</u>	<u>\$ 193.2</u>	<u>1.0</u>

Condensed Statement of Changes in Plan Net Position

Reporting Entity (\$ in millions)	2020	2019	Change Amount	Change %
Employer contributions	\$ 62.3	\$ 58.1	\$ 4.2	7.2
Non-employer contributing entity contributions	1,854.7	1,655.2	199.5	12.1
Member contributions	378.1	368.6	9.5	2.6
Net investment income	765.8	1,292.4	(526.6)	(40.7)
Total additions	<u>3,060.9</u>	<u>3,374.3</u>	<u>(313.4)</u>	<u>(9.3)</u>
Benefits	2,744.1	2,617.2	126.9	4.8
Refunds	104.4	115.0	(10.6)	(9.2)
Administrative expense	19.2	16.7	2.5	15.0
Total deductions	<u>2,867.7</u>	<u>2,748.9</u>	<u>118.8</u>	<u>4.3</u>
Net increase (decrease) in plan net position	<u>\$ 193.2</u>	<u>\$ 625.4</u>	<u>\$ (432.2)</u>	<u>(69.1)</u>

Additions

Additions to plan net position are in the form of employer and member contributions and returns on investment funds. For fiscal year 2020, non-employer contributing entity contributions increased by \$199.5 million due to higher contributions from the State of Illinois. Employer contributions increased by \$4.2 million or 7.2%. Member contributions increased by \$9.5 million or 2.6%. Net investment income for fiscal year 2020 was \$765.8 million for the System, representing a \$526.6 million decrease from the prior year. For the defined benefit plan, the overall rate of return was 2.6% (net of all investment management fees).

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

Annually, the SURS actuary determines the annual “statutory contribution” needed to meet current and future benefit obligations in accordance with the Illinois Pension Code, which sets forth the manner of calculating the statutory contribution under the Statutory Funding Plan. The Statutory Funding Plan requires the state to contribute annually an amount equal to a constant percent of pensionable (capped) payroll necessary to allow the System to achieve a 90% funded ratio by fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions. All of the \$1.85 billion statutory contribution for fiscal year 2020 was received by July 8, 2020. As of June 30, 2020, the plan net position as a percentage of the total pension liability was 39.05%. The funding issue confronting SURS continues to represent a challenge to the System.

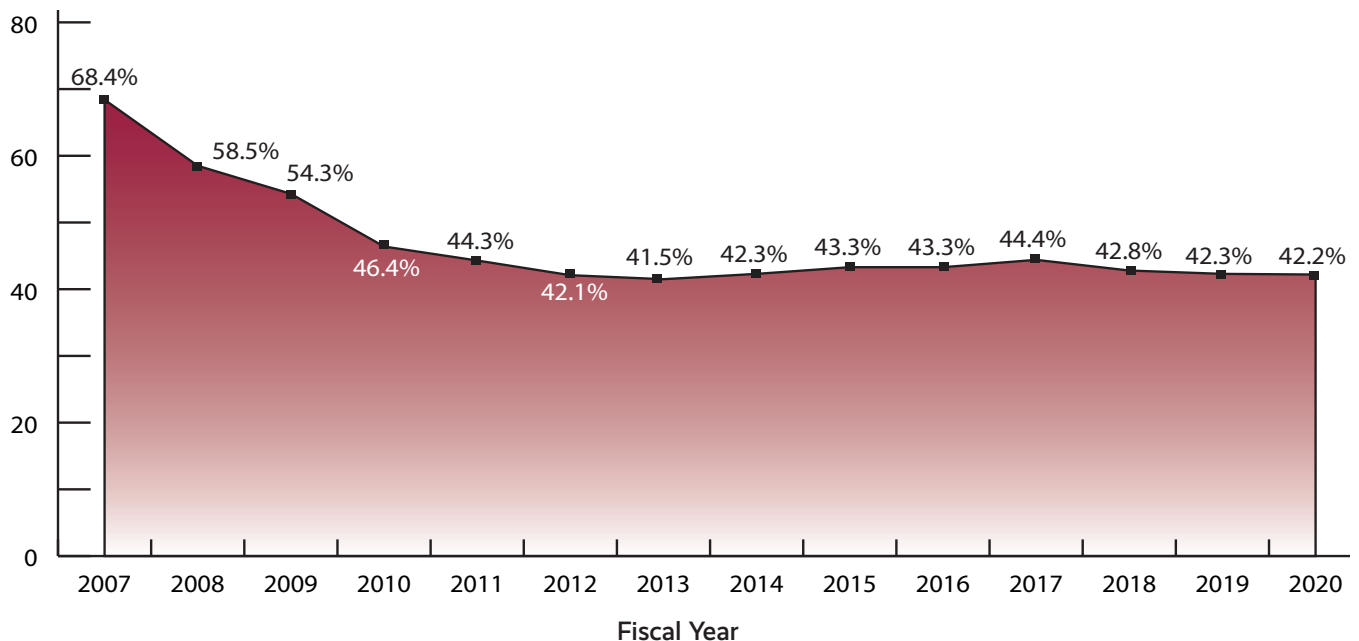
Although the statutory contribution requirement was met in fiscal year 2020, the Statutory Funding Policy creates a perpetual contribution variance of underfunding the System in earlier years. In later years, the statutory contribution would exceed a contribution equal to normal cost plus a 30-year closed period level percent of pay amortization of the unfunded liability. Further information is presented in the Required Supplementary Information related to employer contributions and the funding of the plan.

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

Fiscal Year	Actuarially Determined Contribution	Actual Contribution		Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
		Employers	Other Contributing Entities			
2011	1,259,048	36,547	737,048	485,453	3,460,838	22.35
2012	1,443,348	45,596	940,219	457,533	3,477,166	28.35
2013	1,549,287	41,874	1,359,607	147,806	3,533,858	39.66
2014	1,560,524	43,899	1,458,965	57,660	3,522,246	42.67
2015	1,622,656	39,934	1,488,591	94,131	3,606,537	42.38
2016	1,811,060	39,348	1,542,946	228,766	3,513,108	45.04
2017	1,864,843	38,386	1,612,165	214,292	3,458,320	47.73
2018	1,862,033	39,659	1,568,221	254,153	3,470,226	46.33
2019	2,239,366	49,415	1,592,639	597,312	3,506,650	46.83
2020	2,299,031	52,968	1,785,818	460,245	3,642,617	50.48

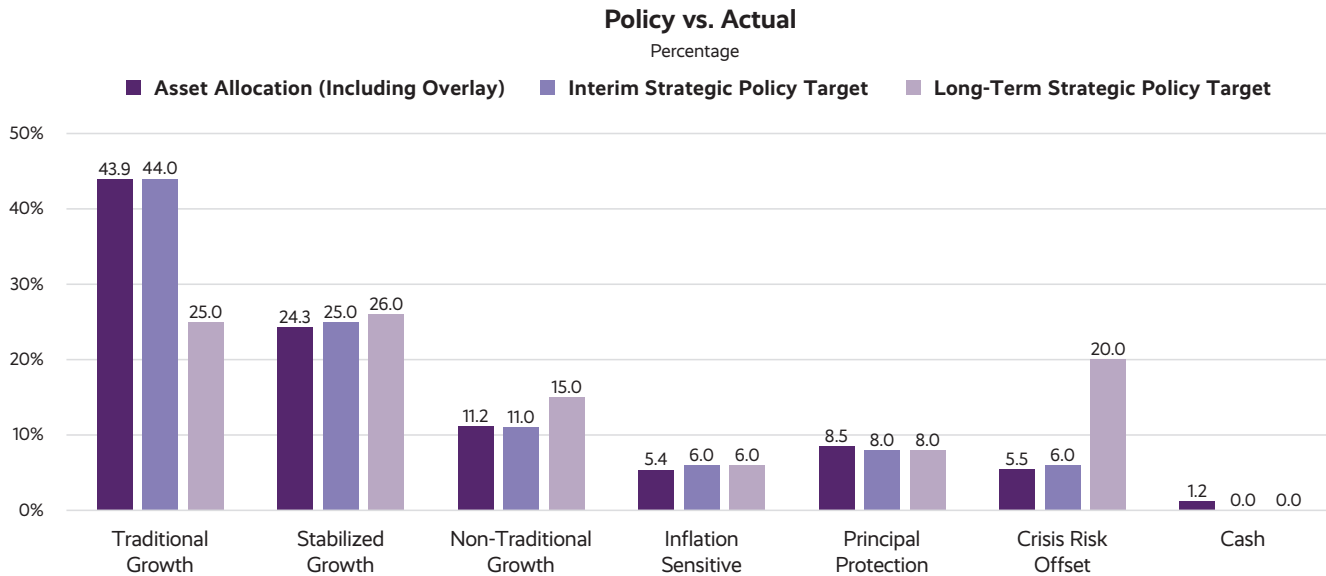
Historical Funding Ratios

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



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 asset-liability study completed in September 2018 resulted in significant structural changes to SURS asset allocation targets. The foundation of these changes consisted of a transition from conventional asset classes to functional asset classes as the basis of portfolio weighting. The transition to functional classes was completed during Fiscal Year 2020.



Investment Objectives

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

Fiscal Year 2020 Results

During fiscal year 2020, the SURS portfolio returned 2.64%, net of fees, exceeding the policy portfolio return of 2.00%. The positive relative performance was especially noteworthy, given the significant portfolio restructuring completed during the fiscal year. As discussed last year, SURS has adopted a risk-based, functional framework for allocating capital. This framework makes use of strategic/functional classes that in-turn utilize underlying asset classes and strategies. As a result, each of SURS's existing asset classes have been remapped to various risk-based, functional strategic classes.

The Total Fund's outperformance relative to the policy portfolio for Fiscal 2020 was primarily due to:

- Strong relative performance by the aggregate Traditional Growth portfolio and the option strategies sub-class of the Stabilized Growth portfolio;
- Strong absolute and relative performance by the Inflation Sensitive class due to a legacy commodities allocation; and
- Outperformance by the newly implemented Crisis Risk Offset class, which was funded during the fiscal year.

Long-Term Investment Results

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 the 7.6% policy portfolio return. This return is also in line with the 8.0% average assumed rate of return in effect over the last 30 years and the current 6.75% assumed rate of return. For the 10-year period ended June 30, 2020, SURS total fund earned an annualized total return, net of all investment management expenses, of 8.5%. This matched the policy portfolio benchmark.

Commitment to Diversity

SURS continues to display a strong commitment to diversity as investments with firms owned by minorities, women, and persons with a disability (MWDB), continue to grow. The search activity and portfolio restructuring completed during the fiscal year presented an opportunity to further demonstrate this important initiative. Assets managed by diverse firms now represent approximately \$7.2 billion or 37% of the Total Fund.

Self-Managed Plan

Fiscal year 2020 marks the 22nd complete year of the Self-Managed Plan (SMP). As of June 30, 2020, the SMP had accumulated plan assets of approximately \$3.0 billion. This represents an increase of approximately \$294 million since the end of fiscal year 2019. Contributing to the growth in plan assets was a market-related increase of \$224 million. During the past several years, SMP participants have continued to maintain a balanced exposure to equities. In aggregate, the total funds invested by SMP participants have an allocation of 71% equity, 27% fixed income, and 2% real estate. This was a 3% decrease in the equity allocation as compared to last year's position.

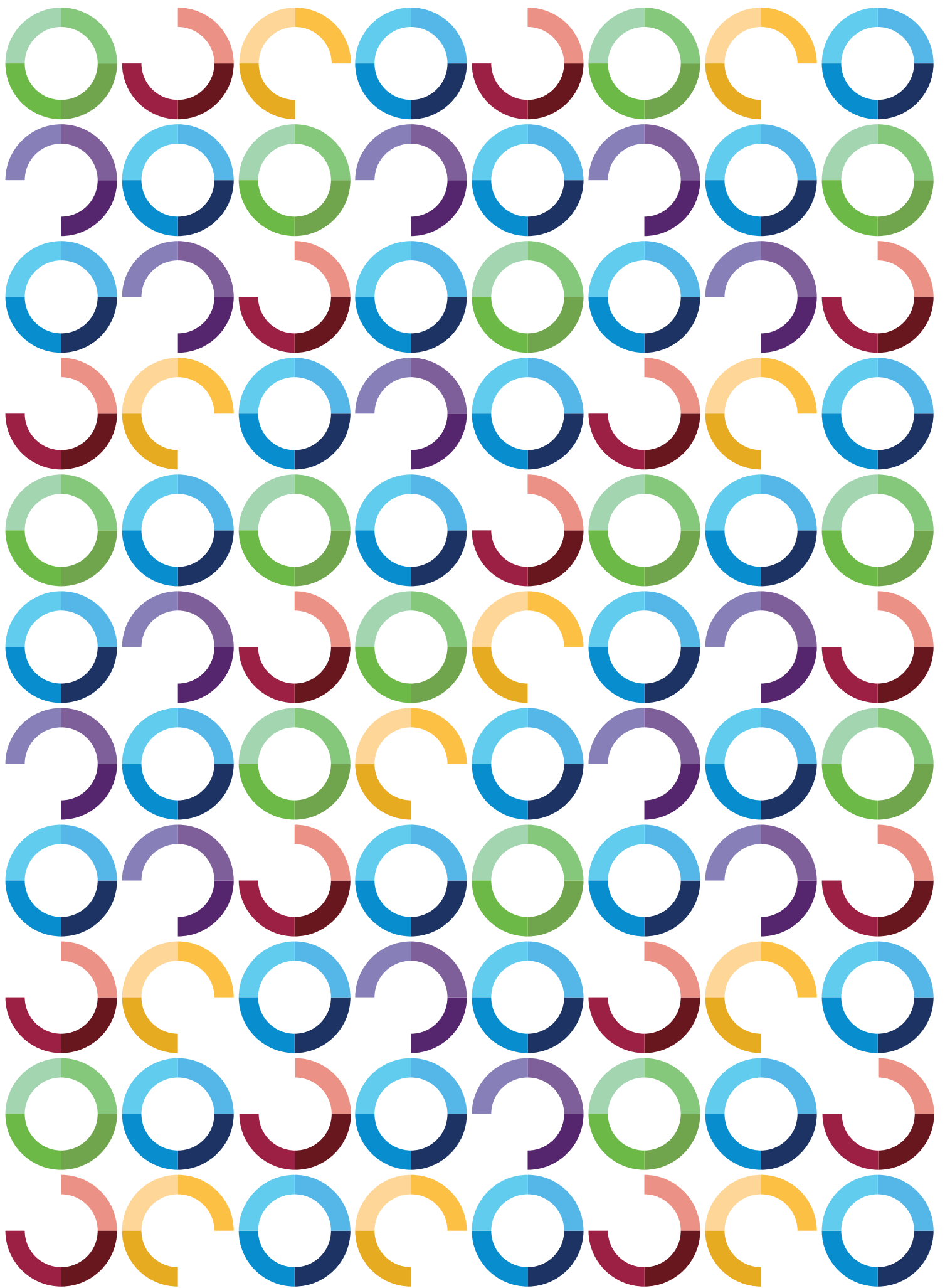
Number of defined benefit plan participating employers

	2020
Universities	9
Community Colleges	39
Allied Agencies	11
State Agencies	2
	61

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

SURS Participating Employers

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





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

1901 Fox Drive • Champaign, Illinois 61820
Toll Free 800-275-7877 • Direct 217-378-8800
www.surs.org