

INSIGHTS

TRUSTEE ELECTION RESULTS



Trustees Steven Rock, Collin Van Meter and Antonio Vasquez were reelected to the SURS Board of Trustees by the System's members during the trustee election held April 2 - May 1.

Rock, elected by SURS annuitant members, is a retired economics professor from Western Illinois University. He has served on the board since 2015.

Van Meter, elected by active SURS members, is employed in Technology Services at the University of Illinois at Urbana-Champaign. He has served on the board since 2018.

Vasquez, also elected by active SURS members, is a professor of economics at Wilbur Wright College. He has served several terms on the board totaling 16 years.

They will serve six-year terms. ▲

SURS WELCOMES TRUSTEE PITMAN

Herbert Pitman is SURS newest elected active-member trustee. He was selected on June 12 by a majority vote of the other five eligible elected trustees from many applicants to fill a vacant three-year seat. His term began July 15.

Pitman is currently a full-time lecturer of Health Administration at Governors State University in University Park, IL.

Pitman holds a Bachelor of Science degree in Mathematics from Chicago State University, was an Alfred P. Sloan Fellow with the Kennedy School of Government at Harvard University and received his Master of Science degree in Public Policy and Finance from the Heinz School of Public Policy and Management at Carnegie Mellon University. ▲



MESSAGE FROM THE EXECUTIVE DIRECTOR

It's been a busy spring and summer. We completed a board of trustees' election, welcomed a newly appointed active-member trustee to our board and celebrated the successes of several trustees whose terms ended.



SUZANNE
MAYER

I would like to welcome Herbert Pitman to the SURS board. He was recently appointed by the eligible elected trustees to fill a three-year elected term. Trustee Pitman has already begun participating in board meetings. As a long-time SURS member he is engaged, well informed and ready to go to work for our members.

Congratulations to Trustees Steven Rock, Tony Vasquez and Collin Van Meter on their reelections to the board in May. They are knowledgeable, experienced members of our board who contribute greatly. They will all serve six-year terms that began July 15.

I am pleased that Gov. Pritzker has reappointed Chairperson John Lyons to the board to continue serving as our chair. Trustee Lyons understands the importance of our mission to deliver promised benefits to our members. He effectively brings the board together on important issues and policies that support that mission. I have enjoyed working with him over the past several years.

And I want to thank Trustees Jamie-Clare Flaherty and Mitch Vogel for their service to our members and staff. Their terms ended in July. Trustee Flaherty served for five years and was the chairperson of our Diversity

Committee. We benefited greatly from her insight and dedication. Trustee Vogel gave so generously of his time, experience and expertise during his 16 years on the board. He served on many committees and as board president. His passion was protecting and insuring members' benefits. And he was a strong advocate for staff. I wish them both all the best.

With the departure of Trustee Flaherty, SURS has an open appointed seat on the board that will be filled by the governor.

On July 1, SURS implemented automatic annual contribution increases for members in our Deferred Compensation Plan (DCP). Previously automatically enrolled DCP participants still in default status will now see an automatic 1% increase in their contribution rate each year, up to a maximum default contribution cap of 10%. Members can change their contribution rate at any time. Read more on Page 7.

I am pleased to report that on June 4 SURS received its full state appropriation of \$2,133,335,000 for fiscal year 2024. Our FY 2025 state appropriation is \$2,212,810,000. We have received full monthly payments from the state for both July and August.

Finally, I want to give a shout out to a long-time employee, Marlys Johnson, who just completed her 50th year with SURS. She has worked in many departments in many capacities, but for the past 27 years she has been a retirement counselor helping guide countless members as they transition to retirement. Thank you, Marlys, for the exceptional service you provide to SURS and our members. ▲

LEGISLATIVE UPDATE

The General Assembly concluded its work for the 2024 spring session before the end of May, sending 469 bills to the governor for further action, including the fiscal year 2025 budget.

Budget

The FY 2025 budget, sent to and signed into law by the governor, contained total appropriations exceeding \$183.3 billion. Of this amount, roughly \$129.9 billion was appropriated for operational expenses and \$53.3 billion was appropriated for capital infrastructure improvements. (NOTE: Numbers may not add due to rounding.) The general funds portion of the operational budget totaled nearly \$51.8 billion, with the other \$78.1 billion coming from a combination of other state funds and federal funds.

Contributions to public retirement systems and associated retiree health insurance programs totaled more than \$10.8 billion, which represents roughly 21% of general funds appropriated in the FY 2025 budget. Of the \$10.8 billion, SURS received the full certified state contribution of \$2,212,810,000, and the College Insurance Program, which provides health insurance benefits to certain community college retirees, received \$9,191,049. The certified state contribution is the amount required by the state for SURS to reach a funded ratio of 90% of

assets to liabilities by the end of FY 2045.

As part of the FY 2025 budget, the General Assembly enacted a new provision of law that allows the state comptroller to make advance payments of the certified state contribution to SURS. SURS received the first advance payment of \$83,242,083.33 in July. The advance payments allow both the state and SURS to manage cashflows and more efficiently pay member benefits.

Tier II

While several bills were filed in the 2024 spring session on pensions, none passed both chambers and became law. SURS continues to educate decision-makers on the importance of adequately funding retirement benefits and ensuring that new SURS members on and after Jan. 1, 2011 (Tier II members) have retirement benefits that satisfy federal requirements. We will continue to keep you updated regarding any future developments on these issues.

Session Outlook

The General Assembly is scheduled to return for the fall veto session from Nov. 12 - 14 and Nov. 19 - 21. The governor did not veto any legislation sent to him by the General Assembly, so any veto session days will be devoted to the legislative priorities of caucus leaders. ▾

FISCAL YEAR 2025 APPROPRIATION		PREVIOUS YEARS
FY 2025 TOTAL	\$2,212,810,000.00	FY 2024 Appropriation \$2,133,335,000 Fully paid June 4, 2024
DUE TO DATE	\$368,801,666.66	FY 2023 Appropriation \$2,118,567,000 Fully paid June 2, 2023
RECEIVED TO DATE	\$452,043,749.99	FY 2022 Appropriation \$2,101,279,000 Fully paid June 27, 2022
PAID IN ADVANCE	\$83,242,083.33	

INVESTMENT UPDATE

Market Backdrop

A year ago, this section featured a discussion on the perceived weakness in the markets, highlighted by high inflation, CPI, and interest rates. Many of these factors could be repeated today. Much of FY 2024 occurred in the shadow of the belief that the federal funds rate would have to be cut to reduce the pressure on interest rates and prevent an economic slowdown. After all, companies want cheaper debt to fund their growth and consumers want lower interest rates so they can fund the major purchases in their life (like a car or a home).

Surprisingly, the federal funds rate was left relatively unchanged for the last year. However, in a testament to the strength of the US economy, inflation fell to 3% in June 2024 (the lowest since March 2021) and domestic indices roared to all-time highs.

Where does that leave us today? Fed Chair Jerome Powell said in August that the Fed will do everything it can to support a strong labor market; reducing interest rates by 50 basis points in September is a clear action to help ease economic pressures. However, uncertainty has never really gone away at home or abroad. The Middle East feels more like a powder keg than it has in recent years, and volatility is always heightened in the middle of a presidential election cycle.

If the past couple of years are anything to use as a reference, it doesn't pay to be pre-

dictive, but it does pay to stay prepared. As faithful stewards of your capital, the SURS team will continue to refine a portfolio that is vigilant and responsive to whatever may happen in the markets.

As of June 30, 2024, the defined benefit plan is valued at \$24.4 billion while the Retirement Savings Plan (RSP) is valued at \$4.5 billion (including forfeiture and disability reserve assets). SURS also offers a new supplemental defined contribution 457(b) plan, the Deferred Compensation Plan (DCP). Assets in the DCP were \$67.4 million, as of June 30, 2024.

SURS Performance

The SURS defined benefit investment portfolio returned 8.3% net of fees, trailing the policy benchmark return of 9.0%. This outcome is not surprising, given the overall strength of risk assets and the decision to fund diversifying strategies by reducing the overall allocation to growth-oriented assets. It should be noted that this defensive posture has helped reduce portfolio risk and provide meaningful protection when risk assets underperform. This has been illustrated most recently during FY 2020 and FY 2022, where diversifying assets helped the overall portfolio comfortably outperform the policy portfolio over the 3-year and 5-year periods.

The table below illustrates the performance of the overall SURS investment portfolio relative to the policy portfolio and average assumed rates of investment return, as of June 30, 2024.

Investment Performance* as of June 30, 2024

	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
SURS	8.3%	4.0%	7.4%	6.6%	7.2%	8.1%
Policy Portfolio	9.0%	3.2%	6.9%	6.4%	7.1%	7.9%
SURS Assumed Rate	6.5%	6.5%	6.6%	6.8%	7.4%	7.8%

**Net of investment management fees*

	Functional Asset Class	Current Policy Target as of 7/01/23*	Long-Term Strategic Policy Target
Growth-oriented	Non-Traditional Growth	15%	16%
	Traditional Growth	36%	35%
	Stabilized Growth	17%	17%
Diversifying	Inflation Sensitive	5%	5%
	Principal Protection	10%	10%
	Crisis Risk Offset	17%	17%

*Note: Figures are rounded and thus may not add up to 100%.

Long Term Policy Targets

The current and long-term strategic policy targets adopted by the board in April 2023 are shown in the table above. The broad functional classes are all roughly at their target weight, with the only discrepancies in Non-Traditional Growth and Traditional Growth currently being addressed by annual pacing plans for illiquid assets within the Non-Traditional Growth class meant to move it to its target over time. Importantly, the new structure is expected to achieve SURS’ target expected returns with lower risk. As of the fiscal year-end, all asset classes were within their target ranges as outlined within the Investment Policy Statement.

In fiscal year 2024, SURS continued to focus on partnering with diverse managers. As of June 30, assets managed by diverse firms totaled \$11.4 billion, or 46.8% of the total fund.

For fiscal year 2025, SURS plans numerous projects including conducting an asset-liability study with the purpose of completing a more robust evaluation of the financial condition (funded status) of the plan over time. ▲



SURS CHAIR LYONS REAPPOINTED



John Lyons

Gov. Pritzker has reappointed John Lyons to SURS Board of Trustees. He will serve a six-year term.

Lyons has served as an appointed trustee since 2019 and has been chairperson since 2023. He previously was elected to serve as board treasurer by his fellow trustees. He currently chairs the board’s Executive Committee as well as serving on the Board Governance, Investment, Diversity, and Legal & Legislative Committees.

He is a partner at the law firm DLA Piper LLP (US).

His appointment must be confirmed by the Illinois Senate. ▲

EXPERIENCE STUDY COMPLETED

The actuarial factors used in calculating a retirement benefit under the Money Purchase calculation will change, effective July 2, 2025.

When SURS calculates a retirement benefit, all eligible calculation types are performed, and the monthly benefit is based on the calculation that provides the highest benefit.

The changes to the Money Purchase factors may result in a slight adjustment for certain members who retire on or after July 2, 2025, under the Money Purchase calculation. Members under age 62 will likely not see a reduction due to

this factor change. Members between the ages of 62 and 70 will likely see a slight reduction in their monthly benefit of less than 1%, and members retiring over age 70 may see a reduction of approximately 1-3%.

Members who are affected by this change can offset the adjustment by delaying their retirement by a few months.

The changes to the Money Purchase factors do not affect:

- *Current annuitants*
- *Survivor benefit recipients*
- *Retirement Savings Plan members*
- *Members who began participation in SURS on or after July 1, 2005*
- *Members whose benefit is highest under the General Formula*



SURS encourages members who are considering retirement in the next year or two and might be affected by these changes to log in to their SURS Member Website and use the benefit estimator. The estimator will be updated with the new factors by October 1. By calculating estimates for retirement dates before and after the July 2, 2025, effective date, mem-

bers can gain a clearer picture of how the changes could impact benefits.

SURS will also hold webinars to answer member questions. Please check <https://surs.org/events/> for the webinar dates or see Page

10 of the newsletter.

Members who are eligible to retire before the effective date of this change may also schedule a retirement counseling appointment on the SURS Member website.

The changes to the factors are a result of the 2024 Actuarial Experience Study, which recommended revisions to the mortality assumptions to reflect increased life expectancies. The Money Purchase factors are an actuarial representation of the member's life expectancy. An actuarial experience study is required by state statute at least once every three years.

For more information see the Money Purchase Factor Change fact sheet at <https://surs.org/facts-money-purchase/>. ▀

DEFINED CONTRIBUTION PLAN NEWS

SURS Retirement Savings Plan (RSP)

The RSP is SURS' core defined contribution plan. RSP plan assets were \$4.3 billion, as of June 30, 2024, which equates to an average account balance of \$178,143 per each of the 24,148 RSP participants. The RSP experienced an increase in plan assets of 13% from a year ago. The RSP enrollment figure increased 3% year over year. As of June 30, 2024, the average asset allocation was 56.7% Equities, 26.1% Balanced Funds and 14.2% Fixed Income. The remaining 3.0% was attributable to Real Estate.

If you are new to the RSP or want to learn more about the plan, SURS can help. We offer a variety of online RSP resources, forms, videos, and investment options on the SURS website. Also, check out the next RSP webinar on "RSP Distribution Options" at surs.org/events.

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 is why SURS offers our members the supplemental DCP, a 457(b) plan designed with features that make it convenient to save and invest in your future.

As of July 1, 2023, all newly certified mem-

bers* are automatically enrolled in the plan at a 3% pre-tax contribution rate and will begin saving and investing 30 days after they are hired unless they opt out during the 30-day opt-out window. For the first year of automatic enrollment (through June 30, 2024), 82% of newly hired members were enrolled into the DCP after the 30-day window.

Auto-escalation

On July 1, 2024, SURS implemented automatic escalation for DCP participants.

Previously automatically enrolled DCP participants who were enrolled at the 3% pre-tax contribution rate and still in default status will now see an automatic 1% increase in their pre-tax contribution each year, up to a maximum default contribution cap of 10%. If members want to make changes, they

can do so any time by logging into the SURS secure Member Website. For the first month and a half ending August 14, 2024, 97% of members who were automatically escalated continued to contribute at the higher percentage.

DCP assets were \$67 million, and the current enrollment was 12,440, as of June 30, 2024.

For more information go to <https://surs.org/retirement-plans/dcp/>.

*Active SURS members employed by employers eligible to participate in the DCP. ▾

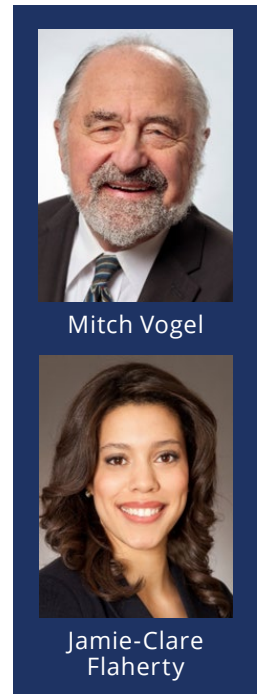


Many Thanks to Parting Trustees

Trustees and staff of SURS would like to thank Mitch Vogel and Jamie-Clare Flaherty for their years of distinguished and committed service as members of the System's board of trustees. Their terms ended July 15.

Vogel, a retired professor from Northeastern Illinois University, was a board member for a total of 16 years, serving for the past five years from 2019-2024, and previously serving on the board from 2004-2015. During his tenure he served on the Board Governance, Executive, Investment, and Legislative Committees; as chairperson of both the Corporate Governance and Investment Committees, and as board president for four years.

Flaherty, vice president and deputy general counsel for The Obama Foundation and former vice president and chief of staff at Ariel Investments, was appointed to the board in 2019 by Gov. Pritzker. During her tenure she served on the Administration, Board Governance, Investment, and Legal & Legislative Committees and as chairperson of the Diversity Committee. ▀



Mitch Vogel

Jamie-Clare Flaherty

SURS Employee Marks 50 Years

Congratulations to SURS Retirement Counselor Marlys Johnson on 50 years of service at SURS.

On July 22, Marlys Johnson reached a milestone most of us won't, 50 years of working for the same employer.

Johnson started at SURS right out of high school. She worked in several departments during her tenure, but for the past 27 years, she has been a retirement counselor, assisting hundreds of SURS members as they transition to retirement and receive the benefits promised to them.

Members she has worked with as well as SURS staff know she is knowledgeable, considerate, sincere and always cheerful.

"The late Steve Jobs said it best, 'If you are working on something that you really care

about, you don't have to be pushed, the vision pulls you.'" says Johnson. "My vision is to ensure members receive the best possible experience and comprehensive education on their SURS retirement benefits."



SURS Retirement Counseling Manager Lori Kern calls Johnson "one of the most exceptional retirement counselors SURS has ever had."

"No matter how many appointments I observe, I always learn something new and enjoy seeing members engage with her," says Kern. "Her extensive knowledge of the retirement system shines

through, and she quickly establishes trust and rapport with members; if they aren't friends at the start of the appointment, they certainly are at the end."

Thank you, Marlys, for your incredible service to SURS and its members! ▀

2025 Medicare Advantage Open Enrollment



The state of Illinois TRAIL Medicare Advantage Prescription Drug (MAPD) open enrollment period for participating annuitants and survivors is Oct. 15 through Nov. 15, 2024. The 2025 plan year will begin Jan. 1, 2025, and will run through Dec. 31, 2025.

The state of Illinois offers retirees, annuitants, and survivors of the State Employees Group Insurance Program (SEGIP), the Teachers' Retirement Insurance Program (TRIP), and the College Insurance Program (CIP) a healthcare program entitled Total Retiree Advantage Illinois (TRAIL). This program provides Medicare-eligible members and their covered dependents comprehensive medical and prescription drug coverage through TRAIL Medicare Advantage Prescription Drug (commonly referred to as MAPD) plans.

Members who are newly eligible for Medicare have two opportunities for enrollment:

Initial Enrollment: this is offered to all Medicare-eligible retirees and their Medicare-eligible dependents within 60 days of the 65th birthday (of the youngest enrollee).

Initial enrollment is a one-time offering.

Open Enrollment: an annual enrollment period held in the fall of each year. This enrollment period is open for Medicare-eligible retirees, survivors, and their dependents to change their elections, or for anyone who previously waived or canceled coverage to re-enroll.

To be eligible for coverage under a Total Retiree Advantage Illinois Medicare Advantage Prescription Drug (MAPD) plan, members and their eligible dependents must:

- *Live in the United States or the U.S. Territories, and*
- *Be retired and enrolled in Medicare Parts A and B, due to age or disability.*

Retirees and survivors eligible for the TRAIL MAPD Program will receive a Decision Guide in the mail, notifying them of their eligibility and the requirement to enroll or waive coverage, during the TRAIL MAPD Open Enrollment Period.

Members who are currently enrolled in TRAIL MAPD do not need to do anything during the Open Enrollment Period unless they want to add

or drop a dependent or make a change to their current TRAIL MAPD coverage for the 2025 plan year.

Members may complete changes online at MyBenefits.illinois.gov or contact MyBenefits (toll-free) 844-251-1777 during the Open Enrollment Period. ▾



UPCOMING INFORMATIONAL WEBINARS

9/24/24	<i>DCP Informational Webinar</i>	2:00 pm - 3:00 pm
10/15/24	<i>DCP Informational Webinar</i>	10:00 am – 11:00 am
10/16/24	<i>SURS Pre-Retirement Education Webinar</i>	9:00 am – 3:15 pm
10/22/24	<i>State Health Insurance Overview</i>	12:00 pm – 1:00 pm
10/24/24	<i>CIP Health Insurance Overview</i>	12:00 pm – 1:00 pm
10/25/24	<i>Navigating the RSP Plan</i>	10:00 am – 11:30 am
10/29/24	<i>New Hire Presentation – Tier II</i>	9:30 am – 11:00 am
10/30/24	<i>DCP Informational Webinar</i>	2:00 pm - 3:00 pm
11/12/24	<i>Understanding the Money Purchase Factor Changes</i>	11:30 am – 1:00 pm
11/19/24	<i>Understanding Your SURS Benefits – Tier I</i>	11:30 am – 1:00 pm
11/21/24	<i>SURS Defined Benefit Q&A Session (limited to the first 25 registrants)</i>	12:00 pm – 1:00 pm
11/26/24	<i>New Hire Presentation – Tier II</i>	9:30 am – 11:00 am
12/3/24	<i>SURS Townhall Informational Meeting</i>	11:00 am – 12:00 pm
12/3/24	<i>RSP Q&A session (limited to the first 25 registrants)</i>	12:00 pm – 1:00 pm
12/10/24	<i>Understanding the Money Purchase Factor Changes</i>	11:30 am-1:00 pm
12/12/24	<i>RSP Distribution Options</i>	10:00 am – 11:30 am
12/17/24	<i>SURS New Hire Presentation – TIER II</i>	9:30 am – 11:00 am

2025 Annuity and Disability Payments

	Annuity	Disability
Jan	12/31/24	1/31/25
Feb	1/31/25	2/28/25
Mar	2/28/25	3/31/25
Apr	4/1/25	4/30/25
May	5/1/25	5/30/25
Jun	5/30/25	6/30/25
Jul	7/1/25	7/31/25
Aug	8/1/25	8/29/25
Sep	8/29/25	9/30/25
Oct	10/1/25	10/31/25
Nov	10/31/25	11/28/25
Dec	12/1/25	12/31/25

2025 Board Meetings Schedule

Thu, Mar. 6 Fri, Mar. 7 <i>Champaign</i>	9 a.m. - 5 p.m. 9 a.m. - 3 p.m.	Committee Meetings Committee & Board Meetings
Thu, Apr. 17 <i>Chicago</i>	9 a.m. - 5 p.m.	Investment Committee Board Meeting (if needed)
Thu, June 5 Fri, June 6 <i>Chicago</i>	9 a.m. - 5 p.m. 9 a.m. - 3 p.m.	Committee Meetings Committee & Board Meetings
Thu, Sept. 11 Fri, Sept. 12 <i>Champaign</i>	9 a.m. - 5 p.m. 9 a.m. - 3 p.m.	Committee Meetings Committee & Board Meetings
Thu, Oct. 23 <i>Champaign</i>	9 a.m. - 5 p.m.	Investment & Admin Committee Board Meeting
Thu, Dec. 4 Fri, Dec. 5 <i>Chicago</i>	9 a.m. - 5 p.m. 9 a.m. - 3 p.m.	Committee Meetings Committee & Board Meetings

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