

INSIGHTS

IT'S BEEN AN AWARD-WINNING YEAR!

SURS is honored to have won a number of awards this year recognizing our commitment and dedication to improving retirement outcomes for members.

Most recently, SURS was awarded the National Association of Government Defined Contribution Administrators' (NAGDCA) most prestigious award, the Art Caple President's Award. This award was established in memory of past NAGDCA president Art Caple and recognizes visionary leadership and innovation that enhances participant's financial well-being. SURS was recognized for our multi-year effort to enhance our defined contribution plans through streamlining investment options, adding a lifetime income solution (SURS Lifetime Income Strategy) and implementing automatic features such as auto-enrollment and auto-escalation. [Cont. on Page 8](#)



New Members: Utilize SURS Plan Choice Decision Tool

Are you a new SURS member who has not yet elected your core SURS retirement plan? SURS has three strong plan options for you to choose among—SURS Traditional, Portable, and Retirement Savings Plan. Your choice is a one-time selection and determines which plan you will contribute to

throughout your career, so it's important to carefully review all of your options. Before electing your core SURS plan, log in to your SURS member account at surs.org and utilize SURS Plan Choice Decision Tool to help you choose the plan that best fits your needs and goals. ▴

LEGISLATIVE UPDATE

The General Assembly concluded its spring session at the end of May, sending 436 bills to the Governor for further action.



Fiscal Year 2026 State Budget

Among these bills was the FY 2026 State budget, which became Public Act 104-0002 and Public Act 104-0003.

Illinois law requires the state to pay an amount each year for pensions so that the state-funded retirement systems can reach a funding ratio of 90% of assets to liabilities by the end of FY 2045. Assets are the amount of money available to pay promised benefits, and liabilities are the estimated cost of promised benefits. At the end of FY 2025, SURS had approximately 47.1% of assets needed to pay promised benefits.

The FY 2026 state budget pays the full pension contributions required by Illinois law, including \$2,319,446,000 for SURS. For FY 2026, the state's total pension contributions are roughly \$11.7 billion or approximately 22% of the state's general funds budget.

Tier II Safe Harbor

Federal law requires employees who do not contribute to Social Security to participate in a Social Security replacement plan, or a retirement plan that provides benefits that are at least as good as those available under Social Security. The Internal Revenue Service provides a series of tests, called 'Safe Harbor' tests, so that an employer can easily determine whether a retirement plan qualifies as a Social Security replacement plan for the employer's employees. If an employer determines that a retirement plan does not serve as a Social Security replacement plan for the employer's employees, then the employer must enroll those employees into Social Security.

With these federal requirements in mind, the FY 2026 State budget appropriates \$75 million to a newly created fund: the Tier II SSWB Reserve Fund ("the fund"). Moneys in the fund may be used if there is an enforceable determination that Tier II fails the Safe Harbor tests or if the General Assembly changes the Tier II pensionable salary cap to match the Social Security Taxable Wage Base. The current Tier II pensionable salary cap is \$127,283.01, and the current Social Security Taxable Wage Base is \$176,100.

Because a legislative remedy to the Tier II Safe Harbor issue has not been enacted into law, SURS performs annual Safe Harbor testing as a courtesy for employers. To date, SURS is only aware of one Tier II employee who has failed Safe Harbor testing. The affected employer and employee have been notified of the failure. Ultimately, it is the responsibility of each employer to determine whether the SURS Tier II plan qualifies as a Social Security Replacement Plan for its employees and to take any action necessary to comply with federal law.

As of this writing, there has neither been an enforceable determination that Tier II fails Safe Harbor tests nor has the General Assembly passed legislation to increase the Tier II pensionable earnings cap to match the Social Security Taxable Wage Base. SURS will continue to educate elected officials about the need to address the Tier II Safe Harbor issue in a way that does not negatively impact retirement system funding.

Buyouts

The General Assembly authorized an additional \$200 million in funding for the pension buyout programs through Public Act

Cont. on **Page 7**

INVESTMENT UPDATE

Market Backdrop

As we move further into the second half of 2025, the economy is showing a mixture of softening growth, slowing labor market, and sticky inflation. Despite price increases from tariffs, consumers are still spending and household consumption has increased from the start of the year. August saw only 22,000 jobs added, and the unemployment rate at 4.3% has not changed significantly. While the Fed’s inflation rate goal is 2%, the core inflation rate, excluding goods and energy, remains elevated at 3.1%. Stock markets have shown resilience in the face of these mixed economic signals. The S&P 500 remains positive year-to-date driven by the technology sector. In mid-September, the Federal Open Market Committee (FOMC) cut its benchmark interest rates by 0.25%, as was highly anticipated. The FOMC again cut interest rates at the end of October, lowering the target range for the federal funds rate by another 0.25% to 3.75%-4.00%. The Fed is predicted to cut rates again at the December meeting; however it is still uncertain as policymakers are divided.

SURS Performance

For the year ended June 30, 2025, the SURS investment portfolio returned 6.4%, net of fees, exceeding the policy benchmark of 6.1%, but slightly trailing the 6.5% long

term actuarial rate of return assumption. Compared to a universe of other large public funds, the SURS peer rankings are challenged for the one-year period ending June 30, 2025, due to the conservative nature of our portfolio. SURS ranks slightly below median in the universe for the five- and ten-year periods. The SURS portfolio has a lower public equity allocation, and a higher Crisis Risk Offset allocation than the median plan in the universe. While this positioning may lead to weaker relative results during positive market environments, it provided critical downside protection during periods of significant equity market declines as experienced during FY 2022. From a long-term standpoint the SURS portfolio has performed well, earning a 7.82% annualized rate of return over the past 30 years, exceeding the 7.57% policy portfolio return.

In fiscal year 2025, SURS continued to focus on partnering with diverse managers. As of June 30, assets managed by diverse firms totaled \$11.7 billion, approximately 47.5% of the portfolio. This represents an increase in assets under management with diverse firms of approximately \$300 million in the past year.

As of June 30, 2025, the defined benefit plan is valued at \$25.2 billion while the

[Cont. on Page 4](#)

Investment Performance* as of June 30, 2025

	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
SURS	6.4%	6.7%	8.2%	7.0%	7.0%	7.8%
Policy Portfolio	6.1%	7.0%	7.7%	6.7%	6.9%	7.6%
SURS Assumed Rate	6.5%	6.5%	6.6%	6.8%	7.4%	7.8%

*Net of investment management fees

FISCAL YEAR 2026 STATE CONTRIBUTION		PREVIOUS YEARS
FY 2026 TOTAL	\$2,319,446,000.00	FY 2025 State Contribution \$2,212,810,000 Fully paid May 5, 2025
DUE TO DATE	\$579,861,500.00	FY 2024 State Contribution \$2,133,335,000 Fully paid June 4, 2024
RECEIVED TO DATE	\$799,431,398.48	FY 2023 State Contribution \$2,118,567,000 Fully paid June 2, 2023
BALANCE OWED	\$1,520,014,601.52	

INVESTMENT (CONT.)

Retirement Savings Plan (RSP) is valued at \$5.07 billion. In the Deferred Compensation Plan (DCP), a supplemental defined contribution, assets were valued at \$131.5 million.

The table below compares the performance of the overall SURS investment portfolio to the policy portfolio and average assumed rates of investment return as of June 30, 2025.

There are several projects planned for fiscal year 2026, including implementation of the new asset allocation targets that were selected by the Investment Committee in March (see chart on right), several searches for new investment managers in the fixed income and crisis risk offset asset classes, growth in the private credit portfolio, and some reallocation within the real assets portfolio. Operationally, the investment staff recently welcomed three new members of the team, as well as finished the implementation of a new risk monitoring and portfolio analytics software platform.

In the table that follows, we outline both the prior and new strategic asset allocation targets for the pension plan. ▴

<i>Asset Class/Strategy</i>	<i>Previous Asset Allocation Target (%)</i>	<i>New Approved Asset Allocation Targets (%) as of 6/30/2025</i>
Traditional Growth	35	30
Public Equity	35	30
Stabilized Growth	17	23
Core Real Assets	8	6
Public Credit	4	10
Private Credit	5	7
Non-Traditional Growth	16	19
Private Equity	11	12
Non-Core Real Assets	5	7
Inflation Sensitive	5	0
TIPS	5	0
Principal Protection	10	8
Intermediate Govt Bonds	10	8
Crisis Risk Offset	17	20
Long U.S. Treasuries	2	4
Systematic Trend Following	10	6
Alternative Risk Premia	3	8
Long Volatility	1.7	1.7
Tail Risk Hedge	0.3	0.3

DEFINED CONTRIBUTION PLAN NEWS

SURS Retirement Savings Plan (RSP)

The RSP is SURS core defined contribution plan. RSP plan assets were \$5.07 billion as of June 30, 2025, and there are 24,875 RSP participants. The average asset allocation was 56% Equities, 30.0% Balanced Funds, and 11% Fixed Income. The remaining 3.0% was attributable to Real Estate.

SURS Deferred Compensation Plan (DCP)

About 70% to 80% of your pre-retirement income is needed in retirement to maintain your standard of living. Not all members will reach that amount with their SURS core retirement benefit alone. Because SURS members don't contribute to Social Security, many members need a way to supplement their income to maintain a comfortable standard of living. They can do so by contributing to the SURS DCP.

RSP and DCP members at all stages of their careers may schedule an individual appointment with a SURS Defined Contribution Account Representative.

Appointments can be scheduled at www.sursrsp.timetap.com. Representatives are available to discuss investment options, how the SURS LIS works regarding purchasing income over several years, and many other topics.

SURS Deferred Compensation Plan is a 457(b) supplemental plan available to most active SURS members. The DCP allows employees to make pre-tax or post-tax contributions through low-cost, efficient investment options to save more for retirement. This will be especially helpful for

Tier II members who have a reduced defined benefit plan.

The SURS DCP has been recognized for its

thoughtful design that helps put members on a path to achieving a more financially secure retirement. In that design, the Plan includes features such as auto-enrollment and auto-escalation. With auto-enrollment, new SURS members are automatically enrolled in the plan and begin contributing at a rate of 3%. Through auto-escalation, those same members will have contributions increased 1% annually, up to a set cap of 10%. Members may opt out of these automatic features at any time.

The SURS DCP investment line-up includes the SURS Lifetime Income Strategy (LIS) which is different than other traditional fixed annuity options. By default, the SURS LIS is set up so members will receive monthly income for life, starting at retirement. That income cannot be diminished in market downturns but can increase due to market gains. The LIS also has additional benefits such as allowing retirees the flexibility to take additional distributions from the account, as needed, and in the event of a member's death, the balance of the account being passed to beneficiaries.

To learn more about the DCP and the SURS Lifetime Income Strategy visit <https://surs.org/dcp/>. Stay tuned in the coming months for an all-new LIS education series.

As of June 30, 2025, there were 21,718 members enrolled in the DCP with assets of \$131.5 million. 83% of eligible members have been automatically enrolled and 99% of eligible members have had their contributions auto-escalated, having not chosen to opt out of these automatic features. ▴

Watch a video about how the SURS Deferred Compensation Plan provides members an avenue to save more and generate additional income in retirement: <https://vimeo.com/945787278>

For more information visit <https://surs.org/retirement-plans/>

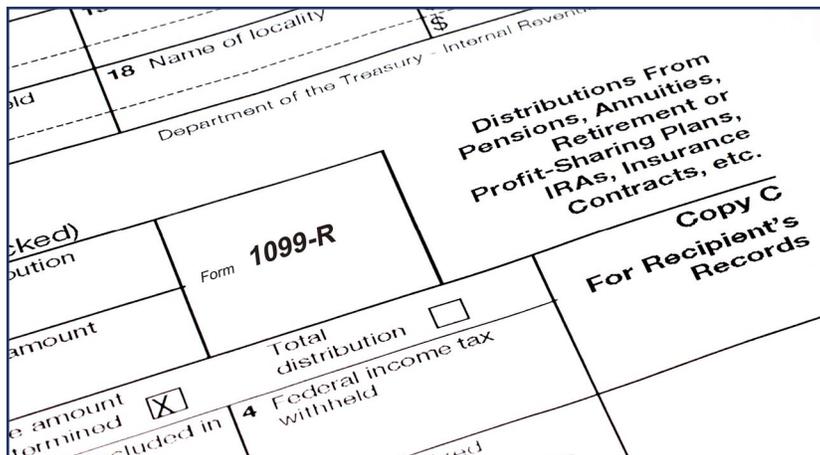
EXPECT ARRIVAL OF 1099-R

If you received a distribution from SURS in 2025 as a member or a beneficiary, you will receive an IRS Form 1099-R in the mail by January 31, 2026.

In February 2026, members may log in to the SURS secure Member Website to print a copy. The 1099-R forms can be found under the “My Payment” tab or in the quick links under “Tax Statements.”

After January 31, 2026, if you need a replacement print version mailed to you, please contact SURS at (800) 275-7877.

The 2026 tax deadline is Wednesday, April 15. ▴



SURS Welcomes Trustee Jiganti



Governor Pritzker appointed Jeanine Jiganti to the State Universities Retirement System (SURS) Board of Trustees. She was appointed in May 2025 and will serve out the remainder of a six-year term that will expire in 2030.

Jeanine Jiganti is an executive with extensive experience in legal, compliance, and regulatory affairs across both the public and private sectors. Most recently, she served as Chief Regulatory Legal Officer at Walmart and General Counsel of Walmart Healthcare, where she played a pivotal role in navigating complex regulations and driving strategic legal initiatives.

Prior to her time at Walmart, Jiganti served as General Counsel for the Illinois Department of Commerce and Economic Opportunity. She also served as Chief Compliance Of-

ficer at Takeda Pharmaceuticals and DaVita, where she oversaw global compliance programs. Jiganti's legal career began in private practice, where she worked as an associate at Jenner & Block and Fried, Frank, Harris, Shriver & Jacobson, focusing on litigation.

Jiganti has been committed to diversity and inclusion and mentoring future women leaders throughout her career, including while serving on the advisory board for the U.S. chapter of 30% Club, an organization that strives for gender balance on boards and in all levels of business.

Jiganti earned her Juris Doctor from Loyola University Chicago School of Law and holds a bachelor's degree from the University of Colorado.

The SURS Board of Trustees consists of 11 trustees including four elected active members, two elected annuitants, and five members appointed by the governor, of which one is the appointed chair of the Illinois Board of Higher Education. ▴

LEGISLATIVE UPDATE CONT.

104-0008. There are two pension buyout programs: the Vested, Inactive Buyout, and the Tier I Automatic Annual Increase (AAI) Buyout.

Funding for the pension buyouts is shared between SURS, the State Employees' Retirement System, and the Teachers' Retirement System. The buyouts are scheduled to sunset on June 30, 2026. The buyouts could sunset prior to that time if funding is exhausted. To learn more about the buyouts offered, visit surs.org/buyouts.

Other Pension Legislation

The General Assembly combined several pension proposals into a single package that became law as Public Act 104-0284. As it impacts SURS, the legislation makes technical and administrative changes, gives SURS employers seven years (instead of three years) to pay 6% bills, and grants one SURS employer temporary relief from required contributions. SURS employers receive 6% bills when

they are required to pay the present value of benefit increases resulting from salary increases above 6% during an employee's final rate of earnings period. Even with the new 7-year repayment period, interest continues to accrue on 6% bills until they are fully paid to SURS.

Veto Session

The General Assembly returned to Springfield for veto session in October. During the veto session, the House Executive Committee passed House Amendment #2 to Senate Bill 1937 out of committee. This is a modified version of the We Are One Coalition's Tier II Pension Reform Bill that makes several changes to Tier II benefits. House Amendment #2 will be held on 2nd Reading in the House of Representatives for further discussion on a future amendment.

For further details regarding SB 1937 and all current and pending legislation pertinent to SURS, visit <https://surs.org/legislation/>. ▀

Benefit Estimator Tool

The SURS Benefit Estimator is a valuable resource for Traditional and Portable Plan participants to estimate retirement benefits anytime, even before they qualify for a counseling appointment. Retirement Savings Plan (RSP) participants can contact their fund provider(s) for estimates or use RSP calculators via the SURS Member Website.

To access the Benefit Estimator, log in to the SURS Member Website. Existing users can enter their username and password, while new users can follow the on-screen registration instructions or watch the tutorial video linked on the login page. Once logged in, select "Benefit Estimator" from the left-hand menu.

The tool automatically fills in known account details; you'll enter additional information such as anticipated retirement date and salary assumptions. After reviewing, click "Calculate" to generate your estimate, and use "Printable Results" for a summary view.

The Benefit Estimator helps you plan for retirement, but its accuracy depends on the information entered. It does not replace a counseling session. Members within five years of retirement are encouraged to schedule a SURS counseling appointment.

To learn more, view the Benefit Estimator webinar at <https://vimeo.com/1131342616>. ▀



Follow Us!

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IT'S BEEN AN AWARD WINNING YEAR! CONT.

We were also selected as a recipient of NAGDCA's 2025 Leadership Recognition Award in the Plan Design and Administration category, specifically for our most recent enhancement, auto-escalation.

In June, SURS was named as the 2025 PLANSPONSOR Plan Sponsor of the Year winner in the "Total Retirement Offering" category, recognizing not only our defined contribution plans, but the entire array of retirement offerings and tools available to our members.

Learn more about the award-winning features of our defined contribution plans at <https://surs.org/awards-2025/>. ▾

2026 Annuity and Disability Payments		
	Annuity	Disability
Jan	12/31/25	1/30/26
Feb	1/30/26	2/27/26
Mar	2/27/26	3/31/26
Apr	4/1/26	4/30/26
May	5/1/26	5/29/26
Jun	6/1/26	6/30/26
Jul	7/1/26	7/31/26
Aug	7/31/26	8/31/26
Sep	9/1/26	9/30/26
Oct	10/1/26	10/30/26
Nov	10/30/26	11/30/26
Dec	12/1/26	12/31/26

2025/2026 Board Meetings Schedule		
Thu, Dec. 4	9 a.m. - 5 p.m.	Committee Meetings
Fri, Dec. 5 <i>Chicago</i>	9 a.m. - 3 p.m.	Committee & Board Meetings
Thu, Mar. 5	9 a.m. - 5 p.m.	Committee Meetings
Fri, Mar. 6 <i>Champaign</i>	9 a.m. - 3 p.m.	Committee & Board Meetings
Thu, Apr. 16 <i>Chicago</i>	9 a.m. - 5 p.m.	Investment Committee Board Meeting (if needed)
Thu, June 4	9 a.m. - 5 p.m.	Committee Meetings
Fri, June 5 <i>Chicago</i>	9 a.m. - 3 p.m.	Committee & Board Meetings
Thu, Sept. 10	9 a.m. - 5 p.m.	Committee Meetings
Fri, Sept. 11 <i>Champaign</i>	9 a.m. - 3 p.m.	Committee & Board Meetings
Thu, Oct. 22 <i>Champaign</i>	9 a.m. - 5 p.m.	Investment & Admin Committee Board Meeting
Thu, Dec. 3	9 a.m. - 5 p.m.	Committee Meetings
Fri, Dec. 4 <i>Chicago</i>	9 a.m. - 3 p.m.	Committee & Board Meetings

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