

INSIGHTS

A VISIT FROM GOVERNOR JB PRITZKER

SURS was pleased to see Governor JB Pritzker's continued commitment to improving the retirement security of SURS members in his Fiscal Year 2026 budget address, presented to a joint session of the General Assembly on Feb. 19. The budget appropriates the full certified state contribution necessary for SURS to become 90% funded by FY 2045. It also reiterates the need for the Governor and the General Assembly to work together so public retirement systems can be fully funded in the future. _____ Cont. on **Page 7**



Pictured L-R: Chairman Lyons, Governor Pritzker, Director Mayer

ANNUAL REPORT POSTED

The SURS 2024 Annual Comprehensive Financial Report is available for members to review online. Click to see the full report: www.surs.com/annual-financial-report.

The 104-page annual financial report, which provides a detailed summary of the pension plan's investment activities and performance over a one-year period ending on June 30, 2024, is divided into five sections to make it easier to find pertinent information.

The report is a key component of SURS fiscal responsibility and strengthens our accountability and transparency to members, employers and the public. This report was prepared through the combined effort of the SURS staff under the leadership of the SURS Board of Trustees. ▾

LEGISLATIVE UPDATE

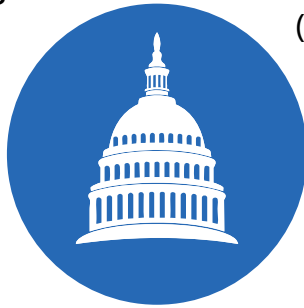
Governor's Fiscal Year 2026 Budget Address

On February 19, Governor Pritzker presented his introduced budget for fiscal year 2026. The budget introduced by the Governor includes roughly \$54 billion in general fund appropriations.

Of the roughly \$54 billion, a combined \$11.4 billion is appropriated to the General Assembly Retirement System, the State Employees' Retirement System, the State Universities Retirement System, the Teachers' Retirement System, the Chicago Teachers' Pension Fund, and the Judges' Retirement System.

The \$11.4 billion represents roughly 21% of general fund appropriations and includes: the annual required state contributions to the retirement systems under Illinois law, the annual required state contributions for retiree health insurance for eligible community college retirees and retired teachers under Illinois law, and an additional \$78 million for the FY2026 cost of a Tier II Safe Harbor fix (which has not yet become law).

Of the \$11.4 billion, \$2,339,412,632 is appropriated to SURS. This amount includes \$2,319,446,000 for the annual required state contribution to SURS; \$10,966,632 for annual required state contribution to the College Insurance Program, which provides retiree health insurance benefits to eligible community college retirees and their dependents; and \$9,000,000 for the Tier II Safe Harbor fix. Independent actuarial and legal experts have explained that the easiest, most straightforward way to bring the Tier II plan into compliance with the Safe Harbor provisions of Social Security would be to increase the Tier II salary cap to at least 90.5% of



the Social Security Taxable Wage Base (SSTWB); such a change would ensure that the Tier II plan qualifies as a Social Security replacement plan. For 2025, the Tier II salary cap is \$125,773 and the SSTWB is \$176,100.

The Governor's introduced budget appropriates a combined \$78 million to the State Employees' Retirement System, State Universities Retirement System, and downstate Teachers' Retirement System to raise the Tier II salary cap to 100% of the SSTWB.

The \$78 million is based on an actuarial analysis produced for the Commission on Government Forecasting and Accountability (COGFA) and represents the first year's estimated cost of the increased Tier II salary cap.

The \$78 million is distributed among the public retirement systems consistent with COGFA's actuarial analysis as follows: downstate Teachers' Retirement System (\$65 million), State Universities Retirement System (\$9 million), and State Employees' Retirement System (\$4 million).

Although the Governor's introduced budget appropriates funding for the first year's cost of the Tier II Safe Harbor fix, changing the Tier II cap to the SSTWB cannot become effective without enabling legislation passed by the General Assembly.

Tier II Benefits

Several Tier I and Tier II benefit changes have been filed for consideration by the General Assembly. The full list impacting SURS is available at www.surs.org/legislation.

Cont. on Page 7

INVESTMENT UPDATE

Market Backdrop

By February 2025, markets were navigating a complicated landscape. A flurry of executive actions regarding federal spending and tariffs on imported goods led to increased day to day volatility as investors weigh the impact of each new action or announcement. The S&P was up approximately 1.2% for the year as of the end of February 2025, but it arrived there from being down 1%, up 4%, and slightly down again. Until some of the policy changes that have been proposed or announced are enacted and their effects become clear, investors will continue to be concerned about the risk of these changes in policies.

We would also like to share about an important process that we go through at SURS. Every three to five years, all the relevant parties (investment staff, the board, and the general consultant) spend portions of multiple board meetings discussing the composition of the overall portfolio and ways to make adjustments that maintain or improve expected returns while minimizing risk. This process is known as an Asset Allocation Study.

Over the long term, the high-level allocations to each asset class (stocks, bonds, real estate, etc.) drives the overwhelming majority of the returns in the SURS portfolio, dwarfing the impact of any particular investment manager or individual portfolio. Therefore, this study is one of the most important actions the board takes. This study also creates

a framework that guides much of the day-to-day decision making of the investment staff for the next three to five years. Some examples of changes made during the last asset allocation study four years ago include the establishment of the crisis risk offset and private credit asset classes.

This current asset allocation study came to a conclusion at the March board meeting in Champaign. The primary changes presented were a reduction in public equity (stocks) exposure by 5%, an increase in public credit (fixed income) exposure by 6%, the removal of TIPS (treasury inflation-protected securities) from the policy, and an increase to the private credit (by 2%) and private equity (by 1%) asset classes. SURS is also slightly increasing its allocation to the Crisis Risk Offset portfolio, a mix of investment strategies intended to mitigate losses in a market downturn. SURS investment staff is now working to implement these changes in a timely manner, with the goal of evolving to a portfolio that is more appropriately positioned for the next 3-5-years.

SURS Performance

The SURS investment portfolio returned 7.1% net of fees in calendar year 2024, trailing the policy benchmark return of 8.6%. The portfolio continues to outperform the benchmark on a medium and long-term basis.

To explain the short-term underperform-
[Cont. on Page 4](#)

Investment Performance* as of December 31, 2024

	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
SURS	7.13%	2.91%	6.59%	6.79%	6.86%	8.10%
Policy Portfolio	8.60%	3.02%	6.13%	6.65%	6.81%	7.88%
SURS Assumed Rate	6.50%	6.50%	6.60%	6.80%	7.40%	7.80%

*Net of investment management fees

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	\$1,659,607,500.00	
RECEIVED TO DATE	\$1,713,553,314.28	FY 2023 Appropriation \$2,118,567,000 Fully paid June 2, 2023
PAID IN ADVANCE	\$ 53,945,814.28	

INVESTMENT UPDATE (CONT.)

mance, it’s important to understand how performance reporting for some of the more illiquid assets in the portfolio can lead to imperfect benchmarking. SURS has had a long-standing commitment to private equity (investing in the asset class for nearly 35 years), and it is currently about 13% of the SURS portfolio. We invest in private equity with a 10–15-year time horizon, and performance tends to focus on just a few events; namely, the sale of assets a fund previously purchased. When the environment for buying and selling is good, these events happen more often, and performance tends to be stronger. However, this has not been the case in the last couple of years as sales and

Initial Public Offerings (IPOs) of companies within private equity portfolios have been at a cyclical low.

Additionally, SURS, as is common for pension funds, benchmarks this portfolio against the public stock market, which has consistently had excellent returns over the last few years. These two factors have meant that there is significant short-term underperformance in the private equity portfolio against its benchmark. However, we don’t find this to be a significant long-term concern. We believe that the private equity assets in SURS’s portfolio are very strong and will deliver great performance as liquidity returns to the asset class. ▾

SURS AND YOUR SOCIAL SECURITY BENEFITS

The Social Security Fairness Act (<https://www.congress.gov/bill/118th-congress/house-bill/82>) was signed into law January 2025.

Prior to the passage of the Social Security Fairness Act, SURS members who also received Social Security benefits from non-SURS covered employment were subject to the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO.) These two federal offsets did not affect SURS benefits but instead were offsets applied to

Social Security benefits. Both offsets were repealed through the Act, which became effective for Social Security benefits payable after December 2023.

SURS cannot answer questions about Social Security benefits or the specific impact of the Social Security Fairness Act on your benefits. Social Security benefits are calculated and paid by the Social Security Administration.

Visit ssa.gov for more information. ▾

DEFINED CONTRIBUTION PLAN NEWS

SURS Retirement Savings Plan (RSP)

The RSP is SURS core defined contribution plan. RSP plan assets were \$4.5 billion as of December 31, 2024, which equates to an average account balance of \$183,606 per each of the 24,646 RSP participants. The RSP experienced an increase in plan assets of 12% from a year ago, with RSP enrollments increasing 3% over last year. As of December 31, 2024, the average asset allocation was 56.5% Equities, 27.0% Balanced Funds and 13.5% Fixed Income. The remaining 3.0% was attributable to Real Estate.

SURS Deferred Compensation Plan (DCP)

Saving and investing for the future is essential, especially since SURS members do not contribute to Social Security. That's why SURS offers the supplemental DCP, a 457(b) plan designed for easy and convenient retirement savings. DCP assets have grown from \$44 million on December 31, 2023, to \$94 million as of December 31, 2024. 63% of plan assets were invested in the Lifetime Income Strategy as of December 31, 2024, up from 59% 12 months ago. Through the same timeframe, there were 14,842 participants in the plan.

SURS members who were automatically enrolled in the DCP when it was amended on July 1, 2024, to include an automatic escalation feature, and who were still contributing at the default rate of 3%, experienced an increase in their annual pre-tax deferral amount to 4%. This population of members, along with all new members enrolled who contribute at the default rate, will see an increase of 1% in their contributions each year up to a maximum of 10%. For the first six

months since the rollout, 86% of members who were automatically escalated continue to contribute at the higher percentage.

Plan Feedback

In early 2025, SURS Retirement Savings Plan and Deferred Compensation Plan participants were surveyed to gauge their

The SURS Lifetime Income Strategy (LIS) option provides participants guaranteed income for life while also offering significant flexibility when compared to a standard fixed annuity. In addition, through the LIS, RSP members can convert 50 to 100% of their balance to secure income (the percentage is their choice) and retain access to health insurance. Learn more at <https://bit.ly/SURS-LIS>.

general sentiments on retirement readiness, plan offerings, and Lifetime Income Strategy (LIS) features within the defined contribution plan lineups. We appreciate all the feedback we received and thank you for your participation.

A few highlights:

- *The retirement concerns reported by participants included: saving enough for retirement, inflation, healthcare costs, economy, and participants' income.*
- *Participants want to learn more about LIS strategy features that include estimated retirement income, withdrawal options, and qualifications for retiree healthcare benefits.*
- *Members who met with a SURS Defined Contribution account representative told us they were highly satisfied after their appointment. Take the next step and book your appointment by going to <https://sursrsp.timetap.com/>.*

Based on the feedback from the survey, we will be working on increased education opportunities around these areas. ▾

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/>

Elimination of Part-Time Reduction and Change to Method of Granting Service Credit

SURS staff recently completed a project required by the passage of Public Act 103-0548, which was signed into law in August 2023. This legislation made significant changes to the SURS Article of the Illinois Pension Code, changing the method in which service credit is granted and eliminating the part-time adjustment for participants of SURS on or after September 1, 2024. An overview of the changes is provided below.

Granting Service Credit

Service credit is granted on a quarterly basis depending on the number of months worked in the year, according to the following schedule:

1-2 months of service	0.25-year service credit
3-5 months of service	0.50-year service credit
6-7 months of service	0.75-year service credit
8+ months of service	1.00-year service credit

Previously, a participant needed to work a minimum of 15 days each month to earn service credit for that month. The new legislation lowered this requirement from 15 days to one day per month for participants on or after September 1, 2024. The quarterly service credit scheduled noted above did not change.

This new method of granting service credit has been applied to previously earned service for participants of SURS on September 1, 2024, except for service credit purchases where any portion of the quoted purchase has been paid as that service still must be calculated under the former method.

Elimination of Part-Time Adjustment

Previously, members who worked 50% time or less for three or more years were

subject to a part-time adjustment to their retirement calculation. Public Act 103-0548 eliminates the part-time adjustment for retirement calculations with a retirement date on or after September 2, 2024. The part-time adjustment was also eliminated for survivor benefit calculations for participants who died on or after September 1, 2024.

Participants do not need to take any action to qualify or be considered for these new provisions. They will be applied to all applicable calculations after September 1, 2024. For more information, please visit <https://surs.org/facts-pa103-0538/>.

Money Purchase Factor Change

The Money Purchase factors used to determine monthly annuity benefits will be changing July 2, 2025, based upon the most recent experience study conducted by SURS actuaries. Learn more at <https://surs.org/facts-money-purchase/>. ▾



New and Updated Member Plan Guides!

Stay tuned this spring as we roll out the next iteration of the SURS Member Guides. These guides will include updated information and data and be customized by Tier.

Watch our news stories and social media as we publish these Guides!

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, 12 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.



Pictured L-R: Chairman Lyons, Governor Pritzker

LEGISLATIVE UPDATE (CONT.)

Three committees of the General Assembly are expected to evaluate and discuss pension proposals this spring: the House Personnel and Pensions Committee, the House Appropriations–Pensions and Personnel Committee, and the Senate Pensions Committee.

Additionally, the House Democratic Caucus has created a Pensions Working Group to review and discuss potential benefit changes to Tier II.

The General Assembly has until the scheduled adjournment on May 31 to consider legislative proposals to change Tier II benefits during the spring legislative session. ▴

SURS Spring Stakeholder Meeting and Townhall

The next semi-annual SURS Stakeholder Meeting and Townhall will be held on Tuesday, May 6 from 10:00 a.m. to 11:00 a.m. via Microsoft Teams. To learn more and to register, please visit: <https://bit.ly/SURS-townhall-S25>. ▴

A VISIT FROM GOVERNOR JB PRITZKER (CONT.)

On March 6, we welcomed Governor JB Pritzker to SURS. Governor Pritzker highlighted recent successes to eliminate the state's bill backlog, recruit new businesses to Illinois, pass balanced budgets, and provide \$700 million in pension contributions above and beyond the statutorily required amount. The Governor reflected on how these prudent fiscal practices help to improve the funded status of the pension systems and thanked the SURS Board of Trustees and staff for their dedicated service as a leader in pension plan administration. SURS appreciates the support it receives from Governor Pritzker and the Illinois General Assembly. That support allows us to fulfill our ongoing mission of securing and delivering the benefits promised to SURS members. ▴



UPCOMING EDUCATIONAL WEBINARS

From Here to Retirement Webinar

This webinar is designed to help early to mid-career members consider future goals and evaluate retirement readiness.

Navigating the Retirement Savings Plan (RSP)

These quarterly, informative webinars are for Retirement Savings Plan participants who are new to the SURS system.

Optional Buyout Webinar

This webinar is for members who would like to learn more about the Vested Inactive Buyout and Tier I AAI Buyout programs.

Plan Choice Webinar – Tier II

This webinar is for Tier II members who have not yet made their one-time, irrevocable retirement plan choice.

RSP Distribution Options Webinar

This webinar will explain financial distribution options at retirement for RSP members and address the forms needed and application processes.

Understanding Your SURS Benefits

This webinar will provide an overview of SURS Tier I and Tier II benefits, with a focus on retirement.

Click here (<https://surs.org/seminars-and-webinars>) to see the full schedule or use the QR code.



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 few months. They are scheduled at a variety of times so hopefully one can fit your schedule. All webinars will be recorded and posted to surs.org.

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

Printed by the authority of the state of Illinois

State Universities Retirement System
1901 Fox Drive, Champaign, IL 61820
toll free 800-275-7877
direct 217-378-8800
www.surs.org

SURS BOARD OF TRUSTEES

Chairperson John Lyons, Vice Chairperson Collin Van Meter, Treasurer Scott Hendrie, Andriy Bodnaruk, Richard Figueroa, J. Fred Giertz, Pranav Kothari, Herbert Pitman, Steven Rock, and Tony Vasquez
Executive Director: Suzanne Mayer

Please note that the State Universities Retirement System does not endorse any provider of financial advice. Members seeking financial advice or planning assistance are encouraged to carefully select credentialed professionals.

Communications Manager: Lisa Storm Fink

Graphic Designer/Publications Editor: Daniel Moutray