



The Advocate

Pritzker appoints three to board

Gov. Pritzker recently appointed Richard Figueroa, Jamie-Clare Flaherty and John Lyons to the State Universities Retirement System (SURS) Board of Trustees.

Figueroa, of Chicago, is the chief investment officer of Barrett-Lo Visionary Development. He will serve out the remainder of a six-year term that will expire in June 2021. He previously served on the SURS board from 2012 to 2016.

Flaherty, of Chicago, is the director of strategic initiatives for The Obama Foundation. She will serve out the remainder of a six-year term that will expire in June 2024.

Lyons, of Chicago, is a partner at the law firm DLA Piper LLP (US). He will serve out the remainder of a six-year term that will expire in July 2024.



**Richard
Figueroa**



**Jamie-Clare
Flaherty**



**John
Lyons**

The Illinois Senate must confirm all three appointments. There is one appointed seat on the SURS board that remains vacant and one elected annuitant seat that is in the process of being filled. See article on Page 8.

The SURS Board of Trustees consists of 11 trustees: five appointed by the governor including the chairperson who also

serves as the chair of the Illinois Board of Higher Education, four active members elected by SURS active members and two annuitants elected by the annuitants of the System.

Other members of the SURS Board of Trustees include Chairperson Tom Cross, Aaron Ammons, J. Fred Giertz, Steven Rock, Collin Van Meter and Antonio Vasquez.

What's Inside

Page 2

Executive Director's Letter
State Appropriation

Page 3

Legislative Update

Page 4-5

Investment Update

Page 5

SMP Update

Page 6

3D Team

Page 7

Seminars & Webinars

Page 8

Trustee Engstrom Resigns
3% Rule Repeal

Pension Buyouts Deadline Extended to 2024

Availability of the Vested Inactive Buyout and the Tier I AAI Buyout, created by Public Act 100-587, has been extended through June 30, 2024 (per Public Act 101-0010).

Members who are eligible for the buyouts have been notified by SURS either via email or U.S. mail.

Those who are interested should carefully review the educational information on the [Optional Buyouts Programs page](#) of SURS website. Helpful information

includes fact sheets, videos and a link to the buyout estimator. There is also a buyout [webinar](#) scheduled for Aug. 15, 2019, from 11:30 a.m. to 12:30 p.m.

In-office and phone counseling appointments are available to eligible members. Request an appointment by logging on to the [Member Website](#) at www.surs.org.

Both buyouts became available to eligible SURS members on July 1, 2019. The expiration of the buyouts was originally June 30, 2021.

FROM THE EXECUTIVE DIRECTOR

Adding Options, Maintaining Outstanding Service

SURS has a long history of providing excellent member service. As we continue to add services and plan options, we are committed to maintaining that high standard of service.



Martin Noven

We will be enhancing our website to give our members the information that they need to determine if they are on track to maintain their standard of living in retirement.

We are creating additional tools to help new hires make their initial plan election.

To meet the needs of members choosing the Self-Managed Plan, we are in the process of revamping the plan.

We are also creating a new supplemental plan that will be open to all members.

The revised SMP and new defined contribution option will focus on guiding and preparing members for retirement with straight-forward, easy-to-access investment solutions.

Tier II members may be especially interested in the new supplemental plan to enhance their future monthly retirement income.

We anticipate launching both plans in mid-2020 with newly created electronic communications, educational

materials, webinars and seminars. Watch for upcoming information.

As noted in the article on Page 1, the expiration date for the two optional buyouts currently being offered by the state has been extended through June 2024.

Over the past two months, SURS has sent notices to all eligible members explaining the buyouts. If you are considering one of the buyout options, please be sure to review the new information and tools available on our website – www.surs.org/optional-buyout-programs – especially the buyout estimator.

This tool compares your lifetime monthly benefit against the value of the voluntary buyouts. It will show you the estimated total dollar amount you would be giving up by electing a buyout.

As fiduciaries, it is our obligation to provide the most accurate information to help you make the best decision for your long-term financial well-being.

SURS will be adding staff and resources to our member services and IT areas to enhance member services. We want to improve our claims processing times, provide additional online information and tools, and increase access to our counselors.

These improvements to the System will help make your experience as beneficial and easy as possible.

As always, if you have questions, please contact me at executive_director@surs.org.

SURS Fiscal Year 2019 Appropriation

Month	Total Received	Total Due	Amount Owed
July	\$758,000	\$137,929,500	\$137,171,500
August	\$69,343,750	\$137,929,500	\$68,585,750
September	\$137,971,500	\$137,929,500	(\$42,000)
October	\$143,122,280	\$137,929,500	(\$5,192,780)
November	\$172,868,610	\$137,929,500	(\$34,939,110)
December	\$117,861,110	\$137,929,500	\$20,068,390
January	\$164,925,000	\$137,929,500	(\$26,995,500)
February	\$114,932,356	\$137,929,500	\$22,997,144
March	\$123,828,500	\$137,929,500	\$14,101,000
April	\$265,135,344	\$137,929,500	(\$127,205,844)
May	\$110,839,500	\$137,929,500	\$27,090,000
June	\$82,933,050	\$137,929,500	\$54,996,450
Total FYE	\$1,504,519,000	\$1,655,154,000	\$150,635,000
July 2019	\$150,635,000		
Total to date	\$1,655,154,000	\$1,655,154,000	\$0

Total FY 2018 Appropriation

\$1,629,307,606

Paid in full by July 12, 2018

Total FY 2017 Appropriation

\$1,671,426,000

Paid in full by Sept. 22, 2017

Total FY 2016 Appropriation

\$1,601,480,000

Paid in full by Aug. 26, 2016

Total FY 2015 Appropriation

\$1,544,200,000

Paid in full by Aug. 26, 2015

Total FY 2014 Appropriation

\$1,509,766,000

Paid in full by July 30, 2014

LEGISLATIVE UPDATE

Fiscal Year 2020 Budget

Gov. Pritzker signed the fiscal year 2020 budget into law on June 5, 2019. The budget consists of two components as it relates to SURS: Senate Bill 262/Public Act 101-0007 (Sen. J. Cullerton and Rep. Harris), which makes appropriations, and Senate Bill 1814/Public Act 101-0010 (Sen. Steans and Rep. Harris), which makes legislative changes necessary to enact the appropriations. Specifically, Senate Bill 262/Public Act 101-0007 appropriates the certified amount, \$1,854,692,000, to SURS for the fiscal year. Senate Bill 1814/Public Act 101-0010 makes two key changes related to SURS: it repeals the 3% rule and re-enacts the 6% rule; and it extends the existing buyout options for an additional three years from June 30, 2021, to June 30, 2024.

Legislation Impacting SURS

Of the hundreds of bills that passed both houses, the following bills directly impact SURS members, investments and assets and will go to the governor for further action:

HB 2029 (Rep. Walker and Sen. Aquino) ensures that members who take the Vested, Inactive Buyout will receive any applicable retiree and survivor's health insurance benefits. Public Act 100-0587 created two buyout options for eligible SURS members: the Vested, Inactive Buyout, a total buyout of pension benefits for Tier I and Tier II members who are vested in a SURS pension but have terminated service with a SURS-covered employer; and the AAI Buyout, a partial buyout of automatic annual increases in retirement and survivor annuities for Tier I retirement-eligible members. However, due to drafting errors under Public Act 100-0587, the only members who would preserve their health insurance benefits upon receiving the Vested, Inactive Buyout were members of the State Employees Group Insurance Program. HB 2029 corrects these drafting errors to ensure that the survivors of members of the State Employees Group Insurance Program, as well as members and survivors of the College Insurance Program, will also preserve any applicable retiree and survivor's health insurance benefits upon receiving the Vested, Inactive Buyout.

HB 2460 (Rep. Davis and Sen. Martinez) creates the Illinois Sustainable Investing Act. It requires each retirement system, pension fund and investment board to adopt a written investment policy that includes material, relevant, and decision-useful sustainability factors to be considered by the SURS Board of Trustees, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. The sustainability factors include but are not limited to corporate governance and leadership factors, environmental factors, social capital factors, human capital factors, and business model and innovation factors.



SB 1264 (Sen. Aquino and Rep. Martwick) allows SURS and other public retirement systems to keep assets related to unclaimed benefits in their respective trusts without turning them over to the Illinois state treasurer under the Revised Uniform Unclaimed Property Act. Instead, SB 1264 requires SURS and other public retirement systems to annually report amounts of unclaimed benefits to the Illinois State Treasurer's Office. In 2017, Public Act 100-0022 created the Revised Uniform Unclaimed Property Act, which requires amounts of unclaimed property to be remitted to the state. However, IRS rules and regulations effectively prohibit SURS from transferring assets from the SURS trust to the state. As a result, SB 1264 allows SURS and other public retirement systems to maintain compliance with IRS rules and regulations while simultaneously helping to reunite beneficiaries with unclaimed property through the Illinois state treasurer's unclaimed property program.

SB 1265 (Sen. Aquino and Rep. Martwick) makes three technical changes under the SURS article of the Illinois Pension Code. These technical changes maintain consistency and accuracy in definitions under Sections 15-107 and 15-110 and correct a drafting error in Section 15-145. SB 1265 has no impact on member benefits and reflects SURS' interpretation and administration of the Illinois Pension Code.

Session Outlook

The General Assembly will return to Springfield for veto session from October 28 through 30 and November 12 through 14.

101st Illinois General Assembly

State Representatives

www.ilga.gov/house

State Senators

www.ilga.gov/senate

INVESTMENT UPDATE

SURS Moving To Functional-Based Framework

The SURS Board of Trustees approved an asset-liability study in September 2018 with the assistance of Meketa Investment Group, SURS' general investment consultant.

The objective of the study is to determine an appropriate long-term investment allocation policy for SURS assets.

As discussed in the July 2018 issue of *The Advocate*, the asset-liability study organizes SURS' assets within a functional framework rather than the descriptive-oriented asset-based framework.

In this approach, assets are grouped by similar risk profiles, rather than asset class name. At the highest level, assets are classified as either growth-oriented or diversifying strategies, as shown in the top table at right.

Growth-oriented strategies include risk-taking assets or strategies that produce high total returns relative to other asset classes. Success in this category is often linked to economic success or failure.

The three strategic components within the growth-oriented group are shown and described in the second table at right.

Diversifying strategies provide two forms of diversification via anchor strategies and offset strategies. Anchor strategies are characterized by low volatility and high liquidity. Offset strategies, in contrast, tend to be higher volatility strategies that have zero-to-negative correlation to public equity markets.

These strategies, described in the last table at right, are designed to perform well in the event of a prolonged equity market downturn.

Implementation

Since approval of the asset-liability study, SURS staff has begun work to implement the new functional-based framework.

Functional Asset Class		Allocation as of 3/31/19	Long-Term Goal Allocation
Growth-oriented	Non-Traditional Growth	9.5%	15%
	Traditional Growth	54.1%	25%
	Stabilized Growth	22.0%	26%
Diversifying	Inflation Sensitive	5.5%	6%
	Principal Protection	8.9%	8%
	Crisis Risk Offset	0.0%	20%

Growth-oriented Strategies	
Group	Description
Non-Traditional Growth	Provide growth in excess of Traditional Growth through exposure to investments driven by exposure to the equity risk and illiquidity risk premiums (i.e. Private Equity and Non-Core Real Assets)
Traditional Growth	Provide growth in line with traditional public equity markets (i.e. US Equity, Non-US Equity and Global Equity)
Stabilized Growth	Provide growth through strategies that are exposed to market beta, exhibiting expected returns similar to Traditional Growth but with lower volatility (i.e. Credit fixed income, options strategies, and Core Real Assets)

Diversifying Strategies	
Group	Description
Inflation Sensitive	Serves a mixed role as part anchor (i.e. TIPS) and part offset (i.e. Commodities) depending on the market environment. Designed to help protect the portfolio during periods of high inflation.
Principal Protection	Provide an anchor to the portfolio by exhibiting low volatility with minimal exposure to equity risk. Designed to provide consistent, stable returns during most market environments and preserve principal during periods where growth investments are experiencing significant drawdowns (i.e. Core Fixed Income).
Crisis Risk Offset	Provide an offset to growth risk through liquid exposures to risk premiums expected to exhibit offsetting behavior to growth investments during periods of significant drawdown (i.e. Long Duration Treasury, Systematic Trend Following, Alternative Risk Premia)

Thus far, the SURS board has approved plans to restructure the fixed income component of the portfolio into the new risk-based framework.

Implementation of this should be completed by the end of September 2019.

Continued on Page 5

SELF-MANAGED PLAN UPDATE

SMP redesign, supplemental plan coming mid-2020

SURS Self-Managed Plan (SMP) is currently being redesigned to better meet the needs of participants. Goals of the redesign include:

- Streamlining plan administration to improve operations, cost efficiency, communications and the overall member experience.
- Developing a hands-off default investment option that better preserves the member's ability to generate income in retirement.
- Offering distribution options at retirement that provide members with lifetime monthly income without requiring 100% of the account balance be converted to an annuity; the option would also allow members to retain health insurance eligibility.
- Adding a microsite to help members with plan elections.

SURS is also in the process of creating a new supplemental defined contribution plan as required by Public Act 100-769. Supplemental savings play a critical role in retirement readiness, especially for Tier II participants and participants whose SURS contributions

SMP assets and allocations

Participant assets were approximately \$2.49 billion, as of March 31, 2019, which equates to an average account balance of \$114,740 per each of the 21,703 SMP participants. These figures are up from the March 31, 2018 average balance of \$109,296 with 20,972 participants, an increase of nearly 5% and 3.5%, respectively.

The average asset allocation as of March 31, 2018, was 51.4% Equities, 31.3% Balanced and 15.5% Fixed Income. The remaining 1.8% was attributable to Real Estate.

are limited by pensionable earnings caps. The SURS' supplemental plan will provide members an avenue to save more and generate additional income in retirement.

Implementation of the redesigned SMP and the supplemental plan is tentatively scheduled for mid-2020. SURS is currently interviewing plan recordkeepers that will best meet our needs now and into the future as both plans grow and expand.

Want to learn more about SMP?

If you are new to the SMP or would like to learn more about the plan, SURS offers the quarterly webinar "[Navigating the SMP.](#)" Dates are posted on the SURS website as soon as they are set. The next webi-

nar is scheduled for Aug. 14 at 9:30 a.m. If interested in enrolling in the webinar, please log on to the SURS website and click on the [Seminars & Webinars](#) box on the right-hand side of the homepage.

Getting close to retirement?

SURS offers individual counseling appointments for those nearing retirement. If you are within four years of retirement, you may request an appointment via your [SURS Member Website](#) homepage.

During this average 45-minute appointment, discussion topics center around service credit, retirement options, health insurance, the application and retirement timeline, taxes, and return to work restrictions.

INVESTMENT UPDATE (cont.)

Also in the works are searches for the diversifying strategies in the Crisis Risk Offset segment of the portfolio.

These searches will likely be completed by the end of calendar year 2019.

Implementation will continue until the new targets are achieved.

The new portfolio structure is designed to produce improvement in long-term expected returns with significantly improved volatility and downside risk measures, with a much tighter range of projected return paths.

2019 Fiscal Year-To-Date Investment Results

Global financial markets, most notably world equity markets, rebounded strongly in the first calendar quarter of 2019, bringing fiscal year-to-date results into positive territory after a dismal fourth quarter of 2018. Financial markets seem to be anticipating continued low interest rates in the U.S. and globally, raising the prospects of continued economic expansion, albeit slow, even though the current economic expansion in the U.S. is approaching the longest in U.S. history. The SURS portfolio returned +3.0% for the fiscal year-to-date period, net of

fees, exceeding the +2.9% return of the policy portfolio benchmark.

As of March 31, 2019, the SURS investment portfolio is valued at approximately \$19.1 billion, compared to \$19.0 billion, as of June 30, 2018. Estimated liabilities, as of March 31, 2019, are \$44.1 billion, resulting in an unfunded liability of approximately \$25.0 billion (using the market value of assets method). The projected funding ratio is estimated to be 43.3%, using the market value of assets method, compared to the 44.1% funding ratio at the beginning of the fiscal year.

INSIDE SURS

3D Team here to help with challenging life events

Dealing with the death of a family member or a personal illness/injury that leaves you unable to work can be a difficult time for anyone. If you are a SURS member or a survivor of a SURS member, staff is here to assist you in getting claims processed for any benefits you may be owed.

The Death, Disability and DRA (3D) Team at SURS processes all claims for death and survivor benefits as well as applications for disability and disability retirement annuities (DRA). Medical claims processors on the team review all medical records and render decisions to approve/deny disability and DRA claims.

Marsha Fitch has been the 3D Team leader for the last five years. She has worked at SURS for 22 years total, the last 12 in a managerial role. There are six full-time claims processors on the team.

“The most rewarding part of this job is that we are helping people who are experiencing challenging life events,” Fitch said.

The team has had some turnover recently and is in a bit of a rebuilding and training phase. Because SURS is such a complicated pension system, many hours of training are required for new staff before they can begin processing claims on their own.

“It can be challenging to keep up with current workloads and train new staff,” Fitch said.

An ongoing challenge the 3D Team faces is locating beneficiaries when a member dies. Fitch said one of the most important actions a SURS member can take is to make sure their beneficiary designation is up to date.

“Many of our members never complete a Beneficiary Designation Form or only complete one at the beginning of their employment,” Fitch said. “Over a lifetime, beneficiaries can have name changes and multiple address changes. So it is beneficial to our members to review and update their beneficiaries regularly.”

When SURS is unable to locate any beneficiary after using numerous methods, the account is put into unclaimed status. As new ways of finding people become available, and when time allows, additional searches are made. Beyond that, the account remains in unclaimed status until a beneficiary contacts SURS.

If no beneficiary designation is on file, the money is paid to the member’s estate. These accounts can also



end up in unclaimed status if the member had not provided a recent address to SURS.

Having an up-to-date Beneficiary Designation Form on file will ensure SURS can follow your wishes for who you want your death benefit to go to.

You can start the process to update your Beneficiary Designation Form via the SURS Member Website.

Keep your beneficiary designation up to date

One of the most important actions a SURS member can take is to make sure their Beneficiary Designation Form is up to date.

You can start the process to update the form via the [SURS Member Website](#).

SURS averages about 150 death/survivor claims and approximately 35 new disability and DRA claims each month. Disability claims require ongoing attention and re-evaluations to verify a member still qualifies.

The sooner SURS is notified about a death/survivor claim the better. This is because a deceased annuitant’s payments need to be stopped as quickly as possible to avoid overpayment and then repayment.

As the average age of SURS members continues to skew older, the 3D Team will see its workload increase. Because of this, SURS has been working on ways to enhance our processes not only for staff, but also for our members and employers.

Most of the information members or survivors need regarding death and disability can be found in the Life Events section of the SURS website at www.surs.org.

EDUCATIONAL SEMINARS, WEBINARS & VIDEOS

Seminars (Register for SURS seminars at www.surs.org/seminars-webinars.)

Defined Benefit Seminars

SURS has scheduled the following Retirement Education Seminars for Traditional and Portable Plan members.

Retirement Education Seminars in Champaign

9 a.m.-2.15 p.m., SURS office at 1901 Fox Drive.
 Sept. 18 - University Employees (State Insurance)
 Sept. 25 - Community Colleges (CIP Insurance)
 Oct. 16 - University Employees (State Insurance)
 Oct. 23 - Community Colleges (CIP Insurance)

Retirement Education Seminars in Naperville

10 a.m.-3:15 p.m., Northern Illinois University-Naperville Outreach Center at 1120 E. Diehl Road.
 Nov. 6 - Community Colleges (CIP Insurance)
 Nov. 7 - University Employees (State Insurance)



Webinars (Register for SURS webinars at www.surs.org/seminars-webinars.)

Choosing Your Retirement Plan

This webinar is presented each month for Tier II members who have not yet made a retirement plan choice. Tier II members are SURS participants who first begin their SURS (or other eligible Illinois reciprocal system) participation on or after Jan. 1, 2011. The webinar will be presented from 9:30-11 a.m. on Aug. 27, Sept. 24, Oct. 29 and Nov. 26.

From Here To Retirement

This webinar is ideal to help early to mid-career members consider future goals and evaluate retirement readiness. It provides an overview of SURS benefits as well as other key components necessary for a secure retirement. The webinar is scheduled for Sept. 5 from Noon to 1 p.m.

Understanding Your SURS Benefits

This webinar provides an overview of SURS Tier I and

Tier II benefits with a focus on retirement. Earning and purchasing service credit, sick leave, refunds, reciprocal time, disability, death and survivor benefits, insurance, retirement calculations, and applying for retirement will be discussed. The webinar will be presented from 9:30 to 11 a.m. on Oct. 14.

Optional Buyout Plans

This webinar is for members who want to learn more about the Vested Inactive Buyout for vested inactive members and the Tier I Automatic Annual Increase (AAI) Buyout for retiring members. It will be presented at 11:30 a.m. on Aug. 15.

Navigating the Self-Managed Plan

This webinar is for SMP participants new to SURS or who want information on SMP including transfers, service credit purchases and accumulation, and contact information. It will be presented from 9:30 to 11 a.m. on Aug. 14.

Videos

Plan Choice Video Series

SURS has created a series of informational videos (www.surs.org/plan-choice-video-series) to help newly-hired Tier II members make their plan choice. New hires may choose between three retirement plan options: the Traditional Plan (defined benefit), the Portable Plan (defined benefit) and the Self-Managed Plan (defined contribution). The videos outline the details of each plan and how they compare.

Optional Buyout Videos

Members may view videos that outline details of the two optional buyouts being offered July 1, 2019, through June 30, 2024, to eligible members at www.surs.org/optional-buyout-programs.

Trustee Engstrom Resigns From Board

In June, elected annuitant trustee John Engstrom announced his resignation from the SURS board after more than 10 years of service.

During Trustee Engstrom's tenure he served as vice chairman of the board and as chairman of the Audit & Risk Committee working closely with the SURS director of internal audit, audit staff and outside auditors to update, oversee and improve SURS auditing policies and procedures, as well as SURS award-winning annual financial report. He also served on the Executive, Investment, Board Governance and Administration Committees.

Executive Director Martin Noven recently presented Trustee Engstrom with a plaque thanking him for his years of dedication and stewardship to the staff and members of SURS. He will be sorely missed by everyone at SURS.

The selection process to replace Trustee Engstrom is well under way. Over 30 annuitant members responded to an email sent to all annuitants last month announcing the vacancy and inviting them to return an application. The seat will be filled by a majority vote of the other



five elected trustees after interviews with the applicants are concluded.

The candidate that is selected will fill Trustee Engstrom's seat until the 2021 trustee election.

The Illinois Pension Code [40 ILCS 5/15-159(e)] directs the elected members of the board to fill any unexpired term of a fellow elected trustee by a majority vote.

Lawmakers Repeal 3% Rule, Reenact 6% Rule

Public Act 101-0010, signed June 5, 2019, amends the Illinois Pension Code to repeal the requirement that employers pay the present value of the resulting increase in benefits attributable to the portion of any salary increases in excess of 3% during a participant's final rate of earnings period.

Employers will now pay the present value of the resulting increase in benefits attributable to the portion

of any salary increases in excess of 6% during the final rate of earnings period.

The 3% rule originally became effective for academic years on or after July 1, 2018, with the exception of increases under contracts and collective bargaining agreements entered into, amended or renewed before June 4, 2018. Because of the programming and process changes required of the

2018 legislation and the pending legislation to repeal the 3% rule, SURS had not started sending 3% employer bills.

As a result of Public Act 101-0010, SURS will not be issuing any 3% bills. Instead, SURS will reverse the recent programming and process changes retroactively to the effective date of the 3% legislation. Six percent employer bills will be sent to employers as necessary.

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Executive Director: Martin Noven

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