

INSIGHTS

Trustee Election Applications and Petitions Available Now

Do you want to become more involved with your pension system? Now is the time to consider running for a seat on the SURS Board of Trustees.

SURS will hold a trustee election on May 1, 2024. Voting will take place April 1 – May 1, 2024. SURS members will elect three active-member trustees and one annuitant trustee.

Interested candidates must complete an application and collect the designated number of signatures via electronic and/or paper petitions. Detailed information can be found at <https://surs.org/surs-2024-election/>.



Trustee election packets that include applications and petitions are available now by contacting kcarson@surs.org. ▶



SURS BOARD CHAIR LEAVES FOR INTERSECT ILLINOIS

John Atkinson, chairperson of the SURS Board of Trustees for the past four years, has stepped down to become chairman of Intersect Illinois, a statewide economic development organization focused on bringing new businesses, jobs, and investment to the state.

A new SURS board chair has not yet been named.

"I have thoroughly enjoyed my time as chair of the SURS Board of Trustees," said Atkinson. "Working with my fellow trustees and collaborating with the SURS staff has been gratifying and productive. Together we accomplished a great deal in the interest of SURS members."

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MESSAGE FROM THE EXECUTIVE DIRECTOR

This year SURS staff worked to comply with new legislation, secure benefits and update our computer systems, all for the benefit of our members.



SUZANNE
MAYER

Per state law, starting July 1 of this year, newly hired SURS members are automatically enrolled in our Deferred Compensation Plan (DCP). The DCP is a 457(b) supplemental savings plan to help members better prepare for retirement. Read more at <https://surs.org/retirement-plans/dcp/>. Staff completed updates to our internal systems to accommodate for autoenrollment prior to July 1. The plan is open to most all current SURS members. I encourage everyone to consider participation.

As you can read on Page 3, two other laws affecting SURS members recently became law. Public Act 103-0080 creates a new disability benefit for police officers injured in the line of duty. It is now in effect. And Public Act 103-0548, that will take effect Sept. 1,

2024, changes the way service credit is calculated for SURS members. SURS staff has been updating systems in advance of these changes.

The overhaul of our pension administration system, which began in 2021 is approximately 50% complete. SURS is working with partners Linea and Vitech on this complex project, that is projected to be completed over the next three to four years. This project involves all SURS staff in some capacity.

Two final notes; I want to thank outgoing Chair John Atkinson for his service to our members and staff. He has been a great advocate and leader for our board and SURS members. I have greatly enjoyed working with him over the past four years and appreciate his guidance and the trust he placed in me and our staff. And I want to congratulate SURS Chief Investment Officer Doug Wesley on his upcoming retirement in early 2024. Doug has been a true asset to our System. His knowledge and dedication have been invaluable over his nearly 30-year career with SURS. He will be missed by all who had the pleasure of working with him. ▴

SURS RECOGNIZED FOR DCP DESIGN

SURS has received the 2023 Leadership Recognition Award from the National Association of Government Defined Contribution Administrators, Inc (NAGDCA) for the design and rollout of our Deferred Compensation Plan (DCP).

The NAGDCA Awards recognize the brightest ideas and most innovative solutions from across the public sector defined contribution industry.

“It’s exciting and rewarding to be recognized for our work on creating and implementing the DCP,” said Executive Director Suzanne Mayer.

“Our staff worked diligently alongside our partner Voya Financial carefully crafting a plan that would benefit our members and better prepare them for a financially secure retirement.”

The SURS DCP is a voluntary 457(b) plan enacted in accor-



dance with Illinois Public Act 100-769. The plan, which was first made available on March 1, 2021, provides members an

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GOVERNOR SIGNS BILLS IMPACTING SURS MEMBERS INTO LAW

SB 1115 became Public Act 103-0080 on June 9, 2023. It creates a new disability benefit for police officers injured in the line of duty. Prior to SB 1115, a police officer was eligible for a regular disability benefit and disability retirement annuity. Under SB 1115, police officers injured in the line of duty can receive a disability benefit equal to the greater of 65% of their basic compensation or 65% of their average earnings during the 24 months prior to the disability. If the police officer is permanently injured and unable to work, the police officer is also eligible for a disability retirement annuity equal to 65% of their basic compensation.

SB 1115 provides parity with the disability benefits available to municipal police officers and applies to line of duty disabilities occurring on and after Jan. 1, 2022.

SB 1235 became Public Act 103-0548 on Aug. 11, 2023. It changes the way that service credit is calculated under SURS by eliminating the requirement that a SURS participant be employed for at least 15 days in a month. Instead, a SURS participant will



receive service credit for any month in which they are an employee and make contributions to SURS. The service credit accrual schedule remains the same: 8 months is one year of service credit, 6 months is 0.75 years of service credit, 3 months is 0.50 years of service credit and less than 3 months is 0.25 years of service credit.

SB 1235 also eliminates the part-time adjustment, which modified a SURS participant's pension benefit to account for their actual percentage of time worked, if they worked 50% time or less for more than 3 years.

SB 1235 applies to SURS participants who are actively employed with a SURS-covered employer or who have left their employee contributions on file with SURS on Sept. 1, 2024. Persons who take a contribution refund prior to Sept. 1, 2024, or who retire prior to Sept. 2, 2024, are not impacted by the changes made by the legislation.

To learn more about how this new law may impact you go to <https://surs.org/facts-pa103-0538/>. ▾

FISCAL YEAR 2024 APPROPRIATION		PREVIOUS YEARS
FY 2024 TOTAL	\$2,133,335,000.00	FY 2023 Appropriation \$2,118,567,000 Fully paid June 2, 2023
DUE TO DATE	\$533,333,750.04	FY 2022 Appropriation \$2,101,279,000 Fully paid June 27, 2022
RECEIVED TO DATE	\$533,333,750.04*	FY 2021 Appropriation \$1,995,767,000 Fully paid June 10, 2021
PERCENTAGE PAID	100%	

*SURS received a supplemental payment of \$38,759,300 from the state Pension Stabilization Fund, which is used to reduce the unfunded liabilities of the five state-funded retirement systems.

INVESTMENT UPDATE



Market Backdrop

Fiscal year 2023 started with continued weakness in the overall markets, so much so that many economists were forecasting a recession. However, markets remained steadfast and economic pressures temporarily subsided, allowing for a strong equity rally in the second half of the fiscal year. Over the 12-month period, the Core Consumer Price Index fell from 8.9% to 4.8%, while the headline inflation number decreased from 9.1% in June 2022 to 3.0% in June 2023. Meanwhile, the Federal Reserve has remained steadfast in the fight against inflation, increasing the federal funds rate by 350 basis points over the past 12 months to a range of 5.00-5.25%. The increases in short-term rates resulted in an inversion in the US yield curve. The yield spread between two-year and ten-year Treasuries finished July 2022 at -0.23%. The yield curve remained inverted for almost the entire fiscal year, eventually deepening the inversion as the year went on. The yield spread between two-year and ten year Treasuries finished June 2023 at -1.06%, the most deeply inverted yield curve since the early 1980's. Inversions in the yield curve have historically signaled building recessionary pressures.

As of June 30, 2023, SURS defined bene-

fit plan is valued at \$23.2 billion while the defined contribution plan - the Retirement Savings Plan (RSP) is valued at \$3.7 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 \$28.5 million, as of June 30, 2023.

SURS Performance

The SURS investment portfolio returned 5.3% net of fees, trailing the policy benchmark return of 6.1%. When compared to a universe of other large public funds, the SURS peer rankings were challenged for the one-year period ending June 30, 2023, due to having a more defensive posture that is expected to result in weaker relative results during strong equity markets. However, this same positioning helped the portfolio rank near the top decile for the two-year period and ranks well above median in the universe for the three-, five- and ten-year periods. This is because the portfolio had critical downside protection that was needed during periods of significant equity market declines, like the ones seen during FY 2020 and FY 2022.

The table on Page 5 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, 2023. From a long-term perspective, the SURS portfolio has performed well, earning a 7.9% annualized rate of return over the past 30 years, exceeding the 7.6% policy portfolio return. This return is also in excess of the 7.8% average assumed rate of return in effect over the last 30 years and the current 6.5% assumed rate of return.

SURS Long-Term Portfolio Returns

As of June 30, 2023

	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
SURS Portfolio	5.3%	8.8%	7.0%	7.5%	7.6%	7.9%
Policy Portfolio	6.1%	7.8%	6.5%	7.3%	7.5%	7.6%
SURS Assumed rate	6.5%	6.6%	6.6%	6.9%	7.5%	7.8%

*Net of investment management fees

Long Term Policy Targets

SURS' portfolio restructuring discussed over the past several years is nearly complete with relatively minor changes expected over the coming year. The new portfolio structure was designed to protect System assets and to minimize the impact of near-

term negative surprises. Importantly, the new structure is expected to achieve our target expected returns with lower risk. As of the fiscal year-end, all asset classes were within their target ranges as outlined in the Investment Policy Statement.

	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%.

FY 2023 Accomplishments

Key accomplishments in the defined benefit portfolio include:

- The successful completion of searches for a General Investment Consultant and Real Assets Consultant.
- The successful search for and addition of two emerging markets equity managers.
- Continued commitment to core real assets, increasing its allocation to its 8% target during the year.
- A building out of the private credit allocation by increasing its policy allocation from 1% to 2.5%, halfway to its ultimate 5% policy allocation.
- Continued focus on partnering with diverse investment managers. As of June 30, assets managed by diverse firms totaled \$10.2 billion, or 44.3% of the total fund. ▲

SURS CIO TO RETIRE

Doug Wesley, SURS chief investment officer (CIO) for nearly seven years, is set to retire this coming March.

Wesley was appointed CIO in March 2017 by the SURS Board of Trustees. Prior to that he served as interim CIO for eight months following former CIO Dan Allen's retirement in August of 2016. He was deputy chief investment officer for 10 years prior to being named interim CIO. Doug's career with SURS has spanned nearly 30 years.

"Doug has played a critical role at SURS during his tenure, advancing our initiatives and successfully leading the investment team in building a strong \$23.2 billion portfolio," said Executive Director Suzanne Mayer. "His knowledge, dedication and steadfast demeanor have been invaluable, and he will be greatly missed."

Wesley led the investment team through several transitions including the pandemic, portfolio redesign and increased utilization of diverse investment managers.

Following the 2018 SURS asset liability study, Wesley oversaw the implementation of SURS defined benefit portfolio reallocation designed to protect the System's assets from market volatility. The portfolio's robust diversification and intentional risk mitigation strategies proved effective during recent market difficulties.

Over his career at SURS, Wesley has been committed to providing opportunities for in-



"It has been an honor and privilege to serve SURS' board and members. I strongly believe that SURS makes a difference in people's lives and I'm thankful for the opportunity to contribute towards that mission. I am grateful to the executive team and staff for making this a great organization. Last, but certainly not least, I want to thank the investment team for their support and dedication." - Doug Wesley

vestment management firms and broker/dealers owned by minorities, women, and persons with a disability (MWDB). As of June 30, 2023, SURS investments with MWDB firms represent approximately \$10.2 billion, or 44.3%, of the total fund.

"The SURS Board of Trustees wholeheartedly thanks Doug for his years of service," said SURS Trustee and Investment Committee Chair Scott Hendrie. "His knowledge, leadership, hard work and wise advice are pillars to the success of this fund. We wish him the best in retirement."

SURS worked with consultant Korn Ferry to find a new CIO. Wesley's replacement is expected to be announced in November. ▀

SURS Board Chair Leaves for Intersect Illinois Cont.

Atkinson has served as the chair of SURS since 2019 guiding SURS through digital system updates, investment portfolio restructuring, trustee elections and the global pandemic. He led two nationwide executive searches for SURS executive director and chief investment officer. During his tenure Atkinson advocated for diversity, equity, and inclusion (DEI) in staffing, investments, and procurement.

SURS sincerely thanks Chair Atkinson for the positive mark he has left on the organization. ▀

2024 MEDICARE ADVANTAGE OPEN ENROLLMENT



The state of Illinois TRAIL Medicare Advantage Prescription Drug (MAPD) open enrollment period for participating annuitants and survivors is now through November 15, 2023. The 2024 plan year will begin January 1, 2024, and will run through December 31, 2024.

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 en-

rollment 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.*

Decisions Guides

Retirees and survivors eligible for the TRAIL MAPD Program will receive a *Decision Guide* in the mail. Guides are also available electronically.

[FY 2024 TRAIL Open Enrollment - College Insurance Program \(illinois.gov\)](#)

[FY 2024 TRAIL Open Enrollment - State Employees Group Insurance Program \(illinois.gov\)](#)

In-Person Seminars

The state is offering in-person 2024 TRAIL educational seminars. [To view dates and locations, click here.](#)

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 2024 plan year. Members may complete changes online at [MyBenefits.illinois.gov](#) or contact MyBenefits (toll-free) 844-251-1777 during the Open Enrollment Period. ▾

SURS RECOGNIZED FOR DCP DESIGN CONT.

avenue to save more and generate additional guaranteed income in retirement. Most active SURS members employed by a state university, community college or other government entity can participate.

Since July 1, 2023, per state law, newly hired SURS members are automatically enrolled in the DCP, with the ability to change their contribution rate, create their own portfolio or opt out within the 30-day opt-out period.

In 2021, SURS received the NAGDCA Leadership Recognition Award for the redesign of our Retirement Savings Plan (RSP). ▲

2024 BENEFIT PAYMENT DATES

Monthly Benefit

January 2024
February 2024
March 2024
April 2024
May 2024
June 2024
July 2024
August 2024
September 2024
October 2024
November 2024
December 2024

Annuity Payments

December 29, 2023
February 1
March 1
April 1
May 1
May 31
July 1
August 1
August 30
October 1
November 1
November 29

Disability Payments

January 31, 2024
February 29
March 29
April 30
May 31
June 28
July 31
August 30
September 30
October 31
November 29
December 31

Board Meeting Dates

2023

Thursday, Dec. 7, Chicago
9 a.m. - 5 p.m. – Committee Meetings
Friday, Dec. 8, Chicago
9 a.m. - 1 p.m. – Committee Meetings, Board Meeting

2024

Thursday, Feb. 29, Champaign
9 a.m. - 5 p.m. – Committee Meetings

Friday, March 1, Champaign
9 a.m. - 3 p.m. – Committee Meetings, Board Meeting

Thursday, April 18, Chicago
9 a.m. - 5 p.m. – Investment Committee, Board Meeting

Thursday, June 6, Chicago
9 a.m. - 5 p.m. – Committee Meetings

Friday, June 7, Chicago
9 a.m. - 3 p.m. - Committee Meetings, Board Meeting

Thursday, Sept. 12, Champaign
9 a.m. - 5 p.m. – Committee Meetings

Friday, Sept. 13, Champaign
9 a.m. - 3 p.m. – Committee Meetings, Board Meeting

Thursday, Oct. 24, Champaign
9 a.m. - 5 p.m. – Investment Committee, Administration Committee, Board Meeting

Thursday, Dec. 5, Chicago
9 a.m. - 5 p.m. – Committee Meetings

Friday, Dec. 6, Chicago
9 a.m. - 3 p.m. – Committee Meetings, Board Meeting

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

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