



The Advocate

SMP enhancements coming soon

SURS is excited to introduce its redesigned defined contribution plan currently called the Self-Managed Plan (SMP) starting in June. Watch for upcoming announcements about plan improvements and a new plan name.

In the fall, we will also roll out a new optional supplemental savings plan.

Both plans will offer SURS members new, improved ways of saving for retirement income.



The revamped SMP, managed by Voya, will offer a new fund lineup of core investment options as well as a new default option, the SURS Lifetime Income Strategy (LIS).

LIS combines a professionally managed custom target-date fund with income protections that guarantee a minimum monthly withdrawal amount designed to enable participants to meet their retirement needs and qualify for retirement health benefits without giving up access to all of their retirement savings.

In September, the new optional supplemental savings plan designed to help improve retirement readiness will be available to active Tier I and Tier II members. Retired and inactive members will not be eligible.

The new plan will supplement SURS defined benefit (DB) and defined contribution (DC) plans. It will not replace them.

Members should look for more information by late summer.

SURS is working on educational tools for the redesigned SMP and the new supplemental savings plan.

We will launch a new microsite this fall that will integrate seamlessly with SURS website. The site will be user-friendly, interactive and will include a component for newly hired members to make an educated plan-choice selection.

Two Pension Buyout Programs Still Available

Just a reminder that the Vested Inactive Buyout and the Tier I AAI Buyout programs are available to eligible SURS members until June 30, 2024.

Members can review detailed educational information on the [Optional Buyout Programs](#) page of SURS website and can

estimate payout amounts via the secure Member Website.

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

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FROM THE EXECUTIVE DIRECTOR

2020: A Year of Change – For The Best

This will be a year of change and improvement for SURS as we redesign our Self-Managed Plan, add a new supplemental savings plan, begin the process to update



Martin Noven

our member-data management system, and add new technology to better serve our members. In June, we will roll out an improved, renamed defined contribution (DC) plan currently known as the Self-Managed Plan. The redesigned plan will be managed by a single recordkeeper and will offer a custom investment solution along with traditional member-directed funds. SURS has been working on communication materials and an easy-to-use microsite for members with an interactive plan choice election component.

Look for information about the updated DC plan and new plan choice site in the coming months.

In addition to our new microsite, SURS will be updating and enhancing our public website.

A new DC supplemental savings plan is also in development. It will be available to all SURS members. This plan may be especially attractive to Tier II members who want to close their retirement readiness

gap. The plan should be available in the fall. Look for information to begin arriving via your email during the summer months.

To increase our efficiency, SURS will begin an effort to replace outdated technology systems and add new programs.

Our 25-year-old pension administration system is outdated and difficult to support. We are currently working with Linea Solutions to assess our needs. That assessment will be key to determining the best replacement for our current technology system.

During this fiscal year we will be modernizing our finance, human resources (HR), compliance tracking and contract management systems. New accounting and payroll software packages will improve timekeeping abilities, budgeting and reporting options, and invoice management. New HR software will help track and onboard new employees, and new compliance and contract management systems will help SURS to meet long-term business needs in the most efficient manner.

The changes and improvements we are undertaking allow us to bring the best, most innovative services and products to you, our members.

As always, if you have questions or concerns please contact me at Executive_Director@surs.org. I look forward to hearing from you.

SURS Announces 2019 Employee of the Year

SURS 2019 Employee of the Year is Charitha Galva. She has been an Information Technology Technical Associate in Application Development at SURS since 2017.

During the past year, Galva worked long hours to successfully program the SURS Benefit Estimator and the Retirement Claims (CSG) programs to allow SURS to meet the requirements of the PA 100-587 Pension Buyout programs.

As a relatively new SURS employee, Galva learned the necessary programs and code changes for this complex project that included in-depth analysis of thousands of lines of code, new screen fields, calculation routines, new CSG screens, and new Member Website pages that provided a means to easily compare different calculations.

She successfully completed this



Employee of the Year Charitha Galva, holding plaque, is pictured with Executive Director Martin Noven and SURS trustees. From left to right, Noven, J. Fred Giertz, Mitchell Vogel, Richard Figueroa, John Atkinson, Steven Rock, Collin Van Meter, Aaron Ammons, Antonio Vasquez and Jamie-Clare Flaherty.

additional work all while keeping up with her normal day-to-day workload.

Galva was nominated and chosen for the award by her co-workers.

LEGISLATIVE UPDATE

Recent Laws

During the summer of 2019, the following bills impacting SURS were signed into law:

House Bill 2029 ensures that Tier I and Tier II members who take the vested, inactive buyout will retain any applicable retiree and survivor's health insurance benefits. House Bill 2029 was signed into law on August 9, 2019, as Public Act 101-242 and became effective immediately.

House Bill 2460 requires pension funds, retirement systems, and investment boards under the Illinois Pension Code to consider sustainability factors, within the bounds of financial and fiduciary prudence, when evaluating investment decisions. 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. House Bill 2460 was signed into law on August 23, 2019, as Public Act 101-473 and became effective on January 1, 2020.

Senate Bill 1264 requires pension funds and retirement systems to keep assets associated with unclaimed pension benefits in their respective trusts, as opposed to turning them over to the state. Each pension fund and retirement system will report amounts of unclaimed pension benefits and the state Treasurer's Office will input the information into its unclaimed property database as part of its efforts to assist in reuniting owners with their unclaimed property. Senate Bill 1264 was signed into law on August 23, 2019, as Public Act 101-546 and became effective on January 1, 2020.

Veto Session Recap

The General Assembly passed the following bills impacting SURS during the veto session, which was held October 28-30 and November 12-14:

Senate Bill 1300 consolidates the investments of downstate and suburban police and firefighters' pension funds into the Police Officers' Public Investment Fund and the Firefighters' Public Investment Fund, respectively. As part of this bill, Tier II police officers and firefighters in SURS with at least 20 years of service credit can retire at age 60 under the special formula for police officers and firefighters. Previously, Tier II police officers and firefighters in SURS could only retire under the special formula with 20 years of service credit at age 67 (without a benefit reduction) or age 62 (with a benefit reduction equal to 0.5% for each full month that the member's age was less than age 67). Under Senate Bill 1300, Tier II police officers and firefighters can retire at age 60 without a reduced benefit. Senate Bill 1300 also requires the governor to designate the chairperson of the SURS Board of



Trustees and makes a technical change related to the vested, inactive buyout for Tier I and Tier II members. Senate Bill 1300 was signed into law on December 18, 2019, as Public Act 101-610 and became effective on January 1, 2020.

Senate Bill 1784 provides certain protections for employees in labor unions. As part of this bill, the Illinois Freedom of Information Act was amended to exempt the following information of SURS members from disclosure under the Act: whether the member participates in a labor organization; the name of the labor organization; whether dues are deducted and paid to the labor organization; and the amount of dues paid to the labor organization. Previously, this information was not exempt from disclosure under the Freedom of Information Act. Senate Bill 1784 was signed into law on December 20, 2019, as Public Act 101-620 and became effective immediately.

Governor's Budget Address – Feb. 19

In his fiscal year 2021 budget address Gov. Pritzker said he plans to provide the full certified state contributions to all five state-funded retirement systems including SURS, the Teachers' Retirement System, the State Employees' Retirement System and the Judges' and General Assembly Retirement Systems.

The FY 2021 certified state contribution to SURS is \$1,995,767,000.

The governor also said the state will contribute an additional \$100 million to the systems if the graduated income tax constitutional amendment is passed by voters in November.

Gov. Pritzker dismissed the idea of a constitutional amendment to reduce pension benefits saying, "We must keep our promises to the retirees who earned their pension benefits and forge a realistic path forward to meet those obligations."

INVESTMENT UPDATE

Fiscal Year 2019 Investment Summary

The SURS portfolio returned 6.01% during fiscal year 2019, net of fees, trailing the policy portfolio return of 6.85%. The Total Fund's underperformance relative to the policy portfolio for FY2019 was due to a number of factors, including:

- An underweight to the fixed income asset class (one of the better performing asset classes).
- A structural overweight to small-to-midcap U.S. equity securities.
- Underperformance by SURS' active managers in the aggregate hedged strategies, U.S. equity, and non-U.S. equity portfolios, and to a lesser extent, the direct real estate portfolio (on a time-weighted basis).

From a long-term perspective, SURS' portfolio has performed well, earning an 8.1% annualized rate of return the past 30 years, exceeding the 7.8% policy portfolio return. This return also exceeds the 8% average assumed rate of return in effect over the last 30 years and the current 6.75% assumed rate of return.

2020 Fiscal Year-To-Date Investment Results (July 1-Sept. 30, 2019)

U.S. equity markets posted mixed results during the quarter ended Sept. 30, 2019, as large cap stocks generally produced modest positive returns while small cap stocks slipped.

Global equity markets turned negative during the quarter, impacted by geopolitical uncertainty.

U.S. fixed income markets produced mostly positive returns in the fiscal year-to-date period.

Short-term interest rates declined in the third calendar quarter, a result of two rate cuts of 25 basis points each by the Federal Open Market Committee.

Functional Asset Class		Allocation as of 9/30/19	Long-Term Goal Allocation
Growth-oriented	Non-Traditional Growth	10%	15%
	Traditional Growth	52%	25%
	Stabilized Growth	24%	26%
Diversifying	Inflation Sensitive	6%	6%
	Principal Protection	8%	8%
	Crisis Risk Offset	0%	20%

The SURS portfolio returned 0.7% for the fiscal year-to-date period, net of fees, slightly trailing the 0.9% return of the policy portfolio benchmark.

As of Sept. 30, 2019, the SURS investment portfolio is valued at approximately \$19.4 billion.

Asset-Liability Study Update

As discussed in previous issues of *The Advocate*, the SURS board approved an asset-liability (AL) study in September 2018, with the assistance of Meketa Investment Group, SURS' general investment consultant.

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

The AL 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 table above.

Implementation

Since approval of the AL study in September 2018, SURS staff has been working to implement the new

functional-based framework. Key activities in this regard include:

- Board approval and implementation of the structural changes for the Principal Protection class and the Credit component of the Stabilized Growth class.
- Board approval and partial implementation of the structural blueprint for the new Crisis Risk Offset class.
- Board approval and partial implementation of the structural changes for the Traditional Growth class.
- Board selection of a discretionary private equity advisor to assist SURS in reaching the new goal for the private equity portion of the Non-Traditional Growth class.
- Board approval and partial implementation of strategic plan for the Real Assets portions of the Stabilized Growth and Non-Traditional Growth classes.

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.

SELF-MANAGED PLAN UPDATE

Presentations will explain improvements

In 2019 SURS began a process to redesign and rename its defined contribution plan currently called the Self-Managed Plan (SMP). As reported in the cover article, late last year Voya was selected as the new SMP recordkeeper.

SURS also selected Alliance Bernstein (AB) to provide a custom income solution. The AB custom income solution combines the advantages of securing lifetime retirement income, maintaining access to retiree health care benefits, and allows members to maintain control of their money in retirement.

SURS has been working closely with Voya to ensure a smooth transition and will roll out the new DC plan in June.

Due to the redesign of the SMP, our pre-retirement seminars that are normally offered in April of each year will not be offered this year. Instead, we plan to offer presentations in various parts of the state to explain the new features. Dates and times for these seminars will be

Self-Managed Plan assets and allocations

SMP assets were in excess of \$2.6 billion, as of Sept. 30, 2019, which equates to an average account balance of \$118,544 per each of the 22,104 SMP participants. The SMP experienced an increase in plan assets of nearly 5% from a year ago. The SMP enrollment figure increased 3.9% year over year.

The average asset allocation as of Sept. 30, 2019, was 50.3% Equities, 31.9% Balanced Funds and 15.9% Fixed Income. The remaining 1.9% was attributable to Real Estate.

posted to the SURS website as they are determined.

SURS will continue to offer our quarterly retirement-planning webinars titled “Navigating the SMP.” The next webinar is scheduled for May 14. Future dates and times are posted on the SURS website as soon as they are set. To register, go to www.surs.org/webinars-seminars.

SURS also offers individual counseling appointments for those nearing retirement.

If you are within four years of retirement you may schedule a counseling appointment. To schedule an appointment either log onto

the secure Member Website and click the link in the “Attention Box” or phone SURS at 800-275-7877.

The average length of appointments is 45 minutes. Topics include service credit, retirement options, health insurance, the application and retirement process, taxes and return to work restrictions.

NOTE: Because of the redesign of the SMP we encourage you to use your one appointment per year wisely. If you are not planning to retire by mid-2020 you may want to consider waiting to schedule an appointment until the redesign is completed.

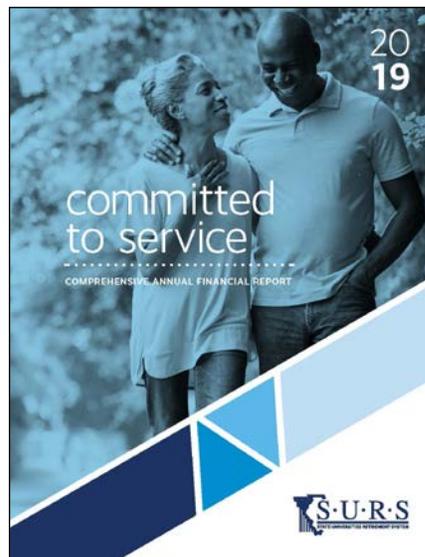
SURS Fiscal Year 2020 Appropriation

\$1,854,692,000

Month	Amount Received	Amount Due	Amount Owed
July	\$77,698,584	\$154,557,667	\$76,859,083
August	\$10,626,300	\$154,557,667	\$143,931,367
September	\$151,082,767	\$154,557,667	\$3,474,900
October	\$148,989,017	\$154,557,667	\$5,568,650
November	\$284,873,417	\$154,557,667	(\$130,315,750)
December	\$89,200,167	\$154,557,667	\$65,357,500
January	\$89,151,917	\$154,557,663	\$65,405,746
Total	\$851,622,169	\$1,081,903,665	\$230,281,496

FY 2019 Annual Report Available

SURS Fiscal Year 2019 Comprehensive Annual Financial Report is now available online for members to review at www.surs.com/annual-financial-report.



The report is a wealth of information that includes financial statements, investment results and allocations, actuarial assumptions, funding charts and analysis, and membership and benefits information.

Check it out!

INSIDE SURS

Communications Team – Getting the Word Out

SURS three-person communications team is responsible for helping to create and distribute most all of SURS informational and educational materials both electronic and print. Relatively new, the team was created just over eight years ago.

Team members include Publications Editor Joel Fellers, Webmaster Nick Stutzman and Communications Manager Beth Spencer. Together they have over 70 years combined communication experience in advertising, marketing, research, copywriting, editing, creative design, web design and development, social media content, photography and media relations and planning.

“Our goal is to make sure our members, employers, trustees, legislators and the general public are receiving accurate, up-to-date information that is creative, uniform and easy to understand and access,” said Spencer.

The team works closely with other SURS departments to ensure they understand the dynamics of the information that needs to be communicated, as well as the target audience.

“We work with subject experts from all SURS teams to help create copy and design materials that will effectively answer members’ questions and have a cohesive look,” Spencer said.

Those materials can include brochures, fact sheets, presentations, reports, newsletters, news releases, flyers, banners, posters, signage, annual report summary, FAQ sheets, banners, email content and more.

The team works from an internally created graphics standards manual that was developed several years ago when the logo, website and print materials were redesigned. All outgoing materials are proofed and edited by the team including letters, board minutes, presentations, and requests for proposals (RFPs).



Electronic communication is critical to quickly alert and inform members. The team manages the website and social media; including website development and accessibility standards; electronic forms; daily website updates; regular social media postings and responding when needed to member questions on social media channels.

Email is also essential to targeting member groups with messages specific to them. During 2019, SURS sent over 800,000 emails with information about webinars and seminars, new board members, state buyout programs and benefit summary statements. The team sets up, schedules, and manages all email content, as well as tracks delivery statistics.

“We encourage members to keep their email addresses up to date, so they receive important SURS information quickly,” Spencer said. “At this time, we have email addresses for 84% of our current members, but we’re always working to increase that percentage.”

Overseeing media relations, including writing and distributing news releases and responding to media inquiries is handled by Spencer. From investment publications to newspapers and radio stations, hundreds of press calls come into

SURS annually.

“Illinois pension systems are in the news regularly and the number of calls we receive reflects that,” Spencer said. “My job is to work with the executive director, legislative liaison and the executive team to provide accurate answers as quickly as I can. SURS is a complicated system. It takes experts from many departments to provide answers.”

Photography, videography and photo editing are handled by team members, as well as the management of a large stock photo library.

During the coming months, the team will be working on several new SURS projects including the redesign of the Self-Managed Plan, creation of the supplemental savings plan, overhaul of the internal website and migration of its content, updating www.surs.org and creating new online learning tools for staff.

Contact Us

If you have suggestions for how we can improve our website or if there are subjects you would like addressed in our communications, please send an email to bspencer@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.
 March 11 - University Employees (State Insurance)
 March 12 - Community Colleges (CIP Insurance)
 April 29 - University Employees (State Insurance)
 April 30 - 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.
 May 6 - Community Colleges (CIP Insurance)
 May 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. March 31, April 28, May 26, June 30 and July 28.

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 March 10 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. This webinar will be presented from 9:30 to 11 a.m. on April 7.

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. May 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.



1099-R forms mailing update

SURS recently completed its paper mailing of the 2019 IRS Form 1099-R to each member or beneficiary who received a distribution in 2019. Unfortunately, shortly after the forms were mailed an error was discovered with respect to Box 2b “Total Distribution.”

According to the 1099-R instructions, an “X” should be entered in this checkbox only if the payment shown in Box 1 is a total distribution (one or more distributions during a tax year in which the entire account balance is distributed). With the printing of the 2019 1099-R forms, Box 2b was checked in some cases when there was not a total distribution and it was left unchecked in some cases when there was a total distribution.

This error has no impact on the tax withholding and reporting related to your SURS distribution. In addition, the 1099-R form filed with the IRS will be correct.

If you would prefer to use an updated 1099-R form for tax filing, you may log in to the SURS secure Member Website and print a revised version. The 1099-R forms can be found under the “My Payment” tab. If you do not have access to the Internet and would like to request an updated print version be mailed to you, please contact SURS Call Center at (800) 275-7877.

2020 Payment Schedule

Annuity Payments	Disability Payments
January 31	February 28
February 28	March 31
April 1	April 30
May 1	May 29
June 1	June 30
July 1	July 31
July 31	August 31
September 1	September 30
October 1	October 30
October 30	November 30
December 1	December 31

SURS Board Meetings Schedule

All times and locations are subject to change.

Thursday, March 12 (9 a.m. – 5 p.m.)

Friday, March 13 (9 a.m. – 12 p.m.)

Committee and Board Meetings in Champaign

Thursday, April 16 (9 a.m. – 5 p.m.)

Investment Committee and Board Meetings in Chicago

Thursday, June 4 (9 a.m. – 5 p.m.)

Friday, June 5 (9 a.m. – 12 p.m.)

Committee and Board Meetings in Chicago

Thursday, Sept. 10 (9 a.m. – 5 p.m.)

Friday, Sept. 11 (9 a.m. – 12 p.m.)

Committee and Board Meetings in Champaign

Thursday, Oct. 15 (9 a.m. – 5 p.m.)

Investment Committee Meeting in Chicago

Thursday, Dec. 3 (9 a.m. – 5 p.m.)

Friday, Dec. 4 (9 a.m. – 12 p.m.)

Committee and Board Meetings in Chicago

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Executive Director: Martin Noven

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.

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