FINANCIAL

Continued growth, a new name, two changes of location

1958

The number of SURS employees grew to 12.

1959

The Survivor's Insurance Program was adopted to offer benefits to a named beneficiary of each SURS-covered employee upon the death of the employee.

1963

SURS moved from the Henry Administration Building on Wright Street to 807 Lincoln Avenue in Urbana, formerly an Eisner Grocery Store.

The University Retirement System of Illinois changed its name to State Universities Retirement System.

- Independent Auditor's Report
- Management's Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Notes to Required Supplementary Information
- Other Supplementary Information

1971

With 30 employees, SURS relocated to a 10,000-square-foot building at 50 Gerty Drive in Champaign.

The State Universities Annuitants' Association (SUAA) was founded to work closely with SURS retirees on legislative and policy issues.

1976

In its 35th year, the System served 35,544 participants, more than nine times the original number of members.

BKD LLP
CPAs & Advisors

225 N. Water Street, Suite 400 // Decatur, IL 62523-2326
217.429.2411 // fax 217.429.6109 // bkd.com

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois
and
The Board of Trustees
State Universities Retirement System of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Statement of Plan Net Position of the State Universities Retirement System of the State of Illinois (System), a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related Statement of Changes in Plan Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the System as of June 30, 2016, and the respective changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

The actuarially determined pension liability, calculated as required by GASB Statements No. 67, is dependent on several assumptions including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. These assumptions are discussed in Note V of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The System's 2015 financial statements were previously audited by other auditors whose report thereon dated December 21, 2015, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the employer net pension liability and related ratios, the schedule of net pension liability, the schedule of contributions from employers and other contributing entities, the schedule of investment returns, and notes to the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2016 was conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary financial information in the financial section and the accompanying introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary financial information in the financial section, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the other supplementary financial information in the financial section for 2016, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information contained in the financial section for the year ended June 30, 2015 was audited by other auditors whose report dated December 21, 2015 expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended June 30, 2015 taken as a whole.

The introductory, investment, actuarial, statistical and plan summary and legislative sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Decatur, Illinois
December 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the State Universities Retirement System's (SURS or the System) financial statements and the major factors affecting the operations and investment performance of the System during the year ended June 30, 2016, with comparative reporting entity totals for the year ended June 30, 2015. Please read this section in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements, and other information that are presented in the Financial Section of the Comprehensive Annual Financial Report.

Financial Highlights

- Contributions from the state and employers were $1,647.7 million, an increase of $56.8 million, or 3.6% from fiscal year 2015.
- The System's benefit payments were $2,281.8 million, an increase of $120.9 million or 5.6% for fiscal year 2016.
- The System's return on investment, net of investment management fees, was 0.2% for fiscal year 2016.
- The System's net position at the end of fiscal year 2016 was $18,831.1 million, a decrease of $385.4 million or 2.0%.

Overview of Financial Statements and Accompanying Information

The Financial Section is comprised of four components: (1) Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information and, (4) Other Supplementary Information.

- The financial statements presented in this report are the Statement of Plan Net Position as of June 30, 2016 and the Statement of Changes in Plan Net Position for the year ended June 30, 2016. The difference between the System's assets and liabilities is defined as Plan Net Position. These statements present separate totals for the defined benefit plan and the self-managed plan.
    - The Statement of Plan Net Position details the net position (assets less liabilities equals net position). The Statement of Plan Net Position reports the funds available to pay benefits.
    - The Statement of Changes to Plan Net Position presents the additions and deductions from the plan net position. Over time the increase or decrease in net position is a useful indicator of the health of SURS' financial position.
- The Notes to the Financial Statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Disclosures include the description of the plan, summary of significant accounting policies, and detailed presentations of major assets and liabilities.
- Required Supplementary Information presents schedules related to employer net pension liability, employer contributions, and investment returns.
- Other Supplementary Schedules consist of detailed information supporting administrative and investment expenses, and fees paid to consultants.

General Market Risk

SURS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on SURS investment portfolios depends in large measure on how deep the market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could significantly impact SURS' financial condition.

Financial Analysis of the System

The State Universities Retirement System serves 208,886 members in its defined benefit plan and 21,478 members in its self-managed plan. The funds needed to finance the benefits provided by SURS are accumulated through the collection of member and employer contributions and through income on investments. The total net position of the System decreased from $19.2 billion as of June 30, 2015 to $18.8 billion as of June 30, 2016. This $0.4 billion change was chiefly due to a decrease in investments, an increase in payables to brokers-unsettled trades, and a decrease in securities lending collateral liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Plan Net Position

The summary of plan net position for the System is presented below:

Condensed Statement of Plan Net Position

Reporting Entity Total ($ in millions)	2016	2015	Change Amount	Change %
Cash and short-term investments	$ 731.6	$ 749.2	$ (17.6)	(2.3)
Receivables and prepaid expenses	287.6	242.0	45.6	18.8
Pending investment sales	433.9	422.7	11.2	2.6
Investments and securities lending collateral	18,857.8	19,179.7	(321.9)	(1.7)
Capital assets, net	6.3	6.2	0.1	1.6
Total assets	20,317.2	20,599.8	(282.6)	(1.4)
Payable to brokers-unsettled trades	853.4	600.8	252.6	42.0
Securities lending collateral	602.1	752.4	(150.3)	(20.0)
Other liabilities	30.6	30.1	0.5	1.7
Total liabilities	1,486.1	1,383.3	102.8	7.4
Total plan net position	$ 18,831.1	$ 19,216.5	$ (385.4)	(2.0)

Overall, net position decreased by $385.4 million, or 2.0%, mainly due to the excess of benefit payments over the total investment income and contributions received. The increase in receivables and prepaid expenses is largely due to the increase in the receivable from brokers for unsettled trades at fiscal year-end as a result of a larger number of trades outstanding for fiscal year 2016 compared to 2015.

The investment allocation strategy for the plans making up the reporting entity as of June 30, 2016, and 2015 is as follows:

Investment Allocation Strategy

	2016	2015
Defined Benefit Plan		
Equities	50.0%	50.0%
Fixed income	19.0	19.0
Real Estate Investment Trusts	4.0	4.0
Real estate	6.0	6.0
Private equity	6.0	6.0
Hedged strategies	5.0	5.0
Emerging market debt	3.0	3.0
Treasury Inflation Protected Securities	4.0	4.0
Commodities	2.0	2.0
Opportunity Fund	1.0	1.0
Total	100.0%	100.0%
Self-Managed Plan		
Equities	68.7%	55.4%
Fixed income	29.2	43.0
Real estate	2.1	1.6
Total	100.0%	100.0%

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among investment managers who are hired to manage assets with a specified strategy. SURS' rebalancing policy calls for rebalancing, as soon as practical, if a strategy exceeds or falls below its target allocation by 3%. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of System cash flows. The allocation of assets within the self-managed plan is totally determined by the individual members, and also reflects gains or losses over the past year.

Changes in Plan Net Position

The summary of changes in plan net position for the System is presented below:

Condensed Statement of Changes in Plan Net Position

Reporting Entity ($ in millions)	2016	2015	Change Amount	Change %
Employer contributions	$ 46.2	$ 46.7	$ (0.5)	(1.1)
Non-employer contributing entity contributions	1,601.5	1,544.2	57.3	3.7
Member contributions	355.3	340.0	15.3	4.5
Net investment income	20.2	593.6	(573.4)	(96.6)
Total additions	2,023.2	2,524.5	(501.3)	(19.8)
Benefits	2,281.8	2,160.9	120.9	5.6
Refunds	111.6	108.6	3.0	2.8
Administrative expense	15.2	14.5	0.7	4.8
Total deductions	2,408.6	2,284.0	124.6	5.5
Net increase (decrease) in plan net position	$ (385.4)	$ 240.5	$ (625.9)	(260.2)

Additions

Additions to plan net position are in the form of employer and member contributions and returns on investment funds. For fiscal year 2016, non-employer contributing entity contributions increased by $57.3 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Employer contributions decreased by $0.5 million or 1.1%. Member contributions increased by $15.3 million or 4.5%. The investment net income for fiscal year 2016 was $20.2 million for the System, representing a $0.6 billion decrease from the prior year. For the defined benefit plan, the overall rate of return was 0.2% (net of all investment management fees).

Given the long-term orientation of the SURS defined benefit investment program, it is important to track investment returns over several time periods to correctly assess performance, especially given recent market volatility. The defined benefit plan returns are as follows:

Time Period	1-year	3-year	5-year	10-year	20-year	30-year
Annualized Return	0.2%	6.8%	6.6%	5.9%	7.3%	8.4%

The total rate of return over a 30-year period of 8.4% was higher compared to the actuarial rate of return assumption of 7.25% in effect for fiscal year 2016. Under the direction of the Illinois Auditor General, the State Actuary recommends that the Board annually review the interest rates, payroll growth, and inflation assumption should changes in market conditions or plan demographics call for such an adjustment. Public Act 99-0232 signed August 2015 will require SURS to have an experience study performed by the System actuaries every three years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions

The expenses of the Retirement System relate to the provision of retirement annuities and other benefits, refunds to terminated employees, and the cost of administering the System. These expenses for fiscal year 2016 totaled $2.4 billion, an increase of $124.6 million or 5.5% over expenses for 2015. This increase is primarily due to the $120.9 million increase in defined benefit plan and defined contribution plan retirement and survivor annuity payments. Portable lump sum distributions and refunds increased by $3.0 million or 2.8%. Administrative expenses increased by $0.7 million or 4.8% from fiscal year 2015 to 2016.

Future Outlook

The actuarial assumptions adopted as of June 30, 2015 were based on the experience review for the years June 30, 2010 to June 30, 2014. Public Act 96-0889 caps Tier 2 members' earnings at $111,572 in 2016 and future cost of living adjustments at the lesser of 3% or 0.5% of the increase in the Consumer Price Index. This modification of Tier 2 members' earnings decreases the anticipated amount of future payroll and contributions.

The employer contributions for fiscal year 2017, mainly provided by the State of Illinois, will increase by approximately $69.9 million or 4.4%.

Benefit payments are projected to continue to grow at a rate of approximately 7 - 8% annually as a result of increasing numbers of retirees, the 3% annual increase, and the impact of salary increases at the participating agencies. SURS will continue to structure its portfolio with the objective of maximizing returns over the long term to help offset the shortage in employer contributions.

Requests for Information

This financial report is designed to provide a general overview of the System's finances. For questions concerning the information in this report or for additional information, contact State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois 61820.

FINANCIAL STATEMENTS

Statement of Plan Net Position as of June 30, 2016
With Comparative Reporting Entity Totals as of June 30, 2015

	2016			2015
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	$ 731,633,307	$ -	$ 731,633,307	$ 749,161,649
Receivables				
Members	8,634,589	3,267,042	11,901,631	14,124,665
Non-employer contributing entity	229,869,588	1,910,439	231,780,027	183,687,997
Federal, trust funds, and other	1,655,088	(184,537)	1,470,551	1,815,690
Pending investment sales	433,893,516	-	433,893,516	422,748,331
Interest and dividends	42,366,778	-	42,366,778	42,333,100
Total receivables	716,419,559	4,992,944	721,412,503	664,709,783
Prepaid expenses	133,157	-	133,157	158,059
Investments, at fair value				
Equity investments	8,953,569,340	65,509,892	9,019,079,231	11,307,523,098
Fixed income investments	4,660,679,286	29,270,615	4,689,949,900	4,590,860,760
Real estate investments	987,031,542	1,817,422	988,848,965	874,605,561
Alternative investments	1,833,655,377	260,950	1,833,916,328	-
Mutual fund and variable annuities	-	1,723,653,945	1,723,653,945	1,654,146,781
Total investments	16,434,935,545	1,820,512,824	18,255,448,369	18,427,136,200
Securities lending collateral	602,404,484	-	602,404,484	752,561,440
Capital assets, at cost, net of accum depreciation $19,100,014 and $18,627,220 respectively	6,249,153	-	6,249,153	6,169,023
Total assets	**18,491,775,205**	**1,825,505,768**	**20,317,280,973**	**20,599,896,154**
Liabilities				
Benefits payable	9,645,900	-	9,645,900	8,689,007
Refunds payable	6,459,653	-	6,459,653	4,639,366
Securities lending collateral	602,089,896	-	602,089,896	752,410,673
Payable to brokers for unsettled trades	853,366,668	-	853,366,668	600,790,779
Administrative expenses payable	14,583,115	-	14,583,115	16,844,459
Total liabilities	**1,486,145,232**	**-**	**1,486,145,232**	**1,383,374,284**
Net Position Restricted for Pensions	**$17,005,629,973**	**$1,825,505,768**	**$ 18,831,135,741**	**$19,216,521,870**

FINANCIAL STATEMENTS

Statement of Changes in Plan Net Position for the Year Ended June 30, 2016
With Comparative Reporting Entity Totals for the Year Ended June 30, 2015

	2016			2015
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	$ 39,348,478	$ 6,836,109	$ 46,184,587	$ 46,658,889
Non-employer contributing entity	1,542,946,474	58,533,526	1,601,480,000	1,544,200,000
Member	278,883,776	76,457,324	355,341,100	340,010,444
Total Contributions	1,861,178,728	141,826,959	2,003,005,687	1,930,869,333
Investment Income				
Net appreciation in fair value of investments	(259,899,961)	3,191,609	(256,708,352)	315,741,290
Interest	113,996,822	-	113,996,822	111,077,945
Dividends	220,725,192	-	220,725,192	218,278,974
Securities lending	4,215,195	-	4,215,195	4,690,554
	79,037,248	3,191,609	82,228,857	649,788,763
Less investment expense				
Asset management expense	61,614,201	-	61,614,201	55,705,026
Securities lending expense	379,368	-	379,368	422,320
Net investment income	17,043,679	3,191,609	20,235,288	593,661,417
Total additions	**1,878,222,407**	**145,018,568**	**2,023,240,975**	**2,524,530,750**
Deductions				
Benefits	2,235,812,995	45,956,700	2,281,769,695	2,160,843,600
Refunds of contributions	85,015,923	26,630,943	111,646,866	108,644,121
Administrative expense	14,731,372	479,171	15,210,543	14,535,656
Total deductions	**2,335,560,290**	**73,066,814**	**2,408,627,104**	**2,284,023,377**
Net increase	**(457,337,883)**	**71,951,754**	**(385,386,129)**	**240,507,373**
Plan Net Position Beginning of year	17,462,967,856	1,753,554,014	19,216,521,870	18,976,014,497
Plan Net Position End of Year	**$ 17,005,629,973**	**$1,825,505,768**	**$ 18,831,135,741**	**$ 19,216,521,870**

NOTES TO THE FINANCIAL STATEMENTS

I. Description of SURS

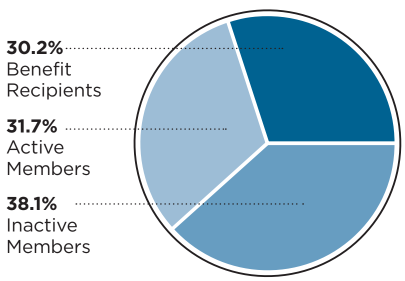
The State Universities Retirement System (SURS or the System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan. The SURS Board of Trustees consists of six elected and five appointed board members. Legislation effective January 1, 1998, required SURS to introduce a portable benefit package to the existing defined benefit plan and to offer a defined contribution plan. The portable benefit package and the defined contribution plan are available to all members whose employers elect to make the options available. As of June 30, 2016, the two options available in the defined benefit plan are the traditional benefit package and the portable benefit package. The defined contribution plan is known as the self-managed plan. The membership, contributions, and benefit provisions related to these plans are presented in the following summary of the provisions of SURS in effect as of June 30, 2016, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the statutes for more complete information.

A. Defined Benefit Plan

SURS was established on July 21, 1941, to provide retirement annuities and other benefits for employees of the state universities, certain affiliated organizations and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.

SURS is included in the State of Illinois' comprehensive annual financial report as a component unit. SURS is governed by Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*. These statutes assign the authority to establish and amend the benefit provisions of the plan to the State Legislature. Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System. It is also these statutes that define the scope of SURS' reporting entity. There are no statutory provisions for termination of the System. The Illinois Constitution provides that the pension obligation of the state shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.

Defined Benefit Plan



1. Membership

Participation is required as a condition of employment. Employees are ineligible to participate if (a) employed less than full-time and attending classes with an employer; (b) receiving a retirement annuity from SURS; or (c) excluded by subdivision (a)(7)(f) or (a)(19) of Section 210 of the Federal Social Security Act from the definition of employment given in that Section.

At June 30, 2016 and 2015, the number of participating employers was:

	2016	2015
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**11**	11
State Agencies	**2**	2
	61	61

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

At June 30, 2016 and 2015, defined benefit plan membership consisted of:

	2016	2015
Benefit Recipients	**63,146**	61,020
Active Members	**66,245**	69,381
Inactive Members	**79,495**	76,984
	208,886	207,385

2. Benefit Provisions

A traditional benefit plan was established in 1941. Public Act 90-0448 was enacted effective January 1, 1998, which established an alternative defined benefit program known as the portable benefit package. This option is offered in addition to the traditional benefit option. The traditional and portable plan Tier 1 refers to members who began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. The following is a summary of the benefit provisions as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

	Traditional Plan - Tier 1	Traditional Plan - Tier 2	Portable Plan
Retirement Vesting	5 years of service	10 years of service	5 years of service (Tier 1) and 10 years of service (Tier 2)
Retirement Age Requirement	Age 62, with at least 5 years Age 60, with at least 8 years At any age with at least 30 years	Age 67, with at least 10 years of service	• Tier 1-Same as Traditional Plan Tier 1 Age Requirement • Tier 2-Same as Traditional Plan Tier 2 Age Requirement
Final Rate of Earnings (FRE)	• Average earnings during 4 highest consecutive academic years; or • Average of the last 48 months prior to termination.	• Average earnings during 8 high consecutive academic years of the last 10; or • Average of the high 96 consecutive months of last 120 months (if applicable).	• Tier 1-Same as Traditional Plan Tier 1 FRE • Tier 2-Same as Traditional Plan Tier 2 FRE
Retirement Benefit AAI (Automatic Annual Increase)	The AAI is 3% compounded annually.	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.	• Tier 1-Same as Traditional Plan Tier 1 AAI • Tier 2-Same as Traditional Plan Tier 2 AAI
Survivor Benefits	An eligible survivor receives a minimum of 50% of the member's earned retirement annuity.	An eligible survivor receives 66 2/3% of the member's earned retirement annuity.	Based upon selection at retirement of 50%, 75% or 100% of the member's earned retirement annuity.
Survivor AAI (Automatic Annual Increase)	The AAI is 3%, compounded annually.	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.	• Tier 1-Same as Traditional Plan Tier 1 Survivor AAI • Tier 2-Same as Traditional Plan Tier 2 Survivor AAI

SURS also provides disability, death, and refund benefits as authorized in Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to a physical or mental impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments received under the Workers' Compensation or the Occupational Diseases Act. If a member remains disabled after receiving the maximum benefits due, they may be eligible for a disability retirement annuity equal to 35% of the monthly rate of compensation on the date the disability began.

Death benefits are payable to named beneficiaries upon the death of any member of this System. Under the traditional benefit package, monthly survivor benefits may be paid to eligible survivors if the member established a minimum of 1.5 years of service credit prior to the date of death. If no qualified survivor exists at the date of retirement, the member is paid a refund of all survivor contributions plus interest. Under the portable benefit package, survivor benefits are available through a reduction of the retirement annuity calculated as described above. No refund of survivor contributions is available if there is no qualified survivor at the time of retirement. These provisions are designed to allow the impact of the portable benefit package's enhanced refund opportunity to be cost neutral.

Upon the death of an annuitant, SURS will pay either a death benefit to a non-survivor beneficiary or a monthly survivor benefit to an eligible survivor. The amount of the monthly survivor benefit will differ depending upon whether the annuitant had selected the traditional benefit package or the portable benefit package.

Upon termination of service, a lump sum refund is available to all members. Under the traditional benefit package, this refund consists of all member contributions and interest at 4-1/2%. Under the portable benefit package, this refund consists of all member contributions and total interest credited, plus for those members with greater than or equal to 5 years of service credit, an equal amount of employer contributions. Under both defined benefit plan options, a member with 5 or more years of service credit who does not apply for a refund may apply for a normal retirement benefit payable at age 62.

B. Self-Managed Plan

SURS is the plan sponsor and administrator of a defined contribution plan established as of January 1, 1998, by the Illinois General Assembly as an amendment to the Illinois Pension Code through Illinois Public Act 90-0448. This plan is referred to as the self-managed plan (SMP) and is offered to employees of all SURS employers who elect to participate. This plan is a qualified money purchase pension plan under Section 401(a) of the Internal Revenue Code. The assets of the SMP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code, and are made up of the account balances of individual members.

At June 30, 2016 and 2015, the number of SMP participating employers was:

	2016	2015
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**8**	8
State Agencies	**2**	2
	58	58

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

At June 30, 2016 and 2015, the SMP membership consisted of:

	2016	2015
Benefit Recipients	**557**	432
Active Members	**11,880**	11,928
Inactive Members	**9,041**	8,476
	21,478	20,836

1. Membership

A member may elect participation in the SMP if (a) all participation criteria for the defined benefit plan are met; (b) the employer has elected through Board action to offer the self-managed plan; (c) the employee is on active status at the plan offering date; and (d) the employee is not eligible to retire as of the employer plan offering date. The member election is irrevocable. New employees are allowed 6 months from the date of hire in which to make their election. If no election is received, members are considered to be part of the defined benefit plan, under the traditional benefit option.

2. Benefit Provisions

The SMP provides retirement, disability, death, and survivor benefits as authorized in Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, and amended by Public Act 90-0448.

Retirement benefits are payable to members meeting minimum vesting requirements of 5 years of service credit at age 62, 8 years of service credit at age 55, or 30 years of service credit regardless of age. The distribution options available upon reaching retirement eligibility are the following: a lump sum distribution consisting of all employee and employer contributions and related investment earnings; a single life annuity; a 50% or 100% joint and survivor annuity; a single life annuity with a guaranteed period of 10, 15, or 20 years as elected by the member; and a 50% or 100% joint and survivor annuity with a guaranteed period of 10, 15, or 20 years as elected by the member.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to physical impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments under Workers Compensation or the Occupational Diseases Act.

Upon termination of service with less than 5 years of service credit, a lump sum distribution is available which consists of employee contributions and related investment earnings. The employer contributions and related investment earnings are forfeited. Upon termination of service with greater than 5 years of service credit but where the member is not yet eligible for retirement, a lump sum distribution is available which consists of employee and employer contributions and related investment earnings.

Death benefits are payable to named beneficiaries upon the death of any member of this plan. If the member has less than 1.5 years of service credit, the death benefit payable is the employee contributions and related investment earnings. If the member has 1.5 or more years of service credit, the death benefit payable is the employee and employer contributions and related investment earnings.

NOTES TO THE FINANCIAL STATEMENTS

II. Summary of Significant Accounting Policies

A. Reporting Entity

The System is a component unit of the State of Illinois. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Financial accountability is defined as:

1. Appointment of a voting majority of the organization's board and either (a) the ability to impose will by the primary government or (b) the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government; or

2. Fiscal dependency on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the required criteria, the System has no component units.

B. Measurement Focus and Basis of Accounting

For both the defined benefit plan and the self-managed plan (SMP), the financial transactions are recorded using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to statutory or contractual requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plans.

C. Use of Estimates

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and those differences could be material. The System uses an actuary to determine the actuarial accrued liability for the defined benefit plan and to determine the actuarially determined contribution.

D. Risks and Uncertainties

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and those such changes could materially affect the amounts reported in the Statement of Plan Net Position.

E. Cash and Short-Term Investments

Included in the $731,633,307 of cash and short-term investments presented in the Statement of Plan Net Position is $61,155,682 of short-term investments with original maturities less than 90 days. For purposes of the various data tables presented in Note IV, this group of short-term investments is included as part of fixed income investments. Short-term investments are generally reported at cost, which approximates fair value.

F. Investments

Investments are governed by Chapter 40, Act 5, Articles 1 and 15, of the *Illinois Compiled Statutes*. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. Purchases and sales of securities are recorded on a trade-date basis. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

For the defined benefit plan, investments are generally reported at fair value. Marketable securities (stocks, bonds, warrants, and options) are traded on public exchanges. The Northern Trust Company, SURS' custodial bank, establishes these prices using third-party pricing services. Generally, these values are reported at the last reported sales price. Certain investments that do not have an established market value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the Chartered Financial Analyst (CFA) Institute (formerly known as the Association for Investment Management Research) or other industry standards, values non-marketable securities (real estate and venture capital). These methods generally include detailed property level appraisals and discounted cash flow analysis.

For the SMP, investments are reported at fair value by the service providers. These investments include both mutual and variable annuity funds where the underlying assets are marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. Generally, the values on the underlying investments are reported at the last reported sales price.

G. Capital Assets
Capital assets are recorded at historical cost and depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method.

H. Administrative Expenses
System administrative expenses (which include amounts for both the defined benefit and defined contribution (self-managed) plans) are budgeted and approved by the System's Board of Trustees. Funding for these expenses is included in the non-employer contribution as determined by the annual actuarial valuation and appropriated by the State of Illinois.

I. Prior Year Comparative Information
The financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements as of and for the year ended June 30, 2015, from which the summarized comparative information was derived.

J. New Accounting Pronouncements
GASB Statement No. 72, *Fair Value Measurement and Application*, is effective beginning with the System's year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement was implemented for the System beginning with its year ending June 30, 2016.

GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67.

Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. If the pension is not within the scope of Statement 68, the requirements are effective for financial reporting periods beginning after June 15, 2016. All other pension plans are required to use an effective financial reporting period beginning after June 15, 2015. This Statement was implemented for the System beginning with its year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for financial reporting periods beginning after June 15, 2016. This Statement will establish rules on reporting OPEB plans administered as trusts that provide benefits on behalf of governmental entities. This Statement is not considered to have a material impact on the System's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for financial reporting periods beginning after June 15, 2017. This statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement is not considered to have a material impact on the System's financial statements.

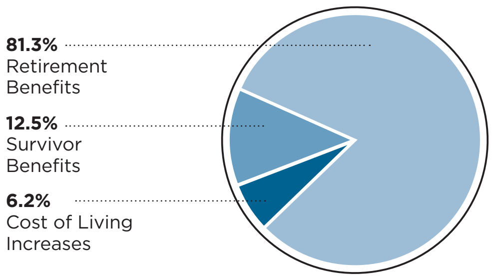
GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for financial reporting periods beginning after June 15, 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) for state and local governments and the framework for selecting those principles. This Statement is not considered to have a material impact on the System's financial statements

GASB Statement No. 77, *Tax Abatement Disclosures*, will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2015. This Statement is not considered to have a material impact on the System's financial statements.

III. Contributions and Plan Net Position Designations

A. Defined Benefit Plan

Member Contributions



1. **Membership Contributions**
   In accordance with Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, members of the traditional benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for survivor benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. Members of the portable benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. These Statutes assign the authority to establish and amend the contribution provisions of the plan to the State Legislature. The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, military service payments, and the employee portion of Early Retirement Option payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases, or unless the payments are made in installments through employer deductions from payroll. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.

2. **Interest Credited on Member Contributions**
   For the traditional and portable benefit packages, the interest rate credited is fixed by the Board of Trustees and is 7.0% for the year ended June 30, 2016. For purposes of lump sum refunds to former members, the traditional benefit package offers an interest rate of 4.5%, compounded annually, and the portable benefit package offers an interest rate equal to the credited rate, compounded annually. A change brought forth by the enactment of Public Act 94-0004 and effective July 1, 2005, calls for the Comptroller of the State of Illinois to set the interest rate credited to member contribution balances for purposes of the calculation of retirement annuities under the money purchase formula. That rate is 7.00% for the year ended June 30, 2016 and 6.75% for the year ended June 30, 2017.

   Members certified after July 1, 2005 will not be eligible for the money purchase formula calculation. Rather, their retirement annuity will be calculated using the general formula.

3. **Employer Contributions**
On an annual basis, an actuarial valuation is performed in order to determine the amount of statutorily required contributions from the State of Illinois (non-employer contributing entity) and the normal cost for employers. Public Act 99-0232 requires an actuarial experience study is performed every 3 years to determine the assumptions to be used in the annual valuation. The last actuarial experience study was performed in February 2015. To determine the funding method, Public Act 88-0593 was passed by the Illinois General Assembly in 1994. This Act, which took effect on July 1, 1995, provides a 50-year schedule of State contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. This plan requires the State as the non-employer contributing entity to make continuing appropriations to meet the normal actuarially-determined cost of the System, plus amortize the unfunded accrued liability. The fiscal year 2016 State contributions were $1,542,946,474. The employer normal cost calculation is based on the same actuarial results, assumptions and methods used to calculate the State contribution. This is the employer contribution rate that is to be applied to all earnings paid from federal, grant and trust funds. The Board of Trustees of the State Universities Retirement system has adopted 12.69% of covered earnings as the employer normal cost for fiscal year 2016. In compliance with Public Act 94-0004, employers must pay the System the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. The fiscal year 2016 employer-defined contributions were $39,348,478.

4. **Net Position Accounts**
The System maintains two designated accounts that reflect the assignment of net position to employee and benefit accounts:

a. The Employee Contribution Account records the pension assets contributed by each employee and the interest income earned by those contributions.

b. The Benefits from Employee and Employer Contributions Account records the net position available for annuities in force and available for future retirement, death and disability benefits, the undistributed investment income, the unexpended administrative expense allocation, and the variations in actuarial assumptions.

Balances in these designated accounts as of June 30, 2016 are as follows:

Employee contributions	$ 6,145,836,121
Benefits from employee and employer contributions	10,859,793,852
Total net position	**$ 17,005,629,973**

5. **Ownership of Greater than 5 Percent of Net Position Available for Benefits**
There are no significant investments in any one organization that represent 5% or more of plan net position available for benefits.

B. Self-Managed Plan

1. **Membership Contributions**
In accordance with Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, members contribute 8% of their gross earnings. These statutes assign the authority to establish and amend the contribution provisions of the plan to the State Legislature.

The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings.

Service credit purchase payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or refunds, or to his or her beneficiary as a death and/or survivor benefit.

NOTES TO THE FINANCIAL STATEMENTS

2. **Employer Contributions**
   The State of Illinois (non-employer contributing entity) shall make the employer contribution to SURS on behalf of SMP employers on a monthly basis in accordance with the applicable provisions of the Illinois Pension Code. The fiscal year 2016 defined contribution plan state contributions were $58,533,526 and employer contributions were $6,836,109. In accordance with Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, employer contributions credited to the SMP participant are at a rate of 7.6% of the member's gross earnings, less the amount retained by SURS to provide disability benefits (0.3% as of July 1, 2015).

3. **Net Position Accounts**
   The SMP maintains three designated accounts that reflect the assignment of net position to employee contributions, disability benefits, and employer forfeiture accounts:
   a. The Employee Contribution Account records the pension assets contributed by each employee and the corresponding employer contribution, and the investment income earned by those contributions.
   b. The Disability Benefits Account reflects the pension assets contributed by the employer and held to fund member disability benefits.
   c. The Employer Forfeiture Account reflects the pension assets contributed by the employer but forfeited from member accounts due to termination prior to reaching 5 years of service. Future employer contributions are reduced by the total forfeitures held by the defined contribution plan.

   The assets related to disability benefits and employer forfeitures are commingled with the investment assets of the defined benefit plan. Investment income or loss is credited to these balances based upon the annual investment return or loss of the commingled assets. For fiscal year 2016, the investment income credited to these balances was $200,452.

   Balances in these designated accounts as of June 30, 2016 are as follows:

Employee contributions	$ 1,728,642,876
Disability benefits	87,343,102
Employer forfeitures	9,519,790
Total net position	**$ 1,825,505,768**

4. **Ownership of Greater than 5 Percent of Net Position Available for Benefits**
   There are no significant investments in any one organization that represent 5% or more of plan net position available for benefits. .

IV. Deposits and Investments

Fair Value Measurement

The System categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the investments for the System.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest, which approximates market or fair value.

Equity (including real estate investment trust securities) and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and debt derivative securities classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level 3 debt securities use proprietary information or single source pricing. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

The valuation method for certain equity, fixed income, and marketable alternatives investments is based on the investments' NAV per share (or its equivalent) provided by the investee. The following table shows the investments of the System measured at the NAV per share.

Commingled Equity Funds
This type of investment consists of equities diversified across all sectors. The fair values of the investments in these types have been determined using the NAV per share of the investments.

Commingled Fixed Income Funds
This type of investment consists of fixed income securities diversified across all sectors. The fair values of the investments in these types have been determined using the NAV per share of the investments.

Absolute Return Funds
The fair values of the investments in this type have been determined using the NAV per share of the investments.

Private Equity Partnerships
This type of investment includes limited partnerships. Generally speaking, the types of partnership strategies included in this portfolio are venture capital, buyouts, special situations, mezzanine, and distressed debt. Infrastructure fund investments are included as private equity partnerships. Private equity partnerships have an approximate life of 10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2016, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Real Estate Funds
This type includes investments in core open-end funds and non-core real estate funds. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Non-core funds do not offer redemptions. The nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. The System has no plans to liquidate the total portfolio. As of June 30, 2016, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Self-Managed Plan Funds
Investments in open-end mutual funds and variable annuities whose fair value is determined by quoted prices in active markets for identical assets are categorized as Level 1. One stable value fund and two commingled equity pools, consisting of equities diversified across all sectors, have fair values determined using the NAV per share of the investments.

NOTES TO THE FINANCIAL STATEMENTS

Investments and Short-Term Holdings Measured at Fair Value
($ in thousands)

		Fair Value Measurements Using		
	As of June 30, 2016	Level 1	Level 2	Level 3
Defined Benefit Plan				
Investments by Fair Value Level				
Debt securities				
U.S. government	$ 1,654,529	$1,654,529	$ –	$ –
U.S. agency obligations	1,014,171	–	1,005,212	8,959
Municipal obligations	23,864	–	21,468	2,396
U.S. corporate obligations	553,746	–	547,915	5,831
U.S. asset backed	224,808	–	113,244	111,564
Fixed income funds	237,608	–	237,608	–
Foreign obligations	314,354	–	286,802	27,552
Total debt securities	4,023,080	1,654,529	2,212,249	156,302
Short-term securities and cash adjustments	4,922	7,131	(2,052)	(157)
Total short-term securities and adjustments	4,922	7,131	(2,052)	(157)
Equity securities				
U.S. equity securities	4,903,238	4,891,832	10,888	518
Foreign equity securities	1,854,151	1,854,151	–	–
Total equity securities	$ 6,757,389	$6,745,983	$ 10,888	$ 518
Investments Measured at the Net Asset Value (NAV)				
Commingled fixed income funds	$ 759,222	–	–	–
Commingled equity funds	1,839,447	–	–	–
Commingled foreign equity funds	421,417	–	–	–
Private real estate funds	988,849	–	–	–
Private equity funds	1,029,063	–	–	–
Hedge funds	465,965	–	–	–
Commodity funds	338,888	–	–	–
Total investments measured at the NAV	5,842,851	–	–	–
Total investments by fair value level and measured by the NAV	$16,628,242	–	–	–
Investment Derivative Instruments				
U.S. fixed income derivatives	$ (34,901)	$ –	$ (34,926)	$ 25
Foreign fixed income derivatives	(426)	–	(426)	–
U.S. equity derivatives	17	–	–	17
Foreign equity derivatives	18	18	–	–
Total investment derivative instruments	$ (35,292)	$ 18	$ (35,352)	$ 42
Invested Securities Lending Collateral				
Fixed income securities	$ 602,405	$ –	$ 602,405	$ –
Total invested securities lending collateral	$ 602,405	$ –	$ 602,405	$ –
Self-Managed Plan				
Mutual funds and variable annuities				
Fixed income funds	$ 467,564	$ 467,564	$ –	$ –
Equity funds	1,012,277	1,012,277	–	–
Real estate funds	37,051	37,051	–	–
Total Self-Managed Plan assets by fair value level	$ 1,516,892	$ 1,516,892	–	–
Investments measured at the NAV	$ 206,762	–	–	–
Total investments by fair value level and measured at the NAV	$ 1,723,654	–	–	–

Investments Measured at Net Asset Value
($ in thousands)

		Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Defined Benefit Plan				
Commingled fixed income funds[1]	$ 759,222	$ -	Daily, Monthly	1-10 Days
Commingled international equity and global real estate investment funds[1]	2,260,864	-	Daily, Monthly	2-5 Days
Private real estate funds[2]	988,849	241,906	Quarterly, if Eligible	45-90 Days, if Eligible
Private equity funds[2]	1,029,063	909,079	Not Eligible	N/A
Hedge funds[3]	465,965	-	Daily, Monthly, Quarterly, Semi-Annually, Annually	3-90 Days
Commodity funds[4]	338,888	-	Daily, Monthly	1-30 Days
Total	$ 5,842,851	$ 1,150,985		
Self-Managed Plan				
Stable value fund[5]	$ 35,186	$ -	Daily, Annually	1-365 Days
Commingled equity pools[6]	171,576	-	Daily, if Eligible	1 Day, if Eligible
Comglobal real estate investment funds[6]	$ 206,762	$ -		

(1) **Commingled funds.** Ten fixed income funds, seven international equity funds and one real estate investment fund are considered to be commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
(2) **Private real estate and private equity funds.** The real estate investments are 14 core, value-add, and opportunistic real estate funds. The private equity funds are 223 limited partnership interests in equity or debt securities of privately held companies. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Real estate closed-end funds and private equity funds are not eligible for redemption.
(3) **Hedge funds.** Two funds invest in a select group of underlying managers that implement a number of different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies and other investment entities.
(4) **Commodity funds.** The two funds are invested with one active long-only manager and one active long/short manager.
(5) **Stable value fund.** The fund is invested in fixed income securities and shares of money market funds. It is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
(6) **Commingled equity pools.** The two pools are commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, State Universities Retirement System deposits may not be returned. Cash held in the investment related bank account in excess of $250,000 is uninsured. SURS has a formal policy to address custodial credit risk. Deposits are under the custody of The Northern Trust Company which has an AA- Long Term Deposit/Debt rating by Standard & Poor's, an Aa2 rating by Moody's, and an AA rating by Fitch. At June 30, 2016, the carrying amount of cash was $670,477,625 and the bank balance was $680,683,498 of which $3,726,943 was foreign currency deposits and was exposed to custodial credit risk. The remaining $61,155,681 was made up of short-term invested funds which are considered to be investments for the purpose of assessing custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Overlay Program

SURS employs a manager to provide an overlay program to ensure the System's major asset classes remain within a certain percentage of their targeted weights. Market movements can lead to significant implicit tilts within the portfolio. For example, a sharp decline in equities will many times be accompanied by stability within fixed income. Consequently the equity position will decrease as a percentage of assets while fixed income will increase. This causes an "implicit" tilt towards fixed income. The overlay program brings these implicit tilts back within an acceptable band and is a cost effective way to rebalance assets.

Investment Policies

Investments are governed by Chapter 40, Act 5, Articles 1 and 15, of the *Illinois Compiled Statutes*. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. The SURS Board of Trustees has adopted an Investment Policy that contains general policies for investments. Revisions to Investment Policy sections on asset allocation and rebalancing strategy, selection and retention, performance measurement and reporting, securities litigation policy, and emerging investment managers and broker/dealers were approved on September 19, 2015. The Investment Section of this report contains a summary of these policies. Within the prudent expert framework, the SURS Board of Trustees establishes specific investment guidelines in the investment management agreement of each individual investment management firm, and monitors the firms accordingly.

Investment Commitments

Alternative investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to private equity limited partnerships of approximately $871.7 million as of June 30, 2016. The System had outstanding commitments to real estate partnerships of $241.9 million and to infrastructure partnerships of $37.4 million at June 30, 2016.

Investments

The carrying values of investments by type at June 30, 2016 are summarized below:

Equity investments	
U.S. equities	$ 7,230,452,014
Non-U.S. equities	2,290,635,102
U.S. private equity	866,799,225
Non-U.S. private equity	162,264,177
U.S. equity derivatives	(486,959,605)
Non-U.S. equity derivatives	(15,048,279)
Fixed income investments	
U.S. government obligations	1,624,178,596
U.S. agency obligations	1,014,171,253
U.S. corporate fixed income	1,405,240,490
U.S. fixed income, other	192,215,015
Non-U.S. fixed income securities	485,341,842
U.S. short-term investments	175,733,015
Non-U.S. short-term investments	(110,447,610)
U.S. fixed income derivatives	(32,875,107)
Non-U.S. fixed income derivatives	(2,451,911)
Real estate investments	
U.S. real estate	905,482,353
Non-U.S. real estate	83,366,612
Hedge fund investments	
Hedge funds	465,965,108
Commodities investments	
Commodities	338,887,815
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	1,723,653,945
Total Investments	**$ 18,316,604,050**

(a) Fixed income investments presented in this table include $61,155,681 of short-term investments with maturities of less than 90 days, which are included in the cash and short-term investments total on the financial statements.
(b) U.S. short-term investments principally consist of money market funds and options.
(c) Fixed income investments presented in this table include $25,882,595 of short-term bills and notes with maturities greater than 90 days.
(d) Fixed income investments presented in this table include commingled funds, derivatives, cash, and cash equivalent holdings.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. SURS has adopted a formal policy specific to custodial credit risk. To minimize custodial credit risk, SURS performs due diligence on service providers, provides investment parameters for investment vehicles, monitors the financial condition of the custodian, endeavors to have all investments held in custodial accounts through specific sources, and requires the custodian to meet certain requirements. At June 30, 2016, no investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue. SURS has not adopted a formal policy specific to concentration of credit risk. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. The System's investment portfolios are managed by professional investment management firms. These firms must maintain diversified portfolios and must comply with risk management guidelines specific to each of their investment management agreements. Excluding U.S. government and agency issues, the portfolios are limited to a 5% allocation in any single investment grade U.S. issuer. Allocation limits also apply to international issuers. At June 30, 2016, SURS had no investments in any one issuer that represented 5% or more of the System's total investments.

Credit Risk of Debt Securities
Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill obligations. SURS has not adopted a formal policy specific to credit risk of debt securities. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. The quality ratings of investments in fixed income securities of the System as described by Standard & Poor's rating agency at June 30, 2016 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	$ 117,462,302	$ 31,573,880	$ 149,036,182
AA+	941,485,665	9,395,332	950,880,997
AA	38,113,104	4,617,666	42,730,770
AA-	24,895,075	7,808,072	32,703,147
A+	33,089,328	24,662,790	57,752,118
A	55,686,025	20,010,785	75,696,810
A-	94,178,705	30,901,246	125,079,951
BBB+	161,725,184	17,095,092	178,820,276
BBB	92,715,904	29,047,553	121,763,457
BBB-	77,830,269	20,205,333	98,035,602
BB+	21,172,129	14,836,555	36,008,684
BB	12,604,644	35,811,426	48,416,070
BB-	10,947,888	10,686,367	21,634,255
B+	2,482,203	26,985,018	29,467,221
B	2,074,294	2,907,751	4,982,045
B-	5,112,266	7,912,716	13,024,982
CCC+	-	3,336,429	3,336,429
CCC	12,851,336	111,011	12,962,347
CCC-	-	157,500	157,500
CC	-	543,523	543,523
D	1,591,311	137,500	1,728,811
Not rated ***	185,564,907	15,610,944	201,175,851
Total credit risk: debt securities	$ 1,891,582,539	$ 314,354,489	$ 2,205,937,028
U.S. government & agencies *	1,761,417,349	-	1,761,417,349
Total debt securities investments	**$ 3,652,999,888**	**$ 314,354,489**	**$ 3,967,354,377**

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government agencies Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), and Small Business Administration (SBA) are not considered to have credit risk.
** Domestic includes $181,881,219 from self-managed plan variable annuities and mutual funds.
*** The credit risk by quality ratings does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no quality rating.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Universities Retirement System manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. The System has not adopted a formal policy specific to interest rate risk. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties.

At June 30, 2016, the segmented time distribution of the various investment types of debt securities of the System are as follows:

		Maturities in Years				
Type	2016 Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years
U.S. gov't & agency fixed income*	$ 2,715,787,325	$105,540,206	$ 561,698,437	$ 703,460,514	$284,514,074	$1,060,574,094
U.S. corporate fixed income **	937,212,563	33,331,137	257,502,569	334,218,980	105,097,664	207,062,213
Non-U.S. fixed income	314,354,489	17,515,864	105,012,422	131,967,896	18,519,049	41,339,258
Total* **	**$ 3,967,354,377**	**$156,387,207**	**$ 924,213,428**	**$1,169,647,390**	**$408,130,787**	**$1,308,975,565**

* Includes $23,222,854 from self-managed plan mutual fund.
** Includes $158,658,365 from self-managed plan variable annuities and mutual funds.
*** The segmented time distribution of debt securities does not include commingled funds, derivatives, cash and cash equivalent holdings for which there is no maturity date.

Foreign Currency Risk
Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SURS has not adopted a formal policy specific to foreign currency risk. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. International investment management firms maintain portfolios with diversified foreign currency risk for SURS. The System's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity and fixed income investments. At June 30, 2016 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	$ 98,517,147	$ 1,771,995	$ 100,289,142
Brazilian real	9,784,105	1,119,682	10,903,787
British pound sterling	295,803,015	201,597	296,004,612
Canadian dollar	72,013,670	1,740,849	73,754,519
Chinese yuan renminbi	-	(83,678)	(83,678)
Colombian peso	-	37,317	37,317
Danish krone	32,299,693	(31,482)	32,268,211
Euro	475,664,561	(7,336,160)	468,328,401
Hong Kong dollar	104,698,310	13,548	104,711,858
Hungarian forint	746,583	-	746,583
Indian rupee	-	133,589	133,589
Indonesian rupiah	7,218,530	(469,328)	6,749,202
Japanese yen	323,893,722	(15,030,753)	308,862,969
Malaysian ringgit	1,632,660	(1,774,124)	(141,464)
Mexican peso	6,569,374	1,962,935	8,532,309
New Israeli shekel	7,167,742	-	7,167,742
New Taiwan dollar	21,524,605	(1,472,236)	20,052,369
New Zealand dollar	382,606	2,768,520	3,151,126
Norwegian krone	9,686,796	8,723	9,695,519
Philippine peso	1,443,271	(83,541)	1,359,730
Polish zloty	1,716,502	5	1,716,507
Russian ruble (new)	-	(3,441,247)	(3,441,247)
Singapore dollar	36,922,878	(3,351,315)	33,571,563
South African rand	21,039,009	35,702	21,074,711
South Korean won	20,709,937	(7,980,292)	12,729,645
Swedish krona	62,518,126	32,106	62,550,232
Swiss franc	113,758,946	(25,651)	113,733,295
Thai baht	8,845,293	24	8,845,317
Turkish lira	4,057,417	828,278	4,885,695
Total securities subject to foreign currency risk	**$ 1,738,614,498**	**$ (30,424,937)**	**$ 1,708,189,561**
Foreign investments denominated in U.S. dollars	**782,603,114**	**402,867,258**	**1,185,470,372**
Total foreign investment securities	**$ 2,521,217,612**	**$ 372,442,321**	**$ 2,893,659,933**

* Includes swaps, options and short-term investments. These derivatives and pending transactions have resulted in negative totals for certain currencies.

NOTES TO THE FINANCIAL STATEMENTS

Derivative Securities
The System invests in derivative securities through its investment managers. A derivative security is an investment whose value is derived from other financial instruments such as commodity prices, bond and stock prices, or a market index. The System's derivatives are considered investments. The fair value of all derivative financial instruments is reported in the Statement of Plan Net Position, and the change in the fair value is recorded in the Statement of Changes in Plan Net Position as net appreciation (depreciation) in fair value of investments.

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements. As of June 30, 2016, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions. At June 30, 2016, SURS' investments in derivatives had the following balances:

	Notional Value 2016	Fair Value 2016	Change in Fair Value
Forwards	$ -	$ (2,051,777)	$ (12,346,327)
Rights and warrants	$ 228,985	$ 35,779	$ 18,090
Futures			
Equity			
Long	$ 502,007,884	$ 7,038,645	$ 6,068,628
Short	-	-	480,598
Fixed income			
Long	361,438,329	(5,775)	115,460
Short	(462,587,165)	(14,938)	3,949
Commodity			
Long	-	-	(6,645,129)
Short	(10,864,484)	(95,574)	(95,574)
Foreign exchange			
Long	13,881,600	18,510	19,311
Short	(6,718,140)	(13,840)	(127,948)
Total futures	$ 397,158,024	$ 6,927,028	$ (180,705)
Options			
Equity			
Put	$ -	$ -	$ 2,927
Fixed income			
Call	(164,021,030)	(72,033)	815,416
Put	(10,032,415)	(6,671)	38,684
Cash and cash equivalent			
Call	(17,402,430)	(196,248)	51,084
Put	(12,341,320)	291,540	1,054,862
Swaptions			
Call	(332,270)	(423,203)	(178,914)
Put	551,661,282	249,252	533,780
Total options	$ 347,531,817	$ (157,363)	$ 2,317,839
Swaps			
Credit default			
Buying protection	$ 16,200,000	$ (283,176)	$ (283,176)
Selling protection	66,493,721	(1,253,725)	(1,368,779)
Currency	-	-	(521,600)
Inflation-linked			
Pay fixed	29,291,789	1,458,146	2,300,511
Receive fixed	91,034,945	(1,968,578)	(1,458,723)
Interest rate			
Receive fixed	(782,699,599)	(33,124,080)	(35,790,306)
Total return	-	-	659,273
Volatility	3,000	1,760	1,760
Total swaps	$ (579,676,144)	$(35,169,653)	$(36,461,040)

Foreign currency forward contracts are used to protect against the currency risk in SURS' foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the investment income in the Statement of Changes in Plan Net Position. At June 30, 2016, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2016	Change in Fair Value
Australian dollar	$ 68,527	$ (143,772)	$ (75,245)	$ (75,322)
Brazilian real	1,045,775	(3,177,624)	(2,131,849)	(2,326,091)
British pound sterling	69,386	(68,519)	867	480,098
Canadian dollar	949	(17,144)	(16,195)	(15,162)
Chinese yuan renminbi	344,376	(205,817)	138,559	343,119
Colombia peso	-	(6,225)	(6,225)	(6,225)
Danish krone	-	(466,666)	(466,666)	(466,666)
Euro	-	(47,867)	(47,867)	378,515
Hong Kong dollar	-	(17)	(17)	(17)
Indian rupee	-	-	-	(18,504)
Japanese yen	923,717	(2,217,834)	(1,294,117)	(818,157)
Malaysian ringgit	-	(59,173)	(59,173)	(59,173)
Mexican peso	15,417	(38,799)	(23,382)	(13,267)
New Taiwan dollar	-	(6,062)	(6,062)	(6,062)
New Zealand dollar	-	(65,877)	(65,877)	(65,877)
Polish zloty	-	(2,439)	(2,439)	(2,439)
Russian ruble (new)	307,378	(374,024)	(66,646)	(3,538)
Singapore dollar	19,503	(62,176)	(42,673)	(42,673)
South Korean won	236	(73,605)	(73,369)	(73,369)
Swiss franc	-	-	-	44
Turkish lira	2,028	(4,015)	(1,987)	(1,987)
Total securities subject to foreign currency risk	$ 2,797,292	$ (7,037,655)	$ (4,240,363)	$ (2,792,753)
Foreign investments denominated in U.S. dollars	3,861,014	(1,672,428)	2,188,586	(9,553,574)
Total foreign investment securities	$ 6,658,306	$ (8,710,083)	$ (2,051,777)	$(12,346,327)

Rights and warrants provide SURS investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights normally are issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is reported in the investments in the Statement of Plan Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Plan Net Position.

SURS investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, SURS investment managers use futures contracts to improve the yield or adjust the duration of the fixed income portfolio. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing the System's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. The cash or securities to fulfill these obligations are held in the investment portfolio. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Plan Net Position.

NOTES TO THE FINANCIAL STATEMENTS

SURS investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability on the System's financial statements. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

SURS fixed income managers invest in swaps and swaptions to manage exposure to credit, inflation, interest rate, and volatility risks. Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. Swap agreements are privately negotiated agreements with a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. In connection with swap agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default, bankruptcy or insolvency. Swaps are marked to market daily based upon values from third party vendors or quotations from market makers to the extent available and any change in value is recorded as an unrealized gain or loss. SURS investment managers have entered into credit default, inflation-linked, interest rate, and volatility swap agreements.

NOTES TO THE FINANCIAL STATEMENTS

Swaps and Credit Risk

	Notional Value 2016	Fair Value 2016	Maturities in Years Less than 1 year	1 to 5 years
Swaps				
Credit default	$ 38,939,243	$ (1,233,874)	$ 148,964	$ 88,486
Credit default	400,000	646	-	646
Credit default	10,554,478	(335,198)	380	948
Credit default	32,800,000	31,524	-	31,524
Total, credit default	82,693,721	(1,536,902)	149,344	121,604
Currency	-	-	-	-
Inflation-linked	99,498,877	6,126	(91,079)	(1,121,017)
Inflation-linked	20,827,857	(516,559)	(164,000)	(472,208)
Inflation-linked	-	-		
Total, inflation-linked	120,326,734	(510,433)	(255,079)	(1,593,225)
Interest rate	(4,052,960)	(170,265)	-	(171,919)
Interest rate	514,320	15,668	-	15,668
Interest rate	6,356,422	(165,200)	-	(165,200)
Interest rate	(785,517,381)	(32,804,283)	-	(4,717,180)
Total, interest rate	(782,699,599)	(33,124,080)	-	(5,038,631)
Total return	-	-	-	-
Volatility	3,000	1,760	1,760	-
Total swaps	$ (579,676,144)	$ (35,169,655)	$ (103,975)	$ (6,510,252)
Swaptions	$ 486,797,412	$ (606,950)	$ (622,364)	$ 15,414
	-	-	-	-
	(3,868,400)	309,153	(45,811)	354,964
	68,400,000	123,846	230	123,616
	$ 551,329,012	$ (173,951)	$ (667,945)	$ 493,994
Forwards	$ -	$ (2,051,777)	$ (2,011,611)	$ (40,166)

NOTES TO THE FINANCIAL STATEMENTS

Maturities in Years				
6 to 10 years	10 to 20 years	More than 20 years	Change in Fair Value	Counterparty Credit Rating
$ (9,760)	-	$ (1,461,564)	$ (271,931)	A
-	-	-	1,130	AA
-	-	(336,526)	(1,412,081)	BBB
-	-	-	30,927	No Rating
(9,760)	-	(1,798,090)	(1,651,955)	
-	-	-	(521,600)	A
6,725	1,113,076	98,421	388,388	A
(104,420)	224,069	-	453,399	BBB
			-	No Rating
(97,695)	1,337,145	98,421	841,787	
1,654	-	-	(2,370,292)	A
-	-	-	90,417	AA
-	-	-	(706,148)	BBB
(13,233,810)	(2,259,161)	(12,594,132)	(32,804,283)	No Rating
(13,232,156)	(2,259,161)	(12,594,132)	(35,790,306)	
-	-	-	659,273	A
-	-	-	1,760	A
$ (13,339,611)	$ (922,016)	$ (14,293,801)	$ (36,461,041)	
-	-	-	$398,959	A
-	-	-	(125,252)	AA
-	-	-	(42,687)	BBB
-	-	-	123,846	No Rating
$ -	$ -	$ -	$ 354,866	
$ -	$ -	$ -	$ (12,346,327)	No Rating

Credit default swap agreements involve one party making a stream of payments (the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index. The seller of protection generally receives from the buyer of protection a fixed rate of income throughout the term of the swap provided there is no credit event. The seller effectively adds leverage to its portfolio as it is subject to investment exposure on the notional amount of the swap.

Inflation-linked swap agreements involve a stream of fixed payments in exchange for variable payments linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are utilized to transfer inflation risk from one counterparty to another.

Interest rate swap agreements involve the exchange of a set of variable and fixed-rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. These agreements are used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would be available without the swap. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Position.

Volatility swap agreements involve two parties taking opposite sides of the future volatility of an underlying instrument (e.g., an index, individual security or exchange rate) without the influence of its price. Payoff is determined by the future realized volatility. At expiry the holder of the long position in a volatility swap receives (or owes) the difference between the realized volatility and the volatility strike that was agreed upon at contract initiation. Volatility swaps are often utilized to trade the spread between realized and implied volatility or to hedge the volatility exposure of other positions in a portfolio.

SURS Rate	Counterparty Rate	Notional Value 2016	Fair Value 2016	Pay Fixed / Receive Fixed
0.83% to 1.1775%	Eurostat Eurozone HICP Ex Tob[1]	$ 4,443,800	$ 4,269	Pay Fixed
3.10% to 3.53%	UK RPI All Items NSA[2]	20,047,988	1,446,292	Pay Fixed
1.77% to 1.845%	US CPI Urban Consumers NSA[3]	4,800,000	7,585	Pay Fixed
		$ 29,291,788	$ 1,458,146	
Eurostat Eurozone HICP Ex Tob[1]	0.27% to 1.09%	$ 39,138,769	$ (482,486)	Receive Fixed
UK RPI All Items NSA[2]	3.12% to 3.145%	1,096,176	(10,726)	Receive Fixed
US CPI Urban Consumers NSA[3]	1.01% to 2.50%	50,800,000	(1,475,366)	Receive Fixed
6MEUR-EURIBOR-Act/360-Bloomberg[4]	0.75%	(1,333,140)	(47,136)	Receive Fixed
Brazil Cetip Interbank Deposit[5]	11.68% to 12.81%	16,273,319	(225,237)	Receive Fixed
CAD-BA-CDOR 3M[6]	0.90% to 2.30%	-	(526,175)	Receive Fixed
GBP-LIBOR-BBA-Bloomberg 6M[7]	1.50% to 2.00%	(16,977,359)	(1,422,395)	Receive Fixed
JPY-LIBOR-BBA-Bloomberg 6M[8]	0.30% to 1.50%	(12,769,276)	(831,563)	Receive Fixed
Mexico Interbank TIIE 28 Day[9]	5.61% to 7.64%	4,666,856	49,949	Receive Fixed
USD-LIBOR-BBA-Bloomberg 3M[10]	1.00% to 3.00%	(772,560,000)	(30,121,522)	Receive Fixed
		$ (691,664,655)	$ (35,092,657)	

Volatility Measure	Strike	Notional Value 2016	Fair Value 2016	Pay Fixed/ Receive Fixed
USD-BRL V 3M[11]	22.45%	$ 3,000	$ 1,760	Variable
		$ 3,000	$ 1,760	

1 Eurozone Harmonised Index of Consumer Prices excluding Tobacco
2 Retail Price Index All Items United Kingdom Consumer Price Index excluding Tobacco
3 Consumer Price Index All Urban Consumers Not Seasonally Adjusted (CPI NSA)
4 Euro Interbank Offered Rate (EURIBOR)
5 Brazil Cetip Interbank Deposit (CDI)
6 Canadian Dollar Offered Rate (CDOR)
7 Pound London Interbank Offered Rate (LIBOR)
8 Yen London Interbank Offered Rate (LIBOR)
9 Mexico Interbank Tasa de Interest Interbancaria de Equilibrio (TIIE)
10 London Interbank Offered Rate (LIBOR)
11 USD BRL Exchange Rate

Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. The maximum loss that would be recognized at June 30, 2016, if all counterparties fail to perform as contracted is $13.1 million. This maximum exposure is reduced by approximately $10.5 million in collateral held and approximately $50.5 million in liabilities, resulting in approximately $(47.8) million net exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Securities Lending
The SURS Board of Trustees policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Deutsche Bank AG New York, the System's third party agent lender in fiscal year 2016, loaned securities in exchange for cash collateral at 102% for U.S. securities and 105% for international securities. Cash collateral is shown on the System's financial statements. Securities lent are included in the Statement of Plan Net Position. Types of securities on loan include agency and government bonds, domestic equities, and international equities. At year end, the System had no credit risk as a result of its securities lending program as the collateral received exceeded the fair value of the securities loaned. The contract with the System's third party agent lender requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are out on loan. All securities loans can be terminated on demand by either the System or the borrower, although the average term of the loans was 1.37 days. Cash collateral is invested in the indemnified repurchase agreements, which at year end had a weighted average final maturity of 48.43 days, a weighted average reset of 28.55 days, and a fair value of $602.4 million.

Collateral as of June 30, 2016 ($ millions)	
Securities on loan as of June 30, 2016	$ 587.9
Fair value of cash collateral invested	$ 602.4
Fair value of collateral received	$ 602.1
Change in fair value*	$ 0.3

*Included in net appreciation in fair value of investments in Statement of Changes in Plan Net Position.

Self-Managed Plan
The SMP members have the ability to invest their account balances in 27 mutual funds, variable annuities and commingled pools. These investment options are offered by two providers: Fidelity Investments and Teachers Insurance and Annuity Association (TIAA). As of June 30, 2016, the SMP had investments of $1,820,512,824. A detailed schedule (unaudited) of the funds and balances at June 30, 2016 is located in the Investment Section of The Comprehensive Annual Financial Report.

V. Net Pension Liability

The net pension liability for the SURS defined benefit plan as of June 30, 2016 is as follows:

Employer Net Pension Liability ($ millions)

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability
2016	$42,970.9	$17,005.6	$25,965.3	39.57%

The net pension liability represents the defined benefit plan's total pension liability determined in accordance with GASB Statement No. 67, less the plan net position. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in February 2015. An economic assumption study was performed June 2014. The total pension liability as of June 30, 2016 is based on the results of an actuarial valuation date of June 30, 2015 and rolled forward using generally accepted actuarial procedures. A summary of the actuarial methods and assumptions used in the latest actuarial valuation are presented below.

Summary of Actuarial Assumptions

Valuation date	June 30, 2015
Actuarial cost method	Individual entry age
Actuarial Assumptions	
Single discount rate	7.01%
Expected rate of return	7.25%
Municipal bond rate	2.85% (based on the weekly rate closest to but not later than the measurement of the "state & local bonds" rate from Federal Reserve statistical release (H.15))
Inflation	2.75%
Projected salary increases	3.75% to 15.0% including inflation
Post-retirement cost of living adjustments	3.0%
Mortality table	RP2014 White Collar, gender distinct. Projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

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Single Discount Rate

A single discount rate of 7.01% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on an expected return on pension plan investments of 7.25% and a municipal bond rate of 2.85%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Estimated contributions of which the majority of the contributions (approximately 97% in 2017) is provided by the State of Illinois, are projected to be $1.7 billion in 2017 and growing to $3.7 billion in 2045 based on current statutory requirements for current members. Based on these assumptions, the pension plan's net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability calculated using a single discount rate of 7.01%, as well as impact on the net pension liability of increasing the single discount rate by 1% and decreasing the single discount rate by 1%.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption as of June 30, 2016 ($ millions)

	1% Decrease 6.01%	Current Discount Rate 7.01%	1% Increase 8.01%
Net Pension Liability	$ 31,348.8	$ 25,965.3	$ 21,502.4

Long-Term Expected Rate of Return

The asset allocation of investments within the Defined Benefit portfolio is approved by the Board of Trustees in accordance with SURS Investment Policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the defined benefit pension plan. The table displayed below is the Board-approved asset allocation policy for fiscal year 2016 and the long-term expected real rates of return. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in accordance with the Actuarial Standards of Practices (ASOP) 27 Section 3.6.2(a) in which best estimate ranges of expected future real rates of return are developed for each major asset class.These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Asset Class	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
U.S. equity	23.0%	6.08%
Private equity	6.0	8.73
Non-U.S. equity	19.0	6.95
Global equity	8.0	6.78
Fixed income	19.0	1.17
Treasury Inflation-Protected Securities (TIPS)	4.0	1.41
Emerging market debt (EMD)	3.0	4.44
Real estate		
REITs	4.0	5.75
Direct real estate	6.0	4.62
Commodities	2.0	4.23
Hedged strategies	5.0	4.00
Opportunity Fund	1.0	6.54
Total	**100.0%**	**5.09%**
Inflation		**2.75**
Expected arithmetic return*		**7.84%**

*The geometric expected rate of return includes volatility and correlation estimates while the expected arithmetic return does not.

For the year ended June 30, 2016 the annual money-weighted rate of return on defined benefit plan investments, net of fees was 0.12%. The money weighted rate of return expresses investment performance, net of fees, adjusted for the changing amounts actually invested.

NOTES TO THE FINANCIAL STATEMENTS

VI. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$ 531,834	$ -	$ -	$ 531,834
Office building	7,626,603	24,331	-	7,650,934
Information system equipment & software	15,810,928	479,262	18,868	16,271,322
Furniture and fixtures	826,878	71,303	3,105	895,076
	24,796,243	574,896	21,973	25,349,166
Less accumulated depreciation:				
Office building	3,108,426	231,427	-	3,339,853
Information system equipment & software	14,753,077	236,335	-	14,989,412
Furniture and fixtures	765,717	5,031	-	770,748
	18,627,220	472,793	-	19,100,013
	$ 6,169,023	$ 102,103	$ 21,973	$ 6,249,153

The average estimated useful lives for depreciable capital assets are as follows:

Office building	40 years	Information systems equipment	5 years
Information systems software	10 years	Furniture and fixtures	7 years

VII. Compensated Absences

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is 448 hours of vacation and one-half of unused sick time earned between January 1, 1984 and December 31, 1997. No sick time earned after December 31, 1997 will be compensable at termination.

At June 30, 2016, the System had a liability of $1,226,823 for compensated absences, based upon the vesting method used for calculation of sick leave payable. The liability is included in the administrative expenses payable on the Statement of Plan Net Position, and the annual increase or decrease in liability is reflected in the financial statements as an increase or decrease in salary expense.

Compensated absences payable for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$1,222,578	$ 92,148	$ 87,903	$ 1,226,823	$ 55,300

NOTES TO THE FINANCIAL STATEMENTS

VIII. Insurance Coverage

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The employee health claims are administered through State of Illinois Central Management Services. The System has minimized the risk of loss through private insurance carriers for commercial, business owners, and automobile policies. The deductible for this insurance coverage ranges from $100 to $50,000 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The System has not had any insurance claims filed or paid in the past five fiscal years.

IX. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services, along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute toward health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute toward health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State; therefore, those annuitants with 20 or more years of credited service do not have to contribute toward health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the State Universities Retirement System's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Health and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois 62763.

X. Lease Agreements

The System leases office space in Naperville for its Northern Counseling Center. The commitment for this lease is $12,690 for fiscal year 2016 and will remain the same for 2017. In addition, the System began leasing office space in Springfield for its legislative staff. The fiscal commitment for this lease is $7,200 for both fiscal years 2016 and 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Employer Net Pension Liability and Related Ratios

Total pension liability	**2016**	**2015**
Service cost	$ 666,374,861	$ 654,968,438
Interest on net pension liability	2,876,930,310	2,723,714,885
Changes in benefit terms	-	-
Differences between expected and actual experience	(3,426,377)	40,408,204
Changes in assumptions	532,522,898	831,624,586
Benefit payments	(2,235,812,995)	(2,129,977,721)
Refunds of member accounts	(85,015,923)	(83,715,720)
Net change in pension liability	1,751,572,774	2,037,022,672
Total pension liability - beginning	41,219,328,943	39,182,306,271
Total pension liability - ending	**$42,970,901,717**	**$41,219,328,943**
Plan fiduciary net position		
Member contributions	$ 278,883,776	$ 267,682,083
Employer contributions	39,348,478	39,933,909
Non-employer contributing entity contributions	1,542,946,474	1,488,591,489
Net investment income	17,043,679	503,199,957
Benefit payments	(2,235,812,995)	(2,129,977,721)
Refunds of member accounts	(85,015,923)	(83,715,720)
Non investment administrative expenses	(14,731,372)	(14,069,273)
Net change in plan fiduciary net position	(457,337,883)	71,644,724
Plan fiduciary net position - beginning	17,462,967,856	17,391,323,132
Plan fiduciary net position - ending	**$17,005,629,973**	**$17,462,967,856**
Net pension liability - ending	**$25,965,271,744**	**$23,756,361,087**

Schedule of Net Pension Liability ($ millions)

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$39,182.3	$17,391.3	$21,791.0	44.39%	$3,522.2	618.67%
2015	41,219.3	17,463.0	23,756.3	42.37	3,606.5	658.71
2016	42,970.9	17,005.6	25,965.3	39.57	3,513.1	739.10

Note: The System implemented GASB Statement No. 67 in fiscal year 2014. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

Schedule of Contributions from Employers and Other Contributing Entities ($ thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution Employers	Actual Contribution Other Contributing Entities	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2007	$ 705,900	$ 37,079	$ 224,064	$ 444,757	$3,180,985	8.21%
2008	707,537	38,031	306,914	362,592	3,303,220	10.44%
2009	874,032	34,360	417,257	422,415	3,463,922	13.04%
2010	1,003,331	34,166	662,429	306,736	3,491,071	19.95%
2011	1,259,048	36,547	737,048	485,453	3,460,838	22.35%
2012	1,443,348	45,596	940,219	457,533	3,477,166	28.35%
2013	1,549,287	41,874	1,359,607	147,806	3,533,858	39.66%
2014	1,560,524	43,899	1,458,965	57,660	3,522,246	42.67%
2015	1,622,656	39,934	1,488,591	94,130	3,606,536	42.38%
2016	1,649,447	39,348	1,542,946	67,153	3,513,108	45.04%

Schedule of Investment Returns (A)

2014	18.15%
2015	2.84
2016	0.12

(A) Annual money-weighted rate of return, net of investment fees

Note: The System implemented GASB statement No. 67 in fiscal year 2014. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability

The covered employee payroll is equal to the defined benefit payroll from June 30, 2015 valuation rolled forward with one year of wage inflation at 3.75%. The beginning of the year total pension liability uses a single discount rate of 7.12% and the end of the year total pension liability uses a single discount rate of 7.01%. The difference between the actual and expected experience includes the impact of this change in the single discount rate based on the long-term municipal bond rate of 3.80% as of June 25, 2015 and 2.85% as of June 25, 2016.

Actuarial Assumptions and Methods Used in Determining Fiscal Year 2016 Contributions

Valuation Date	June 30, 2014
Valuation Method	Projected unit credit
Amortization Method	The statutory contribution is equal to the level percentage of pay contributions determined so that the Plan attains a 90% funded ratio by the end of 2045.
Remaining Amortization Period	Not applicable. While an amortization payment is not directly calculated, it represents the difference between the total statutory contribution and the employer normal cost contribution.
Asset Valuation Method	5 year smoothed market
Inflation	2.75%
Salary Increases	3.75% to 15.0% including inflation
Investment Rate of Return	7.25% beginning with the actuarial valuation as of June 30, 2014.
Real Rate of Return	4.5%
Retirement Age	Experience-based table of rates. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2014 mortality White Collar table with gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.
Other Notes	None

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2016 and 2015

	2016	2015
Defined benefit plan		
Personnel services		
Salary and wages	$ 7,844,176	$ 7,510,708
Retirement contributions	964,392	863,175
Insurance and payroll taxes	2,595,773	2,298,988
	11,404,341	10,672,871
Professional services		
Computer services	644,045	600,079
Medical consultation	3,046	7,054
Technical and actuarial	624,517	591,630
Legal services	156,854	261,198
	1,428,462	1,459,961
Communications		
Postage	283,046	376,696
Printing and copying	62,132	61,237
Telephone	106,204	100,915
	451,382	538,848
Other services		
Equipment repairs, rental and maintenance	74,047	82,637
Building operations, maintenance, office rental	260,197	253,723
Surety bonds and insurance	251,435	261,744
Memberships and subscriptions	51,347	51,333
Transportation, travel and conferences	171,805	119,362
Education	24,670	35,936
EDP supplies and equipment	71,457	86,220
Office supplies	47,462	53,038
	952,420	943,993
Depreciation and amortization	**494,767**	**453,600**
Total administrative expenses - defined benefit plan	**$ 14,731,372**	**$ 14,069,273**
Self-managed plan		
Salary and wages	288,652	282,496
Retirement contributions	96,258	83,786
Insurance and payroll taxes	39,853	36,466
Technical and actuarial	43,500	54,375
Postage	6,322	5,638
Memberships and subscriptions	600	600
Transportation, travel and conferences	2,837	1,354
Printing and copying	1,149	1,668
Total administrative expenses - self managed plan	**$ 479,171**	**$ 466,383**
Total administrative expenses	**$ 15,210,543**	**$ 14,535,656**

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2016 and 2015

	2016	2015
Defined benefit plan		
Technical and actuarial services		
Aurico	$ 2,389	$ 4,205
Berns Clancy & Associates	-	12,880
The Berwyn Group	4,200	4,200
Gabriel, Roeder, Smith & Co.	182,512	228,180
Governmental Consulting Solutions	-	40,000
Heidrick & Struggles, Inc.	90,000	-
Henneman Engineering Inc.	2,190	12,325
ICS/Merrill	-	4,282
Janet Jones & Associates	44,000	42,000
LexisNexis	500	-
Miscellaneous	1,844	7,859
Open position advertising/recruitment	5,520	80,753
PayScale, Inc.	5,000	5,000
Piracle, Inc.	258	-
Propio Language Services, LLC	758	428
Ratio Architects	-	14,850
Reed Group	1,360	-
Segal Consulting	74,730	-
Sikich LLP	50,488	15,500
SurveyMonkey Inc.	300	-
The Northern Trust Company	80,888	76,668
Woolard Marketing Consultants, Inc.	19,580	22,500
Zahn Governmental Solutions, LLC	58,000	20,000
	624,517	591,630
Legal services		
Area Wide Reporting Service	2,438	1,797
Burke Burns & Pinelli, Ltd.	94,627	122,896
Esquire Deposition Solutions LLC	170	-
Featherstun, Gaumer, et al. (fka Winters, Featherstun, et al)	16,356	13,963
Illinois Office of the Attorney General	35	-
Internal Revenue Service	-	24,625
IRSS/FRT, LLC (fka Investors Responsibility Support Services)	25,000	25,000
Jackson Walker L.L.P.	3,089	-
Katten Muchin Rosenman LLP	-	66,324
Laner Muchin, Ltd.	5,483	-
Mayer Brown LLP	9,656	6,593
	156,854	261,198
Self-managed plan		
Technical and actuarial services		
NEPC	43,500	54,375
Total consultant payments	**$ 824,871**	**$ 907,203**

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2016 and 2015

	2016	2015
Investment Manager		
Adams Street Partners	$ 5,654,084	$ 5,411,981
Alinda Capital Partners	460,621	436,645
Ativo Capital Management	575,993	462,953
BlackRock Institutional Trust Company	5,159,960	4,343,951
BlueBay Asset Management	1,096,404	-
Blue Vista Capital Management	652,260	-
Brookfield Asset Management	239,674	-
Calamos Advisors	451,863	1,485,743
CastleArk Management	739,389	735,102
CBRE Clarion Real Estate Securities	1,327,866	1,304,166
Channing Capital Management	687,265	617,624
Chicago Equity Partners	555,785	542,656
Colchester Global Investors Limited	519,059	46,211
Courtland Partners (fka Mesirow Financial Inv Mgt)	299,063	330,000
Crow Holdings	687,636	-
Dune Capital Management	1,182,528	1,329,571
EARNEST Partners	650,260	235,826
Fairview Capital Partners	99,010	47,660
Fidelity Institutional Asset Management (fka Pyramis Global Advisors)	2,010,621	1,941,611
Franklin Templeton Real Estate Advisors	521,434	584,117
Garcia Hamilton & Associates	193,232	167,735
GlobeFlex Capital, L.P.	2,037,846	1,664,329
Heitman	1,323,380	708,408
Herndon Capital Management	163,339	540,159
Holland Capital Management	284,440	283,042
Invesco	100,868	-
Jacobs Levy Equity Management	838,577	1,215,702
J.P. Morgan Asset Management	756,680	809,725
KKR Prisma	591,406	-
LM Capital Group	271,180	265,496
Lombardia Capital Partners	217,590	234,727
Longfellow Investment Management	80,915	81,182
Macquarie Capital	940,140	915,323
Martin Currie, Inc.	-	271,298
Mesirow Financial Investment Management (fka Fiduciary Mgt Assoc)	648,924	623,466
Mondrian Investment Partners	833,359	794,346
Muller and Monroe Asset Management	181,094	209,359
Neuberger Berman	487,342	482,512
New Century Advisors	220,270	220,801
Northern Trust Asset Management	162,249	193,371
Pacific Alternative Asset Management Company	489,348	-
Pacific Investment Management Company	2,979,841	4,296,984
Pantheon Ventures	3,599,430	3,412,840
Parametric Clifton	466,528	337,529
Piedmont Investment Advisors	670,728	653,582
Progress Investment Management Company	3,196,256	3,254,317
Prudential Fixed Income	617,763	-
Pugh Capital Management	241,732	238,191
RhumbLine Advisers	129,167	146,460
RREEF	50,158	185,417
Smith Graham & Company	168,572	164,916
State Street Global Advisors	61,539	60,658
Strategic Global Advisors	777,370	607,576
T. Rowe Price	2,603,458	2,662,443
Taplin, Canida & Habacht	119,285	206,968
TCW Metropolitan West Asset Management	863,161	780,615
UBS Realty Investors	3,986,336	2,888,434
Wellington Management Company	2,854,681	2,636,159
Total investment management fees	57,778,959	52,069,887

OTHER SUPPLEMENTARY INFORMATION

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses (continued)
For the Years Ended June 30, 2016 and 2015

	2016	2015
Master Trustee & Custodian		
The Northern Trust Company	1,552,485	1,518,211
Investment Consultant, Measurement & Counsel		
Chapman and Cutler LLP		77,917
Jackson Walker L.L.P.	115,512	82,080
Mayer, Brown, Rowe & Maw LLP	44,839	75,917
NEPC, LLC	566,500	443,125
Proskauer	61,074	66,611
Total investment fees	787,925	745,650
Investment Administrative Expenses		
Personnel	1,250,373	1,109,363
Resources and Travel	163,186	182,989
Performance Measurement and Database	81,273	78,926
Total administrative expenses	1,494,832	1,371,278
Total asset management expenses	**$ 61,614,201**	**$ 55,705,026**