

## SURS Portfolio Designed to Weather Downturn, State Committed to Funding

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[surs.com/sites/default/files/styles/medium/public/field/image/funding.jpg?itok=IpiizIvm](#)

Since the coronavirus outbreak, markets have been experiencing a period of heightened uncertainty. As a pension member, we understand that can be worrying. However, it is important to know that your pension is a long-term investment. SURS has a diverse investment portfolio specifically designed to protect against market risk and produce steady returns over a long-term period. Member retirement benefits continue to be secure.

As further reassurance, on April 2, State Comptroller Susana Mendoza issued a statement confirming the state is committed to making required pension payments. For more information about SURS funding go to SURS Financial Highlights and Funding webpage - <https://www.surs.org/financial-highlights-and-funding>

[1]

or see SURS Funding Fact Sheet - <https://www.surs.org/sites/default/files/pdfsx/SURSFundingFactSheet.pdf>

[2]

or SURS FY 2019 Annual Report - <https://www.surs.org/financial-highlights-and-funding> [1].

### SURS Finances Before COVID-19 and Now

At SURS March board meeting, our general consultant reported to the board that SURS' performance for calendar year 2019 ranked in the top quartile of public defined benefit funds with assets greater than \$1 billion:

	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)	10 Yrs. (%)
<b>SURS Total Fund Return</b>	18.1	9.7	7.2	8.8
<b>SURS Policy Benchmark</b>	18.3	9.7	7.2	8.7
<b>InvMetrics Public DB &gt;\$1B Gross Rank</b>	24	32	34	23

The preliminary estimated fiscal year-to-date performance as of March 31, 2020, is -6.8% resulting in an estimated market value of \$17.8B. Thus far April returns have been positive and the estimated fiscal year to date return has increased to -3.5%. Please note that these are preliminary estimates and the investment market volatility remains elevated.

### SURS Portfolio Constructed to Manage Market Adversity

Over the past two years, SURS has carefully reviewed and modified our portfolio structure to better survive adversity. Given the challenging funded status of the System and the growing cash flow requirements to pay benefits, it is critical that our allocation policy generate returns that meet or exceed SURS' long-term investment objectives, while maximizing the diversification benefits in order to minimize the impact of near-term negative surprises. In September 2018, SURS adopted an asset allocation policy designed to meet these objectives. Since that time, implementation has been underway.

Key points of the redesigned asset allocation:

- SURS has been proactively repositioning the portfolio to reduce public equity exposure and increase exposure to strategies that provide a partial offset in times of market distress. [See allocation table for details](#)

[3]. Over the past 13 months, public equity exposure has been reduced by over 7%. When compared to peer universes of other public pension plans, SURS equity exposure is below the median of 48.6% as of December 31, 2019.

- Although only partial implementation of the new structure had occurred at the time of the global pandemic, the positive impact of these actions is significant. Global public equity markets as defined by the MSCI All Country World Index declined by -22.4% during the first quarter. Over the same time period the newly implemented Crisis Risk Offset class, representing 5.1% of the portfolio on January 31, returned a positive 5.2%. This change resulted in estimated savings of approximately \$250 million during the quarter.
- Importantly, as SURS portfolio was reducing equity exposure the portfolio continued to perform well. Our calendar year 2019 performance ranking placed SURS in the top quartile of peer public pension funds.
- SURS periodically reviews the portfolio's asset allocation throughout the implementation process. The most recent review was discussed in March 2020. One output of this review suggests that SURS portfolio is expected to meet its long-term target return of 6.75%.
- SURS assets are professionally managed and are being closely monitored. While the portfolio is not immune to the global equity downturn, the risk mitigation strategies put into place in advance are helping lessen the negative impact.

The following links provide access to additional investment information that is regularly updated on SURS website.

Preliminary monthly performance information is available on the 15th of each month (<https://surs.org/sites/default/files/pdfsx/invinfo.pdf> [4]). For more information about SURS asset allocation changes and implementation progress please review the Investment Update section of prior Advocate newsletters here - <https://surs.org/advocate> [5]. Additional investment information is also available on the investment tab of SURS website <https://www.surs.org/investments> [6], including:

- More detailed monthly performance and portfolio allocation information is available once finalized by our custodian (<https://www.surs.org/sites/default/files/pdfsx/invupdate.pdf> [7]).
- An annual Investment Plan is published each September (<https://surs.org/investment-plan> [8]).

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### Links

[1] <https://surs.com/financial-highlights-and-funding>

[2] <https://surs.com/sites/default/files/pdfsx/SURSFundingFactSheet.pdf>

[3] [https://surs.com/sites/default/files/pdfsx/SURS\\_Asset\\_Allocation\\_Changes.pdf](https://surs.com/sites/default/files/pdfsx/SURS_Asset_Allocation_Changes.pdf)

[4] <https://surs.org/sites/default/files/pdfsx/invinfo.pdf>

[5] <https://surs.org/advocate>

[6] <https://surs.com/investments>

[7] <https://surs.com/sites/default/files/pdfsx/invupdate.pdf>

[8] <https://surs.org/investment-plan>

[9] <https://surs.com/tags/news>