



The Advocate

Trustee Election begins April 2

SURS will hold a board election April 2 – May 1 to fill two expiring active-member trustee positions.

Two active board member terms and one annuitant (retired) board member term will expire in June. Steven Rock (active-member trustee) and John Engstrom (annuitant-member trustee) currently hold two of the seats. The second active-member seat was held by Dorinda Miller until just recently, when she resigned.

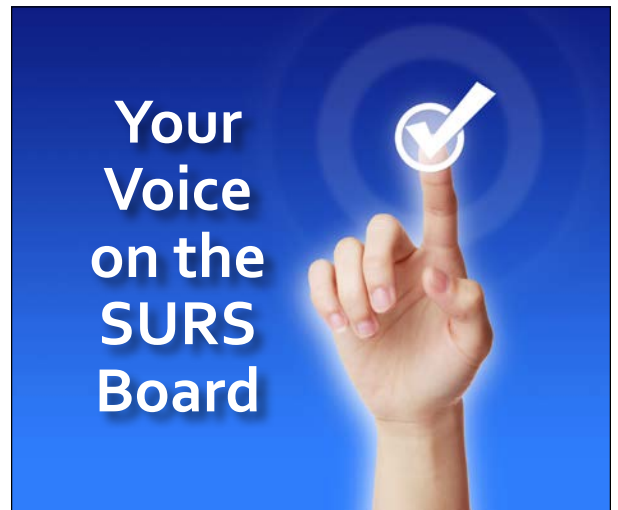
Trustee candidates circulated petitions from Oct. 2, 2017 – Jan. 31, 2018. Only one annuitant candidate, John Engstrom, returned petitions with the necessary 100 signatures. Because there is only one elected annuitant seat open, there will not be an election for that seat. Trustee Engstrom will continue in that position.

There were, however, three active-member candidates who returned petitions with the necessary 400 signatures to qualify for the election. The three active members will vie for the two open active-member seats. They are:

- [Steven M. Rock](#), economics professor at Western Illinois University in Macomb
- [Timothy P. Spila](#), senior research scientist in the Materials Research Lab at the University of Illinois in Urbana-Champaign
- [Collin A. Van Meter](#), member of the Information Technology Services Unit at Southern Illinois University in Edwardsville

Election-America, an impartial election services company will conduct the election.

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FY 2017 Annual Report Available

SURS 102-page annual report outlining assets; liabilities; employer contributions; investment policies, objectives and performance highlights; manager fees; membership and benefit statistics and more is available online for members to review.

The book is available to view or print from the System's website at www.surs.org/annual-financial-report.

FROM THE EXECUTIVE DIRECTOR

Staff, SMP, education changes ahead

As we move into the new year, SURS is undergoing exciting changes and updates that will allow us to better serve members.

As members of our executive team retire, we are taking the opportunity to reorganize and restructure. We are merging divisions to improve communications and efficiency.



Martin Noven

Technology is always at the forefront of efficiency and security, and over the years SURS has consistently improved our systems and updated our equipment.

In 2018, we will continue that expansion. Jefferey Saiger has joined our team as chief technology officer

to oversee future updates. Jefferey will manage application development and research, as well as facility operations.

On the benefits side, we have united the member services and outreach teams under one director for better, more cohesive customer service. Our new chief benefits officer is Suzanne Mayer, previously SURS outreach director. Suzanne has 15 years of experience with SURS as a retirement counselor, counseling manager and director.

Tara Myers will soon take over the duties of chief financial officer (CFO). She has been onboard since Jan. 2, working alongside retiring CFO Phyllis Walker, to make sure the transition is smooth and unproblematic.

Our Self-Managed Plan will undergo progressive changes this year. SURS will begin working with a dedicated defined contribution (DC) consultant to improve member education and fund choices.

Implementation of the optional hybrid plan created by the General Assembly in 2017 is pending. SURS is awaiting further legislation to clarify language regarding the creation of the defined contribution program and to resolve conflicts between the law and the Internal Revenue Code. We will update members with developments as they occur.

Finally, our education efforts this year will focus on providing useful information to help members in all stages of their careers prepare for retirement. This includes enhancing plan choice education, emphasizing the importance of supplemental savings and focusing on replacement of income in retirement. We will provide webinars, seminars, online information and email communication throughout the year.

We look forward to serving you in 2018. As always, please contact me with any questions or concerns you may have at mnoven@surs.org.

SURS Honors 2017 Employee of the Year

Elicia Monti, a member of the benefit support team, was honored as SURS Employee of the Year for 2017 at the fall employee luncheon.

Monti began her career at SURS in 2000 as a member of the PREP team handling PEPs, refunds, lump-sum retirements and purchases. Since 2008, she has been an integral member of the Benefit Support team providing training for staff, answering questions on benefit rules and calculations, performing cash receipts and check review functions, and doing calculations during peak loads.

This past year, Monti proactively updated SURS training materials and taught several classes for new employees. She also put her keen knowledge of SURS state statute to work by reviewing and providing input on more than 30 pieces of drafted legislation.

Her co-workers say she is always accurate, has exceptional decision-making skills and is a “wealth of knowledge.” Maybe the best compliment from co-workers is “If Elicia is involved you know it will be done right and quickly.”

Monti was nominated and selected for the award by her co-workers.



INVESTMENT UPDATE

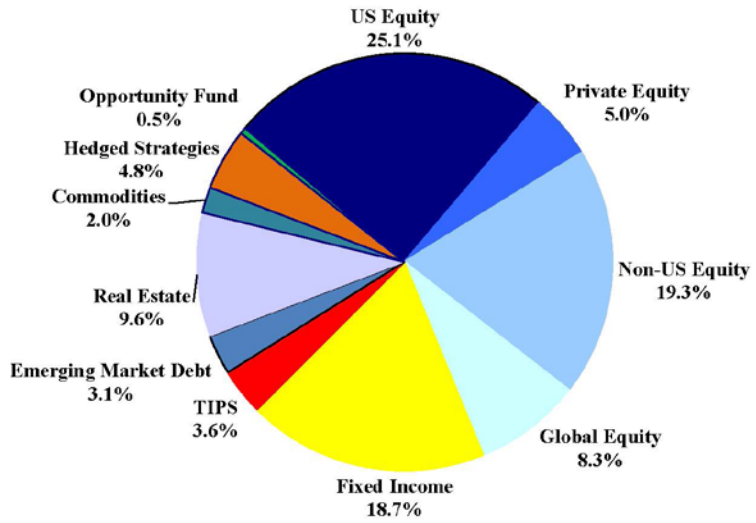
2018 Fiscal Year-To-Date Investment Results

A strong economic backdrop and healthy corporate earnings proved to be a quite favorable environment for global financial markets during the first six months of fiscal year 2018. All major asset classes provided positive returns during the period. Global equity markets continued to advance, fueled by generally strong economic data and benign inflation data. The SURS portfolio benefited from the continued rally, returning +7.6 percent, net of fees. This total fund return exceeded the +7.3 percent policy portfolio benchmark return. Non-U.S. equity markets produced the highest returns with +11.5 percent, as measured by the MSCI All Country World ex-U.S. Index. The U.S. equity market nearly matched the strong returns of the non-U.S. equity market and advanced by +11.2 percent, as measured by the Dow Jones U.S. Total Stock Market Index. Fixed income markets produced modest positive returns in spite of a slight rise in interest rates. The Bloomberg Barclays U.S. Aggregate Index, a broad index of investment grade fixed income securities, returned +1.2 percent. Investments in the com-

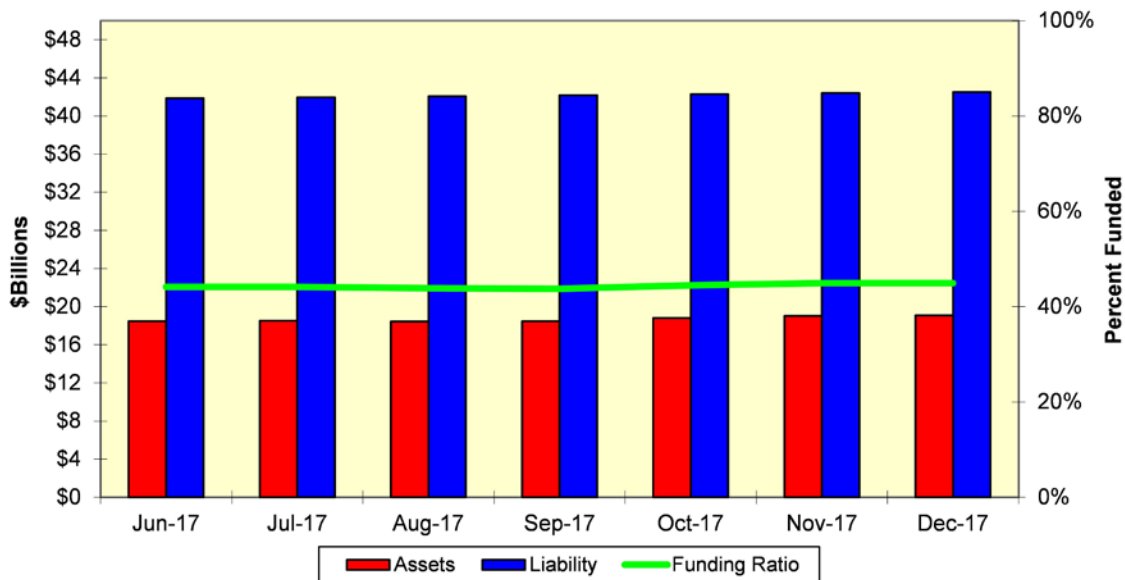
modities and emerging market debt markets also were additive to the total portfolio return. The Bloomberg Commodity Index returned +7.3 percent, while a custom index of emerging market debt securities returned +3.9 percent.

The SURS investment portfolio is broadly diversified across several asset classes in an attempt to appropriately manage the risk of the overall portfolio. The pie chart above illustrates the asset allocation of the SURS investment portfolio, as of Dec. 31, 2017.

As of Dec. 31, 2017, the SURS investment portfolio is valued at approximately \$19.2 billion, compared to \$18.1 billion, as of June 30, 2017. As shown in the bar chart below, estimated liabilities, as of Dec. 31, 2017, are \$42.5 billion, resulting in an unfunded liability of approximately \$23.4 billion (using the market value of assets method). The projected funding ratio is estimated to be 44.9 percent, using the market value of assets method, compared to the 44.2 percent funding ratio at the beginning of the fiscal year.



SURS Projected Funding Status 2018 Fiscal Year-to-Date Results



Note: Assets and liabilities are estimated and unaudited through Dec. 31, 2017. The fund has an actuarial value funding ratio of 44.4 percent at the end of fiscal year 2017, utilizing a 7.25 percent assumed rate of return

INSIDE SURS

SMP Team Keeping Up With Membership Growth

Participation in SURS defined contribution plan, the Self-Managed Plan (SMP), has grown considerably since it was first offered in 1998. In recent months, the percentage of members choosing the SMP over the Traditional or Portable defined benefit plans has been between 22 and 25 percent.

The SMP, which is the only core defined contribution (DC) plan offered by any state of Illinois pension system, has 20,878 members. These members are assisted by three SURS employees full time and a host of other SURS staff members, investment fund providers and outside help.

SMP Manager Keith Johnson attributes much of the increase in enrollment to new SURS members being more familiar with DC plans because they had a 401(k) or something similar through previous employers.

“The majority of private sector retirement plans are DC in nature now. A lot of people aren’t familiar with defined benefit (DB) plans and don’t know how they work,” Johnson said. “Participation may also be increasing as a result of pension reform impacting our defined benefit plans.”

“Regardless of the reason for members choosing the SMP, it is important for our new hires to consider their plan options carefully. The Traditional, Portable and SMP all offer advantages, and only the member can decide what is right for them.”

Johnson has been with SURS for more than 20 years, serving in his current role for the last 4.5 years. Two member service representatives with a combined 23 years of experience at SURS are assigned to the SMP team full time. A retirement counselor, accountant, applications analyst and investment team members also have SMP assignments as a portion of their duties with SURS.

Johnson counsels members and corresponds with investment fund providers (Fidelity Investments, Principal and TIAA). He also deals with all Qualified Illinois Domestic Relations Orders (QILDROs).

Johnson leads the SMP seminars and webinars for SURS. SMP pre-retirement seminars are held in April every year, once in Champaign and once in Naperville. These seminars include presentations on Social Security, health insurance, SMP procedures and applications, and annuity options. The “Navigating the Self-Managed Plan” webinar is offered quarterly via the SURS website www.surs.org/seminar-webinars and touches on every facet of the SMP.

The two member service representatives (MSRs) are responsible for processing refund requests, retirement claims and death claims. They also take all SMP-related calls referred to them from the call center and meet with any SMP members who come into the SURS lobby. MSRs correspond with the providers as well.

The SMP Team also processes statement, forfeiture and distribution files. Distribution and forfeiture files



are done monthly and statement files are done quarterly. The unified statements sent to members every quarter are created from those three files.

An outside investment consultant spends a portion of time working for SURS to make sure the SMP design is keeping up with what’s happening in the DC world. The consultant attends annual due diligence meetings along with SURS staff, monitors the funds in the plan and makes recommendations to the SURS Board of Trustees regarding the replacement of underperforming funds.

“The consultant also works with us to help our members get the lowest investment management fees possible,” Johnson said. “Those fees are down 40 percent over the last three years. A lot of that is attributable to the consultant, the RFP bidding process for providers and the downward pressure on fees throughout the DC industry.”

SURS plans to contract with a dedicated DC consultant in the near future due to growth in the SMP and the importance in monitoring our plan design and line-up to ensure we have options available that adequately prepare our members for retirement.

Self-Managed Plan Statistics

	Dec. 31, 2017	Dec. 31, 2016
Membership	20,878	20,342
Assets	\$2.28 billion	\$1.8 billion
Avg. Acct. Balance	\$109,097	\$91,063
Avg. Asset Allocation (as of Dec. 31, 2017)		
Equities: 52.9%	Balanced: 30.4%	
Fixed Income: 15%	Real Estate: 1.7%	

LEGISLATIVE UPDATE

New Laws Impacting SURS

Affected Annuitants

House Bill 299 became Public Act 100-556 on Dec. 8, 2017. It establishes that an affected annuitant remains an affected annuitant, except for any period on or after Dec. 8, 2017, during which he or she receives an annualized retirement annuity of less than \$10,000. As a result, for employment periods occurring on or after Dec. 8, 2017, no penalty will be imposed for employing an affected annuitant with an annualized retirement annuity of less than \$10,000. HB 299 also codifies longstanding practices of SURS related to disability benefits and disability retirement annuities and enhances SURS' ability to locate beneficiaries and to recover overpaid benefits.

Felony Forfeiture

House Bill 350 became Public Act 100-334 on Aug. 25, 2017. It prohibits any benefits from being paid to a person who is convicted of a felony relating to, arising out of, or in connection with a person's service as an employee under SURS. This change applies to individuals who first become participants in SURS on or after Aug. 25, 2017.

Investments

House Bill 3419 became Public Act 100-0551 on Nov. 8, 2017, although its provisions became effective on Jan. 1, 2018. It prohibits SURS from investing in expatriated entities, or entities that use corporate inversions to reduce their state and federal tax liabilities.

Senate Bill 1714 became Public



Act 100-542 on Nov. 8, 2017. It requires an investment consultant retained by SURS to disclose information related to the utilization of minority-owned businesses, women-owned businesses, and businesses owned by persons with a disability as a result of searches for investment services each year. The investment consultant must also disclose all compensation and economic opportunity received in the last two years from investment advisors who have been retained by SURS and investment advisors who are recommended for selection by the consultant.

Optional Hybrid Plan

Senate Bill 1345 is a trailer bill to Public Act 100-23 (which created the Optional Hybrid Plan). It became Public Act 100-563 on Dec. 8, 2017. It clarifies that individuals who first become participants of SURS on or after Jan. 1, 2011, and prior to the implementation date of the Optional Hybrid Plan will participate in Tier 2.

Governor's Salary Rule

One provision of Public Act 100-23, the Governor's Salary Rule, took effect immediately. The Governor's Salary Rule requires employers to pay the normal cost on the portion of an employee's earnings that exceeds the governor's salary (set at \$177,500 for FY 2018). The employer normal cost rate for FY 2018 is 12.46 percent. Employers will be billed for any normal cost owed to SURS under this new law at the conclusion of each fiscal year.

SURS expects to file proposed administrative rules for approval by the Joint Commission on Administrative Rules (JCAR) that will outline the procedure for complying with this new law. SURS will notify employers when the proposed rules are filed.

Pending Legislation that could affect SURS

House Amendment 2 to Senate Bill 779 is pending in the House Rules Committee. It contains multiple changes to implement Public Act 100-23. Specifically, it revises language regarding the creation of the defined contribution program to resolve conflicts between the law and the Internal Revenue Code. It also makes several technical and administrative changes, codifies existing practices, and provides fiduciary protections. House Amendment 2 to SB 779 was adopted in House Personnel and Pensions Committee on Nov. 7, 2017, passed out of Committee on a partisan roll call and was re-referred to House Rules Committee on Nov. 10, 2017.

Session Outlook

The General Assembly returned to session at the end of January and is scheduled to adjourn on May 31.

2018 General Assembly Calendars

http://ilga.gov/senate/schedules/2018_100th_Senate_Session_Calendar.pdf

http://ilga.gov/house/schedules/2018_Session_Calendar.pdf

INSIDE SURS

Departures, Growth Lead To Senior Staff Changes

Recent and upcoming retirements of several senior staff members along with the continued growth of SURS membership have led to some reorganization of staff and several new hires.

Chief Technology Officer Jefferey Saiger will manage application development and research, as well as facility operations. Saiger joined SURS in January. He previously worked for Tribune Media as the vice president of network engineering and computer operations. Before that, he was vice president of information systems operations and services for General Growth Properties.

Saiger said joining SURS provides him the opportunity to make a significant difference for an organization that impacts people's lives in a positive way every day.

"As someone that grew up in the hustle-and-bustle of Chicago, I have been taken aback by just how legitimately friendly and accommodating everyone has been so far," Saiger said. "I've also been very impressed at how engaged and passionate the staff is in delivering value to the members."

Saiger plans to work with his team and other senior staff members on a three-year strategic roadmap that aligns the team's activities with the evolving needs of both the organization and members.

Chief Benefits Officer Suzanne Mayer will oversee outreach and member services. Mayer was previously SURS outreach director. She has 15 years of experience with SURS as a retirement counselor, counseling manager and director.

"I've enjoyed my time as SURS director of outreach focusing on educating and communicating with members about their benefits and am excited to also work closely with our claims processing teams," Mayer said. "Processing benefits claims and educating members about those benefits go hand-in-hand. Serving in a role that oversees both areas provides an opportunity to ensure service remains consistent and outstanding across all member service functions.

"An end goal of providing excellent service that positively impacts people's lives drives the work we do here and is something I have always been passionate about."

Mayer said she values continuous improvement and will be seeking ways to refine SURS processes and services to better meet members' needs.

Tara Myers soon will take over the duties of chief financial officer (CFO). She has been onboard since Jan. 2, working alongside retiring CFO Phyllis Walker. Myers was the controller and director of accounting for Regency Apartments before coming to SURS. She was previously the controller for Christie Clinic.

"I am excited by the learning potential and the challenges that being CFO offers," Myers said. "In the short-term I am concentrating on learning as much as I can, as quickly as I can. I look forward to using my



Clockwise from top left are Tara Myers, Suzanne Mayer, Ellen Hung and Jefferey Saiger.

past accounting experience and my continuous training to improve processes and make the finance team as efficient as possible."

Myers said she has been impressed by how welcoming SURS staff members have been and lauded their efforts to help her make the transition a successful one.

Ellen Hung joined SURS in late January as the deputy chief investment officer. Hung has more than 25 years of experience in financial services, investment strategy development, public pension administration and benefits calculation and counseling. Most recently she served as the assistant chief executive officer for the Santa Barbara County Employees' Retirement System in Santa Barbara, CA.

Hung succeeds Doug Wesley as deputy CIO. Wesley became SURS chief investment officer in 2017 after the retirement of Dan Allen.

"The deputy CIO position was exactly what I was looking for as my next challenge," Hung said. "My research showed that SURS was an outstanding, progressive workplace with a caring and friendly staff.

"I'm looking forward to working with the investment team to continue to manage SURS assets prudently. My short-term goals are to help staff complete current projects and start new ones as directed by the SURS Board of Trustees."

EDUCATIONAL SEMINARS & WEBINARS

Seminars

Defined Benefit Seminars

SURS has scheduled six Retirement Education Seminars for Traditional and Portable Plan members (four in Champaign and two in Naperville). The Champaign seminars will be held at the SURS office at 1901 Fox Drive. The Naperville seminars will be held at the Northern Illinois University Outreach Center at 1120 E. Diehl Road.

Retirement Education Seminars in Champaign

9:30 a.m.-3 p.m.

March 21 (university employees)

April 5 (community college employees)

April 17 (university employees)

May 3 (community college employees)

Retirement Education Seminars in Naperville

9 a.m.-2:30 p.m.

April 25 (community college employees)

May 8 (university employees)



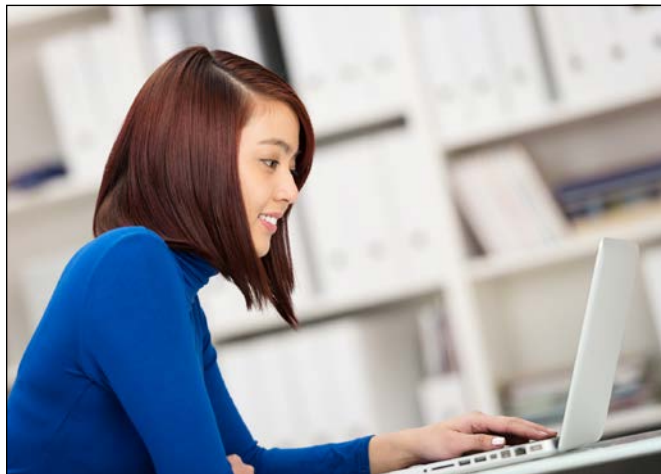
SMP Pre-Retirement Seminar

This seminar is for Self-Managed Plan members, both active and inactive, two to three years from retirement.

April 4, 9 a.m.-2:30 p.m., in Champaign

April 12, 9:30 a.m.-2:30 p.m., in Naperville

Webinars



Plan Choice Webinar

This webinar is for Tier II members who have not yet made a retirement plan choice. It will be presented from 9:30 to 11 a.m. on the following dates: Feb. 27, March 27, April 24, May 22, June 26, July 31, Aug. 28, Sept. 25, Oct. 30, Nov. 27 and Dec. 18.

To register for SURS seminars and webinars, go to www.surs.org/seminars-webinars.

Understanding Your SURS Benefits Webinar

This webinar provides an overview of SURS Tier I and Tier II benefits with a focus on retirement. Earning and purchasing service credit, sick leave, refunds, reciprocal time, disability, death and survivor benefits, insurance, retirement calculations, and applying for retirement will all be discussed. It will be presented from 10 to 11:30 a.m., April 3 (Tier I) and May 2 (Tier II).

From Here To Retirement Webinar

This webinar is ideal to help early to mid-career members consider future goals and evaluate retirement readiness. It provides an overview of SURS benefits as well as other key components necessary for a secure retirement. The webinar is March 6 from 11:30 a.m. to 12:30 p.m.

Navigating the Self-Managed Plan Webinar

This webinar is for SMP participants new to SURS or who want information on SMP including transfers, service credit purchases and accumulation, and contact information. It will be presented from 9:30 to 11 a.m., Feb. 8 and May 17.

ELECTION from Front Page

All eligible active members will receive a ballot along with [detailed candidate information](#) on or before April 2. Members will be able to vote online, by phone or by returning a paper ballot in a postage-paid envelope.

Winners will be announced May 4. Newly elected

trustees will begin serving on July 15.

The SURS Board of Trustees consists of 11 trustees: five appointed by the governor including the chairperson who also serves as the chair of the Illinois Board of Higher Education, four active members elected by SURS active members, and two annuitants elected by the annuitants of the System. Elected trustees serve six-year terms.



2018 Payment Schedule

Annuity Payments

February 1
March 1
March 30
May 1
June 1
June 29
August 1
August 31
October 1
November 1
November 30

Disability Payments

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

SURS Fiscal Year 2018 Appropriation

\$1,629,307,606

FY2018	Total Received	Total Due	Amount Owed
July	\$683,300	\$146,140,417	\$145,457,117
August	\$644,000	\$146,140,417	\$145,496,417
September	\$73,443,558	\$146,140,417	\$72,696,858
October	\$146,412,797	\$146,140,417	(\$272,350)
November	\$161,125,917	\$146,140,417	\$(14,985,500)
December	\$171,039,417	\$146,140,417	(24,899,000)
January	\$264,001,583	\$125,410,851	(138,590,732)
TOTAL	\$817,350,542	\$1,002,253,351	\$184,902,809

Manage Personal Information via the SURS Member Website

The SURS secure Member Website is a useful tool to keep your personal information up to date with SURS. You can safely update your beneficiaries, address, email and phone numbers. You may also view your benefit statements and create retirement estimates based on different retirement scenarios.



Member Website Login

If you have not yet registered, do so today by clicking on the gold Member Website Login button in the top right-hand corner of the SURS website homepage, then hit the Registration Process button and follow the prompts. You will need your SURS Member ID number, the last four digits of your Social Security number and your date of birth.

SURS Board of Trustees Meetings Schedule

All times and locations are subject to change.

Thursday, March 8, 2018 (9 a.m. – 5 p.m.)
Friday, March 9, 2018 (9 a.m. – 12 p.m.)
Committee and Board Meetings in Champaign

Thursday, April 19, 2018 (9 a.m. – 5 p.m.)
Investment Committee Meeting in Chicago

Thursday, June 7, 2018 (9 a.m. – 5 p.m.)
Friday, June 8, 2018 (9 a.m. – 12 p.m.)
Committee and Board Meetings in Chicago

Thursday, Sept. 13, 2018 (9 a.m. – 5 p.m.)
Friday, Sept. 14, 2018 (9 a.m. – 12 p.m.)
Committee and Board Meetings in Champaign

Thursday, Oct. 18, 2018 (9 a.m. – 5 p.m.)
Investment Committee Meeting in Champaign

Thursday, Dec. 6, 2018 (9 a.m. – 5 p.m.)
Friday, Dec. 7, 2018 (9 a.m. – 12 p.m.)
Committee and Board Meetings in Chicago

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State Universities Retirement System

1901 Fox Drive, Champaign, IL 61820

toll free 800-275-7877

direct 217-378-8800

www.surs.org



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Graphic Designer/Publications Editor: Joel Fellers