State Universities Retirement System of the State of Illinois

(A Component Unit of the State of Illinois)

Auditor's Report and Financial Audit

For the Year Ended June 30, 2022

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

State Universities Retirement System of the State of Illinois

Financial Audit

For the Year Ended June 30, 2022

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System Officials

Acting Executive Director (2/20/21 – 12/8/21)	Ms. Suzanne Mayer
Executive Director (12/9/21 – Present)	Ms. Suzanne Mayer
Chief Financial Officer	Ms. Tara Myers
Chief Investment Officer	Mr. Doug Wesley
General Counsel	Ms. Bianca Green
Director of Internal Audit	Ms. Jacqueline Hohn

Board Officers

Chairperson	Mr. John Atkinson

Board Members

Board of Trustees	Mr. Andriy Bodnaruk
	Mr. Richard Figueroa
	Ms. Jamie-Clare Flaherty
	Mr. J. Fred Giertz
	Mr. Scott Hendrie
	Mr. John Lyons
	Mr. Steven Rock
	Mr. Colin Van Meter
	Mr. Mitchell Vogel
	Mr. Antonio Vasquez (9/29/22 – Present)

Office Location

1901 Fox Drive
Champaign, Illinois 61820

State Universities Retirement System
of the State of Illinois
Financial Statement Report Summary
For the Year Ended June 30, 2022

Summary

The audit of the accompanying financial statements of the State Universities Retirement System of the State of Illinois (“System”) was performed by **FORVIS, LLP**.

Based on their audit, the auditors expressed an unmodified opinion on the System’s financial statements.

FORV/S

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the Statement of Fiduciary Net Position of the State Universities Retirement System of the State of Illinois (System), a component unit of the State of Illinois, as of June 30, 2022, and the related Statement of Changes in Fiduciary 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2022, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The actuarially determined pension liability, calculated as required by GASB Statement 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- evaluate the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the System's 2021 financial statements, and we expressed an unmodified audit opinion in our report dated December 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 investment returns, the schedule of contributions from employers and other contributing entities, 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.

Supplementary Information

Our audit for the year ended June 30, 2022 was conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information, 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 information, 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 information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises that listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
December 16, 2022

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial statements of the State Universities Retirement System (SURS or System) and the major factors affecting the operations and investment performance of the System during the year ended June 30, 2022, with comparative reporting entity totals for the year ended June 30, 2021. Please read this section in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements, and other information that is presented in the Financial Section of the Annual Comprehensive Financial Report.

Financial Highlights

- Contributions from the State and employers were $2,228.4 million, an increase of $165.3 million, or 8.0% from fiscal year 2021.
- The System's benefit payments were $2,881.5 million, an increase of $98.7 million, or 3.5% for fiscal year 2022.
- The System's return on investment, net of investment management fees, was -1.4% for fiscal year 2022.
- The System's fiduciary net position at the end of fiscal year 2022 was $22.7 billion, a decrease of $1.2 billion, or 5.2%.

Overview of Financial Statements and Accompanying Information
The Financial Section has 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 Fiduciary Net Position as of June 30, 2022, and the Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2022. These statements present separate totals for the System's three fiduciary fund types.
    - The Statement of Fiduciary Net Position details the net position (assets less liabilities) available for the payment of benefits and other fiduciary activities of the System.
    - The Statement of Changes in Fiduciary Net Position presents the additions to and deductions from fiduciary net position during the fiscal year. Over time the increase or decrease in fiduciary 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 plans, 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 Information consists of supporting schedules of administrative expenses, 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 System serves 219,568 members in its defined benefit plan, 25,160 members in its retirement savings plan, and has 1,691 members enrolled in the deferred compensation 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 fiduciary net position of the System decreased from $23.9 billion as of June 30, 2021, to $22.7 billion as of June 30, 2022. This $1.2 billion change was almost entirely due to a decrease in the fair value of the System's investments.

Fiduciary Net Position

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

Condensed Statement of Fiduciary Net Position

REPORTING ENTITY TOTAL ($ in millions)	2022	2021	Change	
			Amount	%
Cash and short-term investments	$ 1,073.6	$ 1,723.8	$ (650.2)	(37.7)%
Receivables and prepaid expenses	83.4	81.1	2.3	2.8
Pending investment sales	159.0	78.7	80.3	102.0
Investments and securities lending collateral	21,629.0	24,355.7	(2,726.7)	(11.2)
Capital assets, net	15.3	11.1	4.2	37.8
Total assets	**22,960.3**	**26,250.4**	**(3,290.1)**	**(12.5)**
Payable to brokers-unsettled trades	29.9	128.0	(98.1)	(76.6)
Securities lending collateral	198.4	2,142.7	(1,944.3)	(90.7)
Other liabilities	48.6	50.0	(1.4)	(2.8)
Total liabilities	**276.9**	**2,320.7**	**(2,043.8)**	**(88.1)**
TOTAL FIDUCIARY NET POSITION	**$ 22,683.4**	**$ 23,929.7**	**$ (1,246.3)**	**(5.2)%**

The investment allocation strategy for the reporting entity as of June 30, 2022, and 2021, is as follows:

Investment Allocation Strategy

	2022	2021
Traditional Growth		
Global Public Equity	38.0%	41.0%
Stabilized Growth		
Core Real Assets	4.5	5.0
Options Strategies	2.5	6.0
Public Credit Fixed Income	9.0	14.0
Private Credit	1.0	-
Non-Traditional Growth		
Private Equity	10.5	7.5
Non-Core Real Assets	2.5	2.5
Inflation Sensitive		
U.S. TIPS	5.0	6.0
Principal Protection		
Core Fixed Income	8.0	8.0
Crisis Risk Offset		
Systematic Trend Following	10.0	3.5
Alternative Risk Premia	5.0	3.0
Long Duration	4.0	3.5
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 three percentage points. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of the System's cash flows.

Changes in Fiduciary Net Position

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

Condensed Statement of Changes in Fiduciary Net Position

REPORTING ENTITY ($ IN MILLIONS)	2022	2021	Change	
			Amount	%
Employer contributions	$ 69.0	$ 67.3	$ 1.7	2.5%
Non-employer contributing entity contributions	2,159.4	1,995.8	163.6	8.2
Member contributions	399.3	387.0	12.3	3.2
Net investment income (loss)	(687.8)	4,793.2	(5,481.0)	(114.3)
Total additions	**1,939.9**	**7,243.3**	**(5,303.4)**	**(73.2)**
Benefits	2,881.5	2,782.8	98.7	3.5
Refunds	82.5	79.1	3.4	4.3
Contributions sent to third-party administrator	198.4	178.5	19.9	11.1
Administrative expense	23.8	22.0	1.8	8.2
Total deductions	**3,186.2**	**3,062.4**	**123.8**	**4.0**
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	**$ (1,246.3)**	**$ 4,180.9**	**$ (5,427.2)**	**(129.8)%**

Additions

Additions to fiduciary net position come from employer and member contributions and returns on investment funds. For fiscal year 2022, non-employer contributing entity contributions increased by $163.6 million due to higher contributions from the State of Illinois. Those contributions included a supplemental amount of $58.1 million received from the Pension Stabilization Fund pursuant to PA 102-696. The Pension Stabilization Fund is used to reduce the unfunded liabilities of the five State-funded retirement systems. Employer contributions increased by $1.7 million, or 2.5%. Member contributions increased by $12.3 million, or 3.2%. Net investment loss for fiscal year 2022 was $687.8 million for the System, representing a $5.5 billion decrease from the prior year. The System's investment rate of return was -1.4% (net of all investment management fees).

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

TIME PERIOD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	20-YEAR	30-YEAR
Annualized Return	(1.4)%	7.8%	7.5%	8.3%	7.5%	8.1%

The total rate of return over a 30-year period of 8.1% was higher than the actuarial rate of return assumption of 6.5% in effect for fiscal year 2022. Under the direction of the Illinois Auditor General, the State Actuary recommends that the Board of Trustees 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 in August 2015, requires SURS to have an experience study performed by the System's actuaries every three years.

Deductions

Deductions from fiduciary net position relate to the provision of retirement annuities and other benefits, refunds to inactive members, remittance of defined contribution plan contributions to a third-party administrator, and the cost of administering the System. These deductions for fiscal year 2022 totaled $3.2 billion, an increase of $123.8 million, or 4.0% over deductions for 2021. This increase is primarily due to the $98.7 million increase in retirement and survivor annuity payments made to defined benefit plan members. Portable lump sum distributions and refunds increased by $3.4 million, or 4.3%. Administrative expenses increased by $1.8 million, or 8.2% from fiscal year 2021 to 2022.

Accelerated Pension Payment Programs

Adhering to Public Act 100-0587 signed into law in 2018, SURS continues to administer two accelerated pension benefit programs for members. By the end of fiscal year 2022, a total of $31.9 million had been received from bond proceeds and paid to members that elected to participate in the accelerated pension payment programs. The programs are funded by bonds issued by the state of Illinois, and the liabilities and expenses related to the bonds are recognized by the state of Illinois. For these two programs, SURS essentially serves as a payment agent on behalf of the state of Illinois and recognizes neither revenue nor expense in its financial statements for these programs. The programs are available until June 20, 2026.

Future Outlook

The experience review for the years June 30, 2017 to June 30, 2020, was completed in June 2021, and the assumptions adopted as of June 30, 2021. The next experience study will be completed in 2024 using June 30, 2020 to June 30, 2023 data.

Public Act 96-0889 caps Tier 2 members' earnings at $116,740 in 2022 and future cost of living adjustments at the lesser of 3% or one-half of the change in the Consumer Price Index. This modification of Tier 2 members' earnings decreases the anticipated amount of future payroll and contributions.

The non-member contributions for fiscal year 2023, mainly provided by the State of Illinois, are projected to increase by approximately $17.3 million, or 0.8%. Pursuant to PA 102-698 a supplemental amount of $38.8 million will be received in fiscal year 2023 from the Pension Stabilization Fund. The Pension Stabilization Fund is used to reduce the unfunded liabilities of the five State-funded retirement systems.

Benefit payments are projected to continue to grow due to 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.

Public Act 102-0540, which was signed into law on August 20, 2021, requires that employees who first become participants of SURS on or after July 1, 2023, be automatically enrolled into the Deferred Compensation Plan with contributions starting at 3% of their compensation (with opt-out provisions). The bill authorizes SURS to direct employee contributions for the portion of earnings in excess of the Tier 2 pensionable earnings limit to the plan (with opt-out provisions). The bill also provides for auto-escalation of the contribution amount up to 1% in any plan year.

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 Fiduciary Net Position as of June 30, 2022, With Comparative Reporting Entity Totals as of June 30, 2021

	2022				
	Defined Benefit Pension Plan	Other Employee Benefit Plan	Custodial Funds	Total	2021
ASSETS					
Cash and short-term investments	$ 1,061,255,469	$ 6,816,506	$ 5,576,166	$ 1,073,648,141	$ 1,723,791,029
Receivables					
Members	10,649,398	-	3,152,350	13,801,748	13,338,779
Non-employer contributing entity	-	-	-	-	-
Federal, trust funds, and other	7,206,887	-	123,172	7,330,059	7,277,074
Pending investment sales	157,904,664	1,015,408	109,166	159,029,238	78,700,693
Interest and dividends	61,533,285	395,691	42,541	61,971,517	60,321,007
Total receivables	237,294,234	1,411,099	3,427,229	242,132,562	159,637,553
Prepaid expenses	248,928	-	-	248,928	140,576
Investments, at fair value					
Equity investments	7,827,398,404	50,334,181	5,411,427	7,883,144,012	10,065,114,680
Fixed income investments	5,206,315,692	33,479,277	3,599,357	5,243,394,326	6,359,259,277
Real asset investments	2,091,471,758	13,449,235	1,445,927	2,106,366,920	1,561,399,983
Alternative investments	6,153,566,562	39,570,585	4,254,233	6,197,391,380	4,226,711,053
Total investments	21,278,752,416	136,833,278	14,710,944	21,430,296,638	22,212,484,993
Securities lending collateral	197,353,020	1,269,081	136,439	198,758,540	2,143,294,998
Capital assets, at cost, net of accum deprec	15,259,838	-	-	15,259,838	11,092,315
TOTAL ASSETS	**22,790,163,905**	**146,329,964**	**23,850,778**	**22,960,344,647**	**26,250,441,464**
LIABILITIES					
Benefits payable	18,257,707	93,547	-	18,351,254	17,868,718
Refunds payable	7,567,132	-	-	7,567,132	5,318,074
Securities lending collateral	197,002,904	1,266,830	136,197	198,405,931	2,142,694,061
Payable to brokers for unsettled trades	29,639,357	190,596	20,491	29,850,444	128,024,857
Reverse repurchase agreements	-	-	-	-	624,184
Investment expenses payable	9,398,697	60,438	6,498	9,465,633	15,019,781
Administrative expenses payable	5,174,703	-	22,651	5,197,354	6,041,045
Contributions due to third-party administrator	-	-	8,096,195	8,096,195	5,160,631
TOTAL LIABILITIES	**267,040,500**	**1,611,411**	**8,282,032**	**276,933,943**	**2,320,751,351**
FIDUCIARY NET POSITION					
Restricted for pensions	22,523,123,405	-	-	22,523,123,405	23,768,313,260
Restricted for other employee benefits	-	144,718,553	-	144,718,553	148,529,903
Restricted for other governments	-	-	15,568,746	15,568,746	12,846,950
TOTAL FIDUCIARY NET POSITION	**$ 22,523,123,405**	**$ 144,718,553**	**$ 15,568,746**	**$ 22,683,410,704**	**$ 23,929,690,113**

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2022, With Comparative Reporting Entity Totals for the Year Ended June 30, 2021

	2022				
	Defined Benefit Pension Plan	**Other Employee Benefit Plan**	**Custodial Funds**	**Total**	**2021**
ADDITIONS					
Contributions					
Employers	$ 57,906,329	$ 176	$ 11,069,934	$ 68,976,439	$ 67,289,696
Non-employer contributing entity	2,078,152,813	76,516	81,188,571	2,159,417,900	1,995,767,000
Members	289,070,662	-	110,247,443	399,318,105	387,003,295
Total contributions	2,425,129,804	76,692	202,505,948	2,627,712,444	2,450,059,991
Investment Income					
Net appreciation (depreciation) in fair value of investments	(993,854,105)	(2,913,619)	(192,003)	(996,959,727)	4,487,065,768
Interest	180,085,919	529,086	34,866	180,649,871	199,329,911
Dividends	233,414,277	685,763	45,191	234,145,231	187,253,566
Securities lending	6,360,276	18,686	1,231	6,380,193	6,340,430
	(573,993,633)	(1,680,084)	(110,715)	(575,784,432)	4,879,989,675
Less investment expense					
Asset management expense	111,067,193	326,311	21,503	111,415,007	86,162,787
Securities lending expense	572,138	1,681	111	573,930	570,639
Net investment income (loss)	(685,632,964)	(2,008,076)	(132,329)	(687,773,369)	4,793,256,249
TOTAL ADDITIONS	**1,739,496,840**	**(1,931,384)**	**202,373,619**	**1,939,939,075**	**7,243,316,240**
DEDUCTIONS					
Benefits	2,879,643,912	1,879,966	-	2,881,523,878	2,782,740,275
Refunds of contributions	82,458,931	-	-	82,458,931	79,128,037
Contributions sent to third-party administrator	-	-	198,384,366	198,384,366	178,536,338
Administrative expense	22,583,852	-	1,267,457	23,851,309	21,966,859
TOTAL DEDUCTIONS	**2,984,686,695**	**1,879,966**	**199,651,823**	**3,186,218,484**	**3,062,371,509**
Net increase (decrease)	**(1,245,189,855)**	**(3,811,350)**	**2,721,796**	**(1,246,279,409)**	**4,180,944,731**
Fiduciary Net Position					
Beginning of year	23,768,313,260	148,529,903	12,846,950	23,929,690,113	19,748,745,382
FIDUCIARY NET POSITION END OF YEAR	**$22,523,123,405**	**$ 144,718,553**	**$ 15,568,746**	**$22,683,410,704**	**$23,929,690,113**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

I. Description of SURS

The State Universities Retirement System (SURS or System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and two multiple-employer defined contribution plans. 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 governed by Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes. The Illinois General Assembly has the authority to establish and amend the benefit provisions of the plans offered by SURS. Operation of SURS and the direction of its policies are the responsibility of the SURS Board of Trustees. The Board of Trustees consists of six elected and five appointed board members. 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.

The membership, contributions, and benefit provisions related to the System's three plans are presented in the following summary of the provisions of SURS in effect as of June 30, 2022, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the statutes for more complete information.

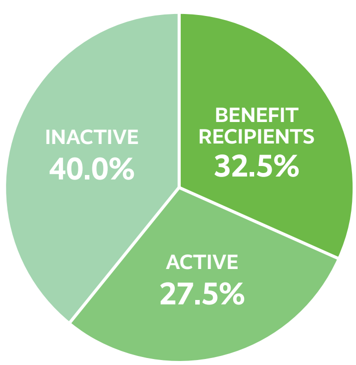
The financial statement presentation of the System's benefit plans is driven by governmental accounting standards for fiduciary activities. An explanation of how these standards affect the presentation of the System's three plans can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Plan

As of June 30, 2022, two benefit packages are offered by the defined benefit plan: the traditional benefit package and the portable benefit package. The traditional benefit package is the System's original benefit offering and 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 portable benefit option is offered in addition to the traditional benefit option. New employees are allowed 6 months after their date of hire to make an irrevocable election to participate in either the traditional benefit package, portable benefit package, or the Retirement Savings Plan (RSP).

The System's fiduciary net position and changes in fiduciary net position related to the defined benefit plan are shown in the Defined Benefit Pension Plan column on the financial statements.

Defined Benefit Plan



At June 30, 2022, and 2021, the number of participating employers was:

	2022	2021
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, 2022, and 2021, defined benefit plan membership consisted of:

	2022	2021
Benefit Recipients	**71,458**	70,111
Active Members	**60,281**	60,397
Inactive Members	**87,829**	86,135
	219,568	216,643

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.

2. Benefit Provisions

The traditional and portable benefit packages are offered in two different tiers. Tier I is offered to members who began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit packages 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 II. The following is a summary of the benefit provisions as of June 30, 2022.

Notes to the Financial Statements

	Traditional Plan - Tier I	Traditional Plan - Tier II	Portable Plan
Retirement Vesting	5 years of service	10 years of service	5 years of service (Tier I) and 10 years of service (Tier II)
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 I—Same as Traditional Plan Tier I Age Requirement Tier II—Same as Traditional Plan Tier II 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 I—Same as Traditional Plan Tier I FRE Tier II—Same as Traditional Plan Tier II 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 change in the consumer price index. The increase will not be compounded.	Tier I—Same as Traditional Plan Tier I AAI Tier II—Same as Traditional Plan Tier II 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 change in the consumer price index. The increase will not be compounded.	Tier I—Same as Traditional Plan Tier I Survivor AAI Tier II—Same as Traditional Plan Tier II Survivor AAI

Public Act 101-610, effective January 1, 2020, allows Tier II police officers and firefighters to retire at age 60 (instead of age 67) without a reduced retirement annuity under the special formula for police officers and firefighters.

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.

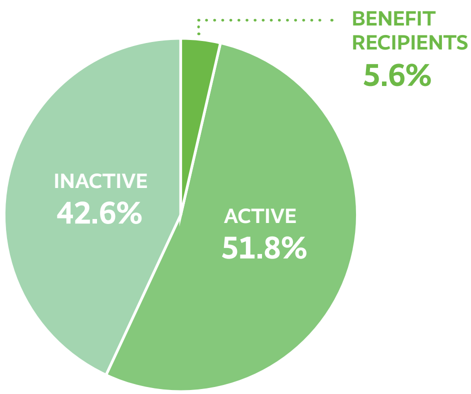
Upon termination of service, a lump sum refund is available to all members. Under the traditional benefit package, this refund consists of all member contributions and interest at 4.5%. Under the portable benefit package, this refund consists of all member contributions and total interest credited, plus 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. Retirement Savings Plan

SURS is the plan sponsor and administrator of a defined contribution plan called the SURS Retirement Savings Plan (RSP). The RSP was established as of January 1, 1998, by the Illinois General Assembly as an amendment to the Illinois Pension Code through Public Act 90-0448. The plan was originally called the Self-Managed Plan (SMP). The name change to Retirement Savings Plan was effective September 1, 2020, at the conclusion of an extensive plan redesign. The RSP 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 RSP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

Important information about the financial statement presentation of the Retirement Savings Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

Retirement Savings Plan



At June 30, 2022, and 2021, the number of RSP participating employers was:

	2022	2021
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.

1. Membership

A member may elect participation in the RSP if (a) all participation criteria for the defined benefit plan are met; (b) the employer has elected through Board action to offer the Retirement Savings 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 defaulted into the defined benefit plan, under the traditional benefit package.

At June 30, 2022, and 2021, the RSP membership consisted of:

	2022	2021
Benefit Recipients	**1,412**	1,168
Active Members	**13,026**	13,046
Inactive Members	**10,722**	10,618
	25,160	24,832

2. Benefit Provisions

The RSP 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 plan offers a lump sum option and two lifetime income options for distributions upon reaching retirement eligibility. The lump sum distribution option is a payment of all employee and employer contributions and related investment earnings in either a one-time payment or multiple distributions. One lifetime distribution option is utilization of the full account balance to purchase one of the following types of annuities: 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; or a 50% or 100% joint and survivor annuity with a guaranteed period of 10, 15, or 20 years as elected by the member. The second lifetime distribution option is utilization of the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. All or a portion of the account balance remains available for ad-hoc distributions as needed.

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.

C. Deferred Compensation Plan

Public Act 100-769, effective August 10, 2018, required SURS to introduce an optional supplemental defined contribution plan. This optional defined contribution plan is known as the SURS Deferred Compensation Plan (DCP) and began accepting contributions on March 1, 2021. This plan is a governmental deferred compensation plan under Section 457(b) of the Internal Revenue Code. Participation in the plan by SURS members is voluntary, though all SURS employers were required to adopt the plan by September 1, 2021. The assets of the DCP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

As of June 30, 2022, the DCP had 1,691 members enrolled across 52 different employers.

Important information about the financial statement presentation of the Deferred Compensation Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

1. Membership

A member may elect participation in the DCP if (a) all participation criteria for the defined benefit plan are met; (b) the employee is on active status at the plan offering date; and (c) the employee is not eligible to retire as of the employer plan offering date.

2. Benefit Provisions

The DCP provides retirement benefits to participating members.

Distributions from the DCP are allowed upon separation from SURS-covered employment, attainment of age 59½, disability, an unforeseeable emergency, or death. The DCP offers a lifetime distribution option called the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. The account balance remains available for ad-hoc distributions as needed. Members must be at least 60 years old to start receiving guaranteed monthly retirement income from the LIS.

DCP participants are always 100% vested in all contributions and investment earnings (including employer contributions and related investment earnings), regardless of years of service credit attained.

II. Summary of Significant Accounting Policies

A. Reporting Entity

Accounting standards promulgated by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as consisting 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 potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

According to these criteria, SURS is a component unit of the State of Illinois.

Notes to the Financial Statements

Additional fiduciary activity and component unit criteria were introduced by GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* These new criteria affect determination of voting majority appointment, fiscal dependency, control of assets, and the relationship between pension plans and their plan administrators. SURS reevaluated its financial reporting entity in response to these standards.

SURS financial reporting entity consists of three types of fiduciary funds.

- The defined benefit pension plan reflects the activities and financial position of the defined benefit plan (a fiduciary component unit).
- The other employee benefit plan reflects the activities and financial position of the Retirement Savings Plan's disability benefit only.
- The custodial funds reflect the activities and financial position of the Retirement Savings Plan's and Deferred Compensation Plan's retirement, death, and survivor benefits and plan administration. Aspects of these plans that have been assigned to a third-party administrator are not included in SURS reporting entity per governmental accounting standards.

B. Measurement Focus and Basis of Accounting

Transactions are recorded using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as fiduciary fund additions when due to SURS, pursuant to statutory or contractual requirements. Benefits and refunds are recognized as fiduciary fund deductions 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 pension 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 reasonably possible that changes in the values of investment securities could occur in the near-term, and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

E. Cash and Short-Term Investments

Included in the $1,073,648,141 of cash and short-term investments presented in the Statement of Fiduciary Net Position is $156,255,512 of short-term investments with original maturities of less than 90 days. For purposes of the 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.

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 CFA Institute or other industry standards, values non-marketable securities (real asset and private equity). These methods generally include detailed property level appraisals and discounted cash flow analysis.

G. Capital Assets

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

H. Administrative Expenses

System administrative expenses 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, 2021, from which the summarized comparative information was derived.

J. New Accounting Pronouncements

GASB Statement No. 87, *Leases*, was originally effective for financial reporting periods beginning after December 15, 2019. The effective date of this Statement was postponed eighteen months due to GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was issued in May 2020. The objective of this Statement is to improve the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were categorized as operating leases and recognized as inflow of resources or outflows of resources based on the payment provisions of the contract. This Statement did not have a material impact on the System's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for financial reporting periods beginning after June 15, 2022. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. SURS will implement this Statement for the year ending June 30, 2023.

III. Contributions and Fiduciary Net Position Designations

SURS financial statements are presented according to the specific fiduciary activities being conducted by SURS. Each section of this footnote includes a Composition section to establish which SURS plan(s) comprises each fiduciary activity. Important information about the financial statement presentation of SURS benefit plans is found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Pension Plan

1. Composition

The defined benefit pension plan presented in SURS financial statements reflects the activities and fiduciary net position of the defined benefit plan.[1]

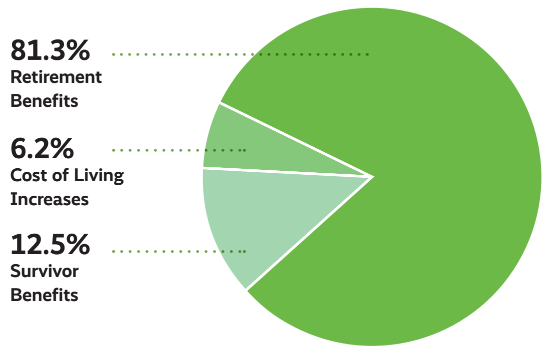
2. Membership Contributions

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; 6.5% of those are designated for retirement annuities, 0.5% for post-

[1]This fund also contains the activity of the SURS Board of Trustees, though it is negligible in comparison to the defined benefit plan.

retirement increases, and 1% for survivor benefits. Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution. Members of the portable benefit package contribute 8% of their gross earnings; 6.5% of those are designated for retirement annuities, 0.5% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution. These statutes assign the authority to establish and amend the contribution provisions of the plan to the Illinois General Assembly. 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 member in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.

Member Contributions



3. Interest Credited on Member Contributions

For the traditional and portable benefit packages, the interest rate credited is approved by the Board of Trustees and is 6.0% for the year ended June 30, 2022. 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 5.5% for the year ended June 30, 2022, and will be 6.2% for the year ended June 30, 2023.

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.

4. Employer Contributions

On an annual basis, an actuarial valuation is performed to determine the amount of statutorily required contributions from the State of Illinois (a non-employer contributing entity) and the normal cost. Public Act 99-0232 requires an actuarial experience study to be performed every 3 years to determine the assumptions to be used in the annual valuation. The last actuarial experience study was completed in June 2021. 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. In fiscal year 2022 the State of Illinois contributed $2,078,152,813 to the defined benefit pension plan. The employer normal cost calculation is based on the same actuarial results, assumptions, and methods used to calculate the State contribution and results in the employer contribution rate that is applied to all earnings paid from federal, grant, and trust funds. The Board of Trustees adopted 12.32% of covered earnings as the employer normal cost for fiscal year 2022. 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 increase in earnings that is in excess of 6%.

In compliance with Public Act 100-0023, employers must pay the System the normal cost of the portion of a member's earnings that exceed the amount of salary set for the Governor. In fiscal year 2022, employer contributions to the defined benefit pension plan were $57,906,329.

5. Fiduciary Net Position Accounts
The System maintains two designated accounts for the assignment of fiduciary net position:

a. The Member Contributions account contains the pension assets contributed by each member and the interest income earned by those contributions.
b. The Benefits from Member and Employer Contributions account contains the fiduciary 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, 2022, were as follows:

Member contributions	$ 6,799,969,820
Benefits from member and employer contributions	15,723,153,585
TOTAL FIDUCIARY NET POSITION	**$ 22,523,123,405**

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

B. Other Employee Benefit Plan

1. Composition
The other employee benefit plan presented in SURS financial statements reflects the activities and fiduciary net position of the disability benefit offered to members in the Retirement Savings Plan.

2. Membership Contributions
Member contributions to the Retirement Savings Plan relate to the plan's retirement benefit only. As a result, this fund does not receive member contributions.

3. Employer Contributions
In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP disability benefit at a rate of no more than 1% of the member's gross earnings. The employer contribution for RSP disability benefits was reduced to 0.0% of member gross earnings effective July 1, 2021. Employers are responsible for making contributions on earnings paid from the employer's federal, grant and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

For fiscal year 2022, the State of Illinois contributed $76,516 toward the RSP disability benefit, and employer contributions were $176.

4. Fiduciary Net Position Accounts
The other employee benefit plan maintains one designated fiduciary net position account, which reflects the fiduciary net position available for both RSP disability benefits in force and future RSP disability benefits. The balance in this account was $144,718,553 as of June 30, 2022.

Assets related to RSP disability benefits are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2022, the investment loss assigned to these balances was $2,008,076.

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

C. Custodial Funds

1. Composition

The custodial funds presented in SURS financial statements reflect the activities and fiduciary net position related to SURS role in the provision of the Retirement Savings Plan's retirement, death, and survivor benefits; the Deferred Compensation Plan's retirement benefit; and the administration of both plans. SURS maintains separate custodial funds for the RSP and the DCP.

SURS utilizes a third-party administrator for certain aspects of the RSP and DCP. Fiduciary activities assigned to and assets held by the third-party administrator are not included in SURS financial reporting entity.

2. Membership Contributions

a. Retirement Savings Plan

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 Illinois General Assembly the authority to establish and amend the contribution provisions of the plan.

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. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

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.

Member contributions to the RSP totaled $101,661,434 for the year ending June 30, 2022.

b. Deferred Compensation Plan

Member contributions to the plan are allowed up to IRS limits. Members can designate contributions as Traditional (pretax) or Roth (post-tax). Contributions to the DCP are for supplemental retirement savings and do not provide service credit to members. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

The Defined Contribution Plan began accepting contributions on March 1, 2021. For the year ending June 30, 2022, members contributed $8,586,009 to the plan.

3. Employer Contributions

a. Retirement Savings Plan

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP at a rate of 7.6% of the member's gross earnings. Contributions are received and verified by SURS, and then, remitted to the third-party administrator for members' investment. The amount of employer contributions available for member investment is net of the amount retained by SURS to provide disability benefits (0.0% since July 1, 2021).

Employers are responsible for making contributions on earnings paid from the employer's federal, grant, and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

For fiscal year 2022, the State of Illinois contributed $79,921,114 toward RSP member accounts, while employers contributed $11,027,732. The State of Illinois also contributed $981,585 to the RSP for administrative expenses.

b. Deferred Compensation Plan

Employers are allowed to make matching and/or discretionary contributions to member accounts up to IRS limits. These contributions totaled $42,202 in fiscal year 2022. The State of Illinois contributed $285,872 to the DCP for administrative expenses during the year.

4. Fiduciary Net Position Accounts

a. Retirement Savings Plan

The RSP's custodial fund maintains one designated fiduciary net position account, which relates to employer forfeitures. This account reflects employer contributions that were forfeited from member accounts due to termination prior to reaching five years of service. Future State of Illinois contributions are reduced by the assets held in this custodial fund. The balance in this account was $15,586,746 as of June 30, 2022.

Assets related to employer forfeitures are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2022, the investment loss assigned to these balances was $132,329.

b. Deferred Compensation Plan

The DCP's custodial fund does not maintain any fiduciary net position accounts. Member and employer contributions are immediately due to the third-party administrator. Administrative expenses incurred are funded by State of Illinois contributions.

5. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary 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 requires judgment and considers factors specific to each asset or liability. The table on page 35 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.

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, real asset, and marketable alternatives investments is based on the investments' NAV per share (or its equivalent) provided by the investee. The table on page 36 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 this type have been determined using the NAV per share of the investments.

Real Asset Funds

This type includes investments in open-end funds and real asset limited partnerships. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Limited partnerships 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, 2022, 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.

Private Equity Partnerships

This type of investment consists of limited partnerships. The types of strategies included in this portfolio are venture capital, buyouts, special situations, mezzanine, and distressed debt. 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, 2022, 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.

Private Credit Partnerships

This type of investment consists of limited partnerships. The types of funds include both open-end and closed-end funds. Investments in open-end funds have limited redemption availability, typically semi-annually, and are typically distributed on a pro-rata share. Closed-end funds do not offer redemptions. Strategies included in this portfolio are currently special situations, multi-strategy, specialty lending, and direct lending. The closed-end private credit partnerships have an approximate life of 5–10 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, 2022, 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.

Diversifying Strategy Funds

This type of investment provides diversification benefits to the total portfolio and includes investments that show little to no correlation to traditional economic growth assets. The investments include allocations to both systematic trend following and alternative risk premia. The fair value of these investments has been determined using the NAV per share of the investments.

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

		Fair Value Measurements Using		
	As of June 30, 2022	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt securities				
U.S. government	$ 3,042,019	$ 3,042,019	$ -	$ -
U.S. agency obligations	549,920	-	532,132	17,788
U.S. municipal obligations	104,428	-	96,554	7,874
U.S. corporate obligations	692,820	-	692,820	-
U.S. asset backed	200,926	-	149,730	51,196
Foreign obligations	805,571	-	791,767	13,804
Total debt securities	$ 5,395,684	$ 3,042,019	$2,263,003	$ 90,662
Short-term securities and cash adjustments	$ 7,731	$ 7,731	$ -	$ -
Equity securities				
U.S. equity securities	$ 2,823,829	$ 2,822,405	$ 1,124	$ 300
Foreign equity securities	1,677,907	1,672,476	-	5,431
Total equity securities	$ 4,501,736	$ 4,494,881	$ 1,124	$ 5,731
Investments Measured at the Net Asset Value (NAV)				
Commingled equity funds	$ 752,453			
Commingled foreign equity funds	2,629,669			
Private real asset funds	2,106,367			
Private equity funds	2,805,170			
Private credit funds	267,171			
Diversifying strategy funds	3,125,051			
Total investments measured at the NAV	$ 11,685,881			
Total investments by fair value level and measured at the NAV	$ 21,591,032			
Investment Derivative Instruments				
U.S. fixed income derivatives	$ (2,201)	$ -	$ (2,201)	$ -
Foreign fixed income derivatives	(1,565)	-	(1,565)	-
U.S. equity derivatives	(714)	(822)	-	108
Total investment derivative instruments	$ (4,480)	$ (822)	$ (3,766)	$ 108
Invested Securities Lending Collateral				
Fixed income securities	$ 198,759	$ -	$ 198,759	$ -

Investments Measured at the Net Asset Value
($ in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled U.S. equity, international equity, and global equity funds [1]	$ 3,382,122	$ -	Daily, Monthly	2–5 Days
Private real asset funds [2]	2,106,367	542,850	Quarterly, if Eligible	45–90 Days, if Eligible
Private equity funds [3]	2,805,170	1,079,346	Not Eligible	N/A
Private credit funds [4]	267,171	602,121	Semi-Annually, if Eligible	90 Days, if Eligible
Diversifying strategy funds [5]	3,125,051	-	Daily, Monthly, Quarterly, Semi-Annually, Annually	3–90 Days
	$ 11,685,881	**$ 2,224,317**		

(1) **Commingled funds.** One U.S. equity fund, four international equity funds, and three global equity funds 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 asset.** The real asset investments are 40 core, value-add, and opportunistic funds which includes exposure to real estate, infrastructure, and farmland. Core open-end real asset funds generally provide liquidity possibilities through redemption opportunities. Real asset closed-end funds are not eligible for redemption.

(3) **Private equity funds.** The private equity funds are 118 limited partnership interests in equity or debt securities of privately held companies. Private equity funds are not eligible for redemption.

(4) **Private credit funds.** The private credit portfolio currently consists of six funds invested in a mix of strategies, both yield-oriented and opportunistic, with an emphasis on yield-oriented. Sub-categories currently include multi-strategy, special situations, specialty lending, and direct lending funds. Funds are a mix of open-end and closed-end funds. Open-end funds generally provide liquidity possibilities through redemption opportunities. Closed-end funds are not eligible for redemption.

(5) **Diversifying strategy funds.** Eight 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.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, SURS 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 Aa2 Long Term Bank Deposit rating by Moody's and an AA rating by Fitch. At June 30, 2022, the carrying amount of cash was $1,073,648,141. The bank balance was $949,699,073, of which $7,650,812 was foreign currency deposits and was exposed to custodial credit risk. The carrying amount of cash includes $156,255,512 of short-term bills and notes, which are considered to be investments for the purpose of assessing custodial credit risk.

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. The Investment Policy was revised in fiscal year 2022 to add language to reflect recently approved legislation of P.A. 102-97, amend the investment committee definition to include all members of the board, to reflect the strategic policy targets, and to update benchmarks used to evaluate SURS public credit portfolio. The Investment Section of this report contains a summary of SURS 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 of approximately $1,079.3 million to private equity limited partnerships, approximately $602.1 million to private credit partnerships, and approximately $542.9 million to real asset partnerships as of June 30, 2022.

Investments

The carrying values of investments by type at June 30, 2022, are summarized below:

PUBLIC EQUITY INVESTMENTS	
U.S. equities	$ 3,576,281,717
Non-U.S. equities	4,307,576,506
U.S. equity derivatives	(383,266)
Non-U.S. equity derivatives	(330,945)
PUBLIC FIXED INCOME INVESTMENTS	
U.S. government obligations	2,885,763,694
U.S. agency obligations	549,919,846
U.S. corporate fixed income	998,173,904
Non-U.S. fixed income securities	805,571,324
U.S. short-term investments	299,433,714
Non-U.S. short-term investments	(135,446,989)
U.S. fixed income derivatives	752,236,446
Non-U.S. fixed income derivatives	(756,002,101)
ALTERNATIVE INVESTMENTS	
U.S. diversifying strategy funds	2,761,461,639
Non-U.S. diversifying strategy funds	363,588,935
U.S. private credit funds	215,427,498
Non-U.S. private credit funds	51,743,492
U.S. private equity	2,201,695,746
Non-U.S. private equity	603,474,070
U.S. real asset	1,870,971,125
Non-U.S. real asset	235,395,795
TOTAL INVESTMENTS	$ 21,586,552,150

(a) Fixed income investments presented in this table include $156,255,512 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 $292,341,172 of short-term investments 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, 2022, 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, 2022, 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, 2022, are presented on the next page:

Notes to the Financial Statements

Quality Rating: Standard & Poor's	Domestic	International	Total
AAA	$ 94,694,081	$ 7,608,924	$ 102,303,005
AA+	534,567,343	9,562,969	544,130,312
AA	34,991,861	4,897,293	39,889,154
AA-	45,136,205	2,868,810	48,005,015
A+	11,608,163	15,900,669	27,508,832
A	27,318,340	9,268,569	36,586,909
A-	40,620,034	30,722,433	71,342,467
BBB+	51,990,617	34,078,784	86,069,401
BBB	54,381,360	126,784,399	181,165,759
BBB-	125,010,651	75,535,197	200,545,848
BB+	69,070,072	70,051,584	139,121,656
BB	50,702,328	75,323,688	126,026,016
BB-	69,948,223	123,622,689	193,570,912
B+	59,716,829	74,509,803	134,226,632
B	52,373,005	57,641,865	110,014,870
B-	34,796,558	32,734,589	67,531,147
CCC+	45,614,198	24,728,396	70,342,594
CCC	35,321,956	1,481,182	36,803,138
CCC-	363,661	3,127,770	3,491,431
CC	5,817,844	626,315	6,444,159
D	2,463,149	909,082	3,372,231
Not Rated *	53,053,764	23,586,314	76,640,078
Total credit risk: debt securities	$ 1,499,560,242	$ 805,571,324	$ 2,305,131,566
U.S. government & agencies **	3,090,552,715	-	3,090,552,715
TOTAL DEBT SECURITIES INVESTMENTS	**$ 4,590,112,957**	**$ 805,571,324**	**$ 5,395,684,281**

* The credit risk by quality ratings does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no quality rating.
** 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The 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, 2022, the segmented time distribution of the various types of debt securities of the System are as follows:

		Maturities in Years				
Investment	**2022 Fair Value**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**More than 20 years**
U.S. government & agency fixed income	$ 3,591,939,053	$ 485,904,630	$ 1,126,653,603	$ 747,834,406	$ 404,852,917	$ 826,693,497
U.S. corporate fixed income	998,173,903	9,909,694	342,822,693	378,138,179	123,323,310	143,980,027
Non-U.S. fixed income	805,571,325	11,395,834	375,629,150	235,867,536	58,396,946	124,281,859
TOTAL *	**$ 5,395,684,281**	**$ 507,210,158**	**$ 1,845,105,446**	**$ 1,361,840,121**	**$ 586,573,173**	**$ 1,094,955,383**

* 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, 2022, the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income *	Total
Argentine peso	$ -	$ 259	$ 259
Australian dollar	39,256,808	6,920,639	46,177,447
Brazilian real	31,714,150	2,024,405	33,738,555
British pound sterling	253,952,870	833,938	254,786,808
Canadian dollar	62,164,564	232,577	62,397,141
Chilean peso	-	24,365	24,365
Chinese yuan renminbi	-	(3,488,648)	(3,488,648)
Chinese yuan renminbi - offshore	-	(4,075,701)	(4,075,701)
Czech koruna	-	(2,721,058)	(2,721,058)
Danish krone	23,344,365	803	23,345,168
Egyptian pound	3,684,243	-	3,684,243
Euro	523,994,690	21,227,890	545,222,580
Hong Kong dollar	81,109,705	8,893,870	90,003,575
Hungarian forint	277,850	(771,903)	(494,053)
Indonesian rupiah	3,448,514	-	3,448,514
Japanese yen	273,874,542	1,964,604	275,839,146
Mexican peso	7,663,363	(1,210,891)	6,452,472
New Israeli shekel	6,968,973	1,576	6,970,549
New Taiwan dollar	30,292,036	6	30,292,042
New Zealand dollar	-	1,789,522	1,789,522
Norwegian krone	10,014,530	6,212,428	16,226,958
Peruvian nuevo sol	-	(21,296)	(21,296)
Polish zloty	-	(815,236)	(815,236)
Singapore dollar	10,056,084	524,559	10,580,643
South African rand	9,944,582	200,200	10,144,782
South Korean won	18,768,650	2,573,611	21,342,261
Swedish krona	24,317,640	12,078,463	36,396,103
Swiss franc	87,665,992	(15,203,684)	72,462,308
Thai baht	3,009,348	24	3,009,372
Turkish lira	-	(10,493)	(10,493)
Total securities subject to foreign currency risk	$ 1,505,523,499	$ 37,184,829	$ 1,542,708,328
Foreign investments denominated in U.S. dollars	4,055,924,353	(123,062,595)	3,932,861,758
TOTAL FOREIGN INVESTMENT SECURITIES	**$ 5,561,447,852**	**$ (85,877,766)**	**$ 5,475,570,086**

* Includes Swaps, Options, and Short Term Investments. These derivatives and pending transactions have resulted in negative totals for certain currencies.

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 Fiduciary Net Position, and the change in the fair value is recorded in the Statement of Changes in Fiduciary 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, 2022, SURS derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps, and swaptions. At June 30, 2022, SURS investments in derivatives had the following balances:

	Notional Value 2022	Fair Value 2022	Fair Value 2021	Change in Fair Value
Forwards	$ -	$ 6,881,390	$ 4,342,353	$ 2,539,037
Rights and warrants	$ 279,490	$ 108,704	$ 252,805	$ (144,101)
Futures				
Equity				
Long	$ 464,872,866	$ (4,574,769)	$ (593,656)	$ (3,981,113)
Short	(260,563,434)	3,423,356	(1,973,891)	5,397,247
Fixed income				
Long	158,304,033	1,641,926	697,094	944,832
Short	(1,540,002,013)	(7,869,831)	(891,553)	(6,978,278)
Commodity				
Long	129,023,302	(6,289,321)	1,928,447	(8,217,768)
Short	(128,198,741)	1,792,409	(156,190)	1,948,599
Foreign exchange				
Long	14,607,600	34,530	(136,200)	170,730
Short	(907,748,433)	(3,882,995)	775,989	(4,658,984)
Total futures	$ (2,069,704,820)	$ (15,724,695)	$ (349,960)	$ (15,374,735)
Options				
Equity				
Call	$ (781,200)	$ (481,126)	$ (1,716,055)	$ 1,234,929
Put	(781,200)	(341,789)	(2,904,069)	2,562,280
Swaptions				
Call	(12,231,766)	(53,256)	(19,211)	(34,045)
Put	-	-	(5,494)	5,494
Total options	$ (13,794,166)	$ (876,171)	$ (4,644,829)	$ 3,768,658
Swaps				
Credit default				
Selling protection	$ 71,437,530	$ (2,601,121)	$ 11,776,816	$ (14,377,937)
Interest rate				
Pay fixed	91,650,575	(2,790,219)	(2,394,391)	(395,828)
Receive fixed	29,700,000	1,678,941	673,054	1,005,887
Total swaps	$ 192,788,105	$ (3,712,399)	$ 10,055,479	$ (13,767,878)

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 Fiduciary Net Position. At June 30, 2022, SURS investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2022	Fair Value 2021	Change in Fair Value
Brazilian real	$ 26	$ (25)	$ 1	$ 189,725	$ (189,724)
British pound sterling	-	(7,536)	(7,536)	(56,671)	49,135
Canadian dollar	14,331	(139)	14,192	192,985	(178,793)
Chinese yuan renminbi	974	(991)	(17)	-	(17)
Chinese yuan renminbi - offshore	-	(827)	(827)	-	(827)
Czech koruna	-	-	-	40,410	(40,410)
Euro	7,684	(7,165)	519	(185)	704
Hungarian forint	-	-	-	36,638	(36,638)
Japanese yen	-	-	-	28,315	(28,315)
Mexican peso	-	(11,802)	(11,802)	79,531	(91,333)
Norwegian krone	-	(4,830)	(4,830)	8,114	(12,944)
Peru sol	240,514	(33,781)	206,733	-	206,733
Russian ruble	-	-	-	295,843	(295,843)
Swedish krona	-	-	-	(5,184)	5,184
Swiss franc	274,318	(266,424)	7,894	-	7,894
Singapore dollar	5,561	-	5,561	6,390	(829)
South African rand	-	-	-	4,544	(4,544)
Total securities subject to foreign currency risk	$ 543,408	$ (333,520)	$ 209,888	$ 820,455	$ (610,567)
Foreign investments denominated in U.S. dollars	12,789,897	(6,118,395)	6,671,502	3,521,898	3,149,604
Total foreign investment securities	**$ 13,333,305**	**$ (6,451,915)**	**$ 6,881,390**	**$ 4,342,353**	**$ 2,539,037**

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 included in the investments in the Statement of Fiduciary Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Fiduciary 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 Fiduciary Net Position.

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, and interest rate swap agreements.

Swaps and Credit Risk

	Counterparty Credit Rating	Notional Value 2022	Fair Value 2022	Fair Value 2021	Change in Fair Value
Swaps					
Credit default	A	$ 13,350,000	$ (1,063,017)	$ -	$ (1,063,017)
	No Rating	58,087,530	(1,538,104)	11,776,816	(13,314,920)
		71,437,530	(2,601,121)	11,776,816	(14,377,937)
Interest rate	No Rating	121,350,575	(1,111,278)	(1,721,337)	610,059
		121,350,575	(1,111,278)	(1,721,337)	610,059
		$ 192,788,105	**$ (3,712,399)**	**$ 10,055,479**	**$ (13,767,878)**
Swaptions	A	$ (12,231,766)	$ (53,256)	$ (22,056)	$ (31,200)
	BBB	-	-	(2,649)	2,649
		$ (12,231,766)	**$ (53,256)**	**$ (24,705)**	**$ (28,551)**
Forwards	No Rating	**$ -**	**$ 6,881,390**	**$ 4,342,353**	**$ 2,539,037**

Swaps and Maturities

	Maturities in Years					
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years	Fair Value 2022
Swaps						
Credit default	$ -	$ (2,601,121)	$ -	$ -	$ -	$ (2,601,121)
Interest rate	-	(717,016)	(394,262)	-	-	(1,111,278)
	$ -	**$ (3,318,137)**	**$ (394,262)**	**$ -**	**$ -**	**$ (3,712,399)**
Swaptions	**$ (53,256)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (53,256)**
Forwards	**$ 6,881,390**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,881,390**

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 Fiduciary 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	Gross Notional Value 2022	Fair Value 2022	Pay Fixed / Receive Fixed
0.25% to 0.50%	3 month U.S. dollar LIBOR[1]	$ 87,400,000	$ (2,395,957)	Pay Fixed
0.50%	1 day British pound SONIA[2]	4,250,575	(394,262)	Pay Fixed
		$ 91,650,575	**$ (2,790,219)**	
3 month U.S. dollar LIBOR[1]	**0.36%**	**$ 29,700,000**	**$ 1,678,941**	Receive Fixed

[1] London Interbank Offered Rate (LIBOR)
[2] Sterling Overnight Interbank Average Rate (SONIA)

Derivatives which are exchange-traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. SURS maximum loss that would be recognized at June 30, 2022, if all of its derivatives counterparties failed to perform as contracted, is $15.1 million. This maximum exposure is reduced by approximately $12.7 million in liabilities and approximately $1.4 million in collateral held, resulting in $1 million net exposure to credit risk.

Securities Lending

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 for beginning of fiscal year 2022, lent securities in exchange for cash collateral at 102% for U.S. securities. The System transitioned to Mitsubishi UFJ Trust and Banking Corporation in April 2022, which lent securities in exchange for cash collateral at 102% for U.S. securities. Cash collateral received for lent securities is shown on the Statement of Fiduciary Net Position as both an asset (fair value of collateral) and liability (collateral owed to borrower after lent securities are returned). Lent securities are included in total investments on the Statement of Fiduciary Net Position. Types of lent securities include corporate bonds, government and agency 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 lent securities. 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 1.0 day. Cash collateral is invested in money market funds and repurchase agreements at par value, which at year end had a weighted average reset of 1.0 day, and a fair value of $198.8 million.

Collateral as of June 30, 2022 ($ in millions)

Securities on loan as of June 30, 2022	$ 195.1
Fair value of cash collateral invested	$ 198.8
Fair value of collateral received	$ 198.4
Change in fair value*	$ 0.4

*Included in net depreciation in fair value of investments in Statement of Changes in Fiduciary Net Position.

Reverse Repurchase Agreements

SURS held $0 in reverse repurchase agreements on June 30, 2022. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to SURS or provide cash of equal value, SURS could suffer an economic loss equal to the difference between the market value of the underlying securities plus accrued interest and the agreement obligation including accrued interest. At June 30, 2022, the credit exposure was $0.

V. Net Pension Liability

The net pension liability for the defined benefit pension plan as of June 30, 2022, is as follows:

Employer Net Pension Liability ($ in millions)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability
2022	$ 51,601.2	$ 22,523.1	$ 29,078.1	43.65%

The net pension liability represents the defined benefit pension plan's total pension liability determined in accordance with GASB Statement No. 67, less the plan's fiduciary 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 completed in June 2021. The total pension liability as of June 30, 2022, is based on the results of an actuarial valuation date of June 30, 2021, and rolled forward using generally accepted actuarial procedures. A summary of the actuarial methods and assumptions used to determine the net pension liability are presented below:

Summary of Actuarial Assumptions

Actuarial valuation date	June 30, 2021
Actuarial cost method	Individual entry age
Actuarial assumptions	
Single discount rate	6.39%
Expected rate of return	6.5%
Municipal bond rate	3.69% (based on fixed-income municipal bonds reported in Fidelity Index's *"20-Year Municipal GO AA Index"* as of June 30, 2022)
Inflation	2.25%
Projected salary increases	3.00% to 12.75% including inflation
Post-retirement cost of living adjustments	3.0%
Mortality table	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.

Single Discount Rate

A single discount rate of 6.39% was used to measure the total pension liability as of June 30, 2022. This single discount rate was based on an expected return on pension plan investments of 6.5% and a municipal bond rate of 3.69%. 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 (approximately 97% in 2023) are provided by the State of Illinois, are projected to be $2.2 billion in 2023 and growing to $3.8 billion in 2045 based on current statutory requirements for current members. Based on these assumptions, the defined benefit pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, 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 6.39%, 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, 2022 ($ in millions)

	1% Decrease 5.39%	Current Discount Rate 6.39%	1% Increase 7.39%
Net Pension Liability	$ 35,261.8	$ 29,078.1	$ 23,928.7

Long-Term Expected Rate of Return

The asset allocation of SURS investment portfolio is approved by the Board of Trustees in accordance with SURS Investment Policy. Investment 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 2022 and the long-term expected real rates of return. The long-term expected rate of return on 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.

	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	38.0%	7.62%
Stabilized Growth		
Credit Real Assets	4.5	4.98
Options Strategies	2.5	4.91
Public Credit Fixed Income	9.0	4.20
Private Credit	1.0	7.45
Non-Traditional Growth		
Private Equity	10.5	11.91
Non-Core Real Assets	2.5	9.43
Inflation Sensitive		
U.S. TIPS	5.0	1.23
Principal Protection		
Core Fixed Income	8.0	1.79
Crisis Risk Offset		
Systematic Trend Following	10.0	4.33
Alternative Risk Premia	5.0	3.59
Long Duration	4.0	2.16
Total	**100.0%**	**6.08%**
Inflation		**2.25**
Expected arithmetic return*		**8.33%**

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

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of fees, was -1.29%. 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, 2022, was as follows:

	Beginning Balance	Additions/ Transfers in	Disposals/ Transfers out	Ending Balance
Land and improvements	$ 645,054	$ 38,880	$ -	$ 683,934
Office building	13,159,825	931,020	-	14,090,845
Information system equipment and software	17,073,958	446,538	123,401	17,397,095
Furniture and fixtures	1,155,823	179,306	8,287	1,326,842
Constuction in progress	357,925	4,929,573	1,345,177	3,942,321
Total capital assets	32,392,585	6,525,317	1,476,865	37,441,037
Less accumulated depreciation:				
Land and improvements	9,122	9,708	-	18,830
Office building	5,058,460	501,972	-	5,560,432
Information system equipment and software	15,471,194	416,028	123,401	15,763,821
Furniture and fixtures	761,494	84,909	8,287	838,116
Total accumulated depreciation	21,300,270	1,012,617	131,688	22,181,199
Capital assets, net	**$ 11,092,315**	**$ 5,512,700**	**$ 1,345,177**	**$ 15,259,838**

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 two times the annual earnable 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, 2022, the System had a liability of $1,641,742 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 Fiduciary 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, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$ 1,628,841	$ 1,163,320	$ 1,150,419	$ 1,641,742	$ 103,411

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 the State of Illinois. 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 Central Management Services (CMS). 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 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 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 Annual Comprehensive 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing CMS, Stratton Building, Room 715, 401 E. Spring St., Springfield, IL 62706.

X. Lease Agreements

The System leases office space in Naperville for its Northern Counseling Center. The commitment for this lease is $13,465 for fiscal year 2022 and $13,736 for fiscal year 2023. In addition, the System leases office space in Springfield for its legislative staff. The fiscal commitment for this lease is $7,200 for fiscal year 2022 and $14,400 for fiscal year 2023.

Required Supplementary Information

Schedule of Changes in Employer Net Pension Liability and Related Ratios
Defined Benefit Pension Plan

	2022	2021
TOTAL PENSION LIABILITY		
Service cost	$ 723,509,163	$ 657,103,880
Interest on net pension liability	3,133,079,773	3,190,005,705
Changes in benefit terms	-	2,341,698
Differences between expected and actual experience	(45,071,327)	109,919,610
Changes in assumptions	(1,545,027,843)	960,402,037
Benefit payments	(2,879,643,912)	(2,780,374,481)
Refunds of member accounts	(82,458,931)	(79,128,037)
Net change in pension liability	(695,613,077)	2,060,270,412
Total pension liability - beginning	52,296,790,339	50,236,519,927
Total pension liability - ending	**$ 51,601,177,262**	**$ 52,296,790,339**
FIDUCIARY NET POSITION		
Member contributions	$ 289,070,662	$ 288,476,321
Employer contributions	57,906,329	57,001,310
Non-employer contributing entity contributions	2,078,152,813	1,921,742,123
Net investment income	(685,632,964)	4,762,969,585
Benefit payments	(2,879,643,912)	(2,780,374,481)
Refunds of member accounts	(82,458,931)	(79,128,037)
Non-investment administrative expenses	(22,583,852)	(19,389,167)
Net change in fiduciary net position	(1,245,189,855)	4,151,297,654
Fiduciary net position - beginning	23,768,313,260	19,617,015,606
Fiduciary net position - ending	**$ 22,523,123,405**	**$ 23,768,313,260**
Net pension liability - ending	**$ 29,078,053,857**	**$ 28,528,477,079**

Schedule of Net Pension Liability ($ in millions)
Defined Benefit Pension Plan

Fiscal Year	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary 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
2017	43,965.9	18,484.8	25,481.1	42.04	3,458.3	736.81
2018	46,815.6	19,321.1	27,494.5	41.27	3,470.2	792.30
2019	48,437.4	19,717.3	28,720.1	40.71	3,506.7	819.02
2020	50,236.5	19,617.0	30,619.5	39.05	3,642.6	840.59
2021	52,296.8	23,768.3	28,528.5	45.45	3,638.2	784.13
2022	51,601.2	22,523.1	29,078.1	43.65	3,613.4	804.73

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. The System implemented GASB Statement No. 84 in fiscal year 2021. Fiscal year 2020, 2021, and 2022 reflect the change, while prior years are still shown as previously presented.

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment fees.

2014	18.15%
2015	2.84
2016	0.12
2017	12.15
2018	8.29
2019	6.07
2020	2.64
2021	23.83
2022	(1.29)

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 ($ in thousands) Defined Benefit Pension Plan

		Actual Contribution				
Fiscal Year	Actuarially Determined Contribution	Employers	Other Contributing Entities	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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	94,131	3,606,537	42.38
2016	1,811,060	39,348	1,542,946	228,766	3,513,108	45.04
2017	1,864,843	38,386	1,612,165	214,292	3,458,320	47.73
2018	1,862,033	39,659	1,568,221	254,153	3,470,226	46.33
2019	2,239,366	49,415	1,592,639	597,312	3,506,650	46.83
2020	2,299,031	52,968	1,785,818	460,245	3,642,617	50.48
2021	2,303,266	57,001	1,921,742	324,523	3,638,244	54.39
2022	2,377,774	57,906	2,078,153	241,715	3,613,383	59.12

Notes to the Required Supplementary Information

Schedule of Changes in Net Pension Liability

The covered employee payroll is equal to the defined benefit pension plan payroll from the June 30, 2021 valuation rolled forward with one year of wage inflation at 3.0%. The beginning of the year total pension liability uses a single discount rate of 6.12% and the end of the year total pension liability uses a single discount rate of 6.39%. 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 1.92% as of June 30, 2021, and 3.69% as of June 30, 2022.

Schedule of Contributions from Employers and Other Contributing Entities

The following actuarial assumptions and methods were used in determining contributions for fiscal year 2022:

Valuation Date	June 30, 2020
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	24 years remaining for fiscal year 2021
Asset Valuation Method	5 year smoothed market
Inflation	2.25%
Salary Increases	3.25% to 12.25% including inflation
Investment Rate of Return	6.75% beginning with the actuarial valuation as of June 30, 2018
Real Rate of Return	4.5%
Retirement Age	Experience-based table of rates. Last updated for the 2018 valuation pursuant to an experience study of the period June 30, 2014 to June 30, 2017.
Mortality	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.

Other Supplementary Information

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2022, and 2021

	2022	2021
Personnel services		
Salary and wages	$ 11,320,645	$ 11,132,563
Retirement contributions	1,313,222	1,264,008
Insurance and payroll taxes	3,666,476	3,591,468
	16,300,343	15,988,039
Professional services		
Computer services	3,062,688	2,051,270
Medical consultation	4,309	204
Technical and actuarial	1,012,370	1,098,138
Legal services	585,237	581,363
	4,664,604	3,730,975
Communications		
Postage	174,529	137,232
Printing and copying	52,470	29,555
Telephone	270,669	290,801
	497,668	457,588
Other services		
Equipment repairs, rental, and maintenance	249,048	96,142
Building operations, maintenance, office rental	442,654	159,001
Surety bonds and insurance	441,901	491,469
Memberships and subscriptions	74,288	52,727
Transportation, travel, and conferences	31,695	8,053
Education	36,590	58,150
EDP supplies and equipment	50,055	42,786
Office supplies	31,857	19,653
Other administrative	17,989	-
	1,376,077	927,981
Depreciation and amortization	1,012,617	862,276
Total administrative expenses	**$ 23,851,309**	**$ 21,966,859**

Other Supplementary Information

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2022, and 2021

	2022	2021
Technical and actuarial services		
Aatrix Software	$ 444	$ 855
Accurate Employment Screening, LLC	7,525	3,728
Advanced Audio and Lighting	-	5,840
Altec Products, Inc	-	4,176
The Berwyn Group	9,405	4,200
Cammack LaRhette Advisors	-	107,500
CapFinancial Partners, LLC	75,000	37,500
CBIZ	21,350	-
Champaign Multimedia Group	849	-
CoventBridge	582	-
Crowe LLP	39,900	-
Dreamstime	839	-
Election-America	-	37,024
Executive Coaching Connections	30,000	-
External Contractors	106,578	-
Fidelity	-	14,896
Gabriel, Moeder, Smith & Company	229,972	252,719
Heidrick & Struggles Inc	105,977	-
Info-Tech Research Group	-	61,500
Insurance Audit & Inspection	-	25,000
LatPro, Inc	6,000	6,000
LexisNexis	1,800	1,800
linkedIn Corporation	10,775	10,775
McLean & Co	-	30,404
Miscellaneous	229	10,123
Open position advertising/Recruitment	225	5,249
Principal Review	-	15,000
Prop Language Services, LLC	871	760
Reed Group	-	1,360
RetireAware	19,202	-
Sikh LLP	-	42,624
Surface 51	20,625	19,800
SurveyMonkey Inc	1,466	744
Teachers' Retirement System	11,614	-
The Northern Trust Company	85,152	75,440
Vimeo	240	240
Vital Signs	500	-
Voya	208,000	273,515
World Technologies, Inc	17,250	-
Zones LLC	-	49,366
	$ 1,012,370	**$ 1,098,138**
Legal services		
Area Wide Reporting Service	1,129	1,784
Featherstun, Gaumer, et al.	17,108	13,154
Foley & Lardner LLP	381,433	300,931
Ice Miller, LLP	90,456	125,364
K & L Gates LLP	13,162	22,833
Mayer Brown LLP	-	28,124
Meyer Capel	6,204	1,386
Miscellaneous	197	20
Morgan, Lewis & Bockius LLP	35,099	63,822
Ottosen Dinolfo	17,500	22,395
Polsinelli LLP	22,196	-
Tummelson, Bryan & Knox, LLP	-	1,300
Waters and Associates	753	-
Whitt Law LLC	-	250
	$ 585,237	**$ 581,363**
TOTAL CONSULTANT PAYMENTS	**$ 1,597,607**	**$ 1,679,501**

Other Supplementary Information

Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2022, and 2021

	2022	2021
INVESTMENT MANAGER		
Adams Street Partners	$ 5,034,607	$ 5,182,820
Aksia CA LLC	863,500	786,250
Altaris Capital Partners	908	-
Avance Investment Management	524,815	-
Base10 Partners	502,984	-
Bregal Sagemount	1,000,000	-
Clearlake Capital Partners	400,101	-
Cortec Group	460,946	-
GGV Capital	612,000	-
Harvest Partners	215,650	-
Hg Capital	623,721	-
Inflexion Private Equity Partners	33,273	-
MBK Partners	770,018	-
Nautic Partners	319,546	-
Oak HC-FT Partners	198,083	-
OceanSound Partners	412,482	-
One Equity Partners	491,780	-
One Rock Capital	328,102	-
Orchid Asia Group	499,726	-
Reverence Capital Partners	362,089	-
Rubicon Technology Partners	634,888	-
Stellex Capital Management	461,042	-
TorreyCove Co-Inv	52,703	-
Alinda Capital Partners	56,631	84,385
AQR Capital Management	-	263,145
Ariel Investments	837,420	697,160
Aspect Capital	2,887,018	1,009,828
Ativo Capital Management	872,720	743,499
Basis Investment Group	883,743	447,534
Bivium Capital Partners	1,979,792	1,978,970
BlackRock	11,388,812	9,482,913
Blackstone Group	3,717,293	3,222,138
Blue Vista Capital Management	327,903	426,745
Brasa Capital Management	628,466	-
Brookfield Asset Management	1,554,681	856,117
Cabot Properties	750,000	673,387
Campbell & Company	2,487,859	887,818
Carlyle Property Partners	1,111,374	973,456
Channing Capital Management	666,987	572,867
Colchester Global Investors	449,882	761,531
Credit Suisse Asset Management	1,317,684	471,204
Crow Holdings Realty Partners	1,356,610	460,998
Dune Real Estate Partners	1,580,819	1,728,077
EARNEST Partners	1,241,045	1,104,242
Ember Infrastructure Partners	772,364	-
Fairview Capital Partners	457,040	377,418
Franklin Templeton Real Estate Advisors	486,571	475,366
Garcia Hamilton & Associates	522,618	515,408
Gladius Capital Management	994,472	1,096,169

Summary Schedule of Investment Fees and Administrative Expenses (continued)
For the Years Ended June 30, 2022, and 2021

	2022	2021
GlobeFlex Capital	$ 1,498,399	$ 647,236
GQG Partners	1,189,700	954,879
Heitman Capital Management	1,920,083	1,620,983
Homesteak Capital	839,984	1,735,338
J.P. Morgan Asset Management	2,019,707	1,962,319
LM Capital Group	470,676	452,352
Lombard Odier Asset Management	1,231,931	750,309
Long Wharf Capital	600,000	598,765
Longpoint Realty Partners	650,000	610,822
LongTail Alpha	2,262,403	948,833
Macquarie Infrastructure Partners	1,116,655	1,250,975
Matarin Capital Management	-	440,557
Meketa Investment Group	378,215	208,669
Crayhill Capital Management	867,604	-
Fortress Capital Formation	20,126	-
Neuberger Berman Private Credit	308,448	-
Silver Rock Financial	692,623	-
Turning Rock Partners	44,859	-
Mesirow Financial Investment Management	1,510,000	1,207,918
Mondrian Investment Partners	1,335,377	1,153,185
Muller and Monroe Asset Management	600,000	650,000
Neuberger Berman	3,744,349	4,117,789
Newport Capital Partners	25,907	
Northern Trust Asset Management	579,875	801,475
Oaktree Capital Management	188,469	208,291
Pacific Alternative Asset Management Company	31,781	69,075
Pacific Investment Management Company	6,942,382	7,008,750
Pantheon Ventures	2,952,265	2,881,578
Parametric Clifton	314,080	295,240
Prologis	1,547,749	543,921
Prudential Fixed Income	1,049,307	1,190,628
Pugh Capital Management	459,803	450,571
Ramirez Asset Management	507,117	377,206
RhumbLine Advisers	253,136	238,471
Solstein Capital	145,253	
State Street Global Advisors	24,273	
StepStone Real Estate	141,152	176,440
Strategic Global Advisors	1,373,010	1,508,614
T. Rowe Price	1,787,236	2,723,181
Torchlight Investors	1,225,000	-
UBS Realty Investors	564,375	565,202
Versor Investments	1,755,059	1,044,943
Wellington Management Company	3,410,707	4,015,924
Westbrook Partners	2,137,500	556,335
Xponance	2,048,728	2,351,160
Total management fees	106,898,071	81,597,379
MASTER TRUSTEE & CUSTODIAN		
The Northern Trust Company	958,334	1,075,000

Other Supplementary Information

Summary Schedule of Investment Fees and Administrative Expenses (continued)
For the Years Ended June 30, 2022, and 2021

	2022	2021
INVESTMENT CONSULTANT, MEASUREMENT & COUNSEL		
Aksia CA LLC	$ 203,793	$ 81,464
Callan LLC	321,000	313,000
Faegre Drinker Biddle & Realth	-	46,419
Foley & Lardner LLP	-	372,885
Ice Miller LLP	70,009	55,239
K&L Gates LLP	45,135	81,423
Mayer Brown LLP	-	1,060
Meketa Investment Group	585,150	571,802
Morgan Lewis	47,880	675
Pantheon Ventures	150,041	-
Squire Patton Boggs	82,454	40,551
Teachers Retirement System of the State of Illinois	-	5,603
Total consultant, measurement, or counsel fees	1,505,462	1,570,121
INVESTMENT ADMINISTRATIVE EXPENSES		
Personnel	1,761,354	1,645,324
Resources and travel	158,215	144,294
Performance measurement and database	133,571	130,669
Total administrative expenses	2,053,140	1,920,287
TOTAL INVESTMENT EXPENSES	**$ 111,415,007**	**$ 86,162,787**

Other Supplementary Information

Combining Statement of Fiduciary Net Position
Custodial Funds
As of June 30, 2022, with Comparative Reporting Entity Totals as of June 20, 2021

	2022			
	Retirement Savings Plan	**Deferred Compensation Plan**	**Total**	**2021**
ASSETS				
Cash and short-term investments	$ 5,552,163	$ 24,003	$ 5,576,166	$ 3,491,157
Receivables				
Members	2,704,975	447,375	3,152,350	2,724,483
Federal, trust funds, and other	123,172	-	123,172	92,134
Pending investment sales	109,166	-	109,166	42,254
Interest and dividends	42,541	-	42,541	32,386
Total receivables	2,979,854	447,375	3,427,229	2,891,257
Investments, at fair value				
Equity investments	5,411,427	-	5,411,427	5,403,954
Fixed income investments	3,599,357	-	3,599,357	3,414,282
Real estate investments	1,445,927	-	1,445,927	838,315
Alternative investments	4,254,233	-	4,254,233	2,269,319
Total investments	14,710,944	-	14,710,944	11,925,870
Securities lending collateral	136,439	-	136,439	1,150,734
TOTAL ASSETS	**23,379,400**	**471,378**	**23,850,778**	**19,459,018**
LIABILITIES				
Securities lending collateral	136,197	-	136,197	1,150,411
Payable to brokers for unsettled trades	20,491	-	20,491	68,736
Reverse repurchase agreements	-	-	-	335
Investment expenses payable	6,498	-	6,498	8,064
Administrative expenses payable	19,371	3,280	22,651	223,891
Contributions due to third-party administrator	7,628,097	468,098	8,096,195	5,160,631
TOTAL LIABILITIES	**7,810,654**	**471,378**	**8,282,032**	**6,612,068**
FIDUCIARY NET POSITION				
Restricted for other governments	15,568,746	-	15,568,746	12,846,950
TOTAL FIDUCIARY NET POSITION	**$ 15,568,746**	**$ -**	**$ 15,568,746**	**$ 12,846,950**

Other Supplementary Information

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2022, with Comparative Reporting Entity Totals for the Year Ended June 30, 2021

	2022			
	Retirement Savings Plan	**Deferred Compensation Plan**	**Total**	**2021**
ADDITIONS				
Contributions				
Employers	$ 11,027,732	$ 42,202	$ 11,069,934	$ 9,949,999
Non-employer contributing entity	80,902,699	285,872	81,188,571	71,458,250
Members	101,661,434	8,586,009	110,247,443	98,526,974
Total contributions	193,591,865	8,914,083	202,505,948	179,935,223
Investment Income				
Net appreciation (depreciation) in fair value of investments	(192,003)	-	(192,003)	1,661,486
Interest	34,866	-	34,866	74,310
Dividends	45,191	-	45,191	69,808
Securities lending	1,231	-	1,231	2,364
	(110,715)	-	(110,715)	1,807,968
Less investment expense				
Asset management expense	21,503	-	21,503	32,121
Securities lending expense	111	-	111	213
Net investment income (loss)	(132,329)	-	(132,329)	1,775,634
TOTAL ADDITIONS	**193,459,536**	**8,914,083**	**202,373,619**	**181,710,857**
DEDUCTIONS				
Contributions sent to third-party administrator	189,756,155	8,628,211	198,384,366	178,536,338
Administrative expense	981,585	285,872	1,267,457	2,577,692
TOTAL DEDUCTIONS	**190,737,740**	**8,914,083**	**199,651,823**	**181,114,030**
Net increase (decrease)	**2,721,796**	**-**	**2,721,796**	**596,827**
Fiduciary Net Position				
Beginning of year	12,846,950	-	12,846,950	12,250,123
FIDUCIARY NET POSITION END OF YEAR	**$ 15,568,746**	**$ -**	**$ 15,568,746**	**$ 12,846,950**

FORV/S

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements 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, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 16, 2022, which contained an emphasis of matter paragraph regarding actuarial assumptions used in the actuary's calculation of the net pension liability.

Report on Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the System's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
December 16, 2022

State Universities Retirement System
of the State of Illinois
Schedule of Findings
Current Finding – *Government Auditing Standards*
June 30, 2022

None

State Universities Retirement System
of the State of Illinois

Prior Findings Not Repeated –*Government Auditing Standards*

June 30, 2022

None