Gabriel Roeder Smith & Company
Consultants & Actuaries

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2008

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October 15, 2008

Board of Trustees
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, Illinois 61820

Dear Members of the Board:

At your request, we present the report of the actuarial valuation of the State Universities Retirement System of Illinois ("SURS") as of June 30, 2008.

This valuation provides information on the funding status of SURS. In addition, it includes a determination of the State contribution level for the fiscal year ending June 30, 2010, under Section 15-155 of the SURS Article of the Illinois Pension Code and estimates of contributions for subsequent years.

This valuation is based on the provisions of SURS in effect as of June 30, 2008, data on the SURS membership and information on the asset value of the trust fund as of that date. All member data and asset information were provided by SURS staff. While certain checks for reasonableness were performed, the data was not audited.

The actuarial cost method and assumptions used in this valuation are those used in the prior actuarial valuation of SURS.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practices.

The undersigned are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Leslie L. Thompson

Cathy Nagy

Amy Williams

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SUMMARY OF THE VALUATION

Purposes of the Actuarial Valuation

At your request we have performed the actuarial valuation of the State Universities Retirement System of Illinois ("SURS") as of June 30, 2008.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of SURS as of the valuation date, and
- To develop the levels of contributions required under Section 15-155 of the SURS Article of the Illinois Pension Code ("Section 15-155") for the fiscal year ending June 30, 2010 and to estimate contributions required under that Section for the subsequent years of the funding period ending in the year 2045.

Report Highlights

SURS had six successive years of double-digit investment performance through FY 2000, suffered significant investment losses in fiscal years 2001 through 2003, had investment gains in fiscal years 2004 through 2007, and significant losses in fiscal year 2008. The returns for the year ending June 30, 2008 amounted to about (4.5)% after a 18.3% return in FY 2007.

The funded ratio decreased from 68.4% as of June 30, 2007 to 58.5% as of June 30, 2008 primarily because of unfavorable investment return.

There was no significant pension legislation affecting SURS in the 2008 Legislative session.

Actuarial Assumptions

The methods and assumptions used in this valuation are the same as those used in the actuarial valuation as of June 30, 2007. The assumptions were first adopted for use with the June 30, 2007, actuarial valuation and were based on the recommendations from the experience review performed for the period 2001 through 2006.

SURS Benefits

The benefits valued in this valuation are identical to those valued in the prior valuation.

EXPERIENCE DURING 2008

The fund earned (4.5)% during FY 2008. The return during FY 2008 was less than the assumed rate of investment return of 8.5%. Led by this actuarial loss on investment return, the SURS defined benefit programs experienced an overall actuarial loss of $2,364.1 million.

Based on market value, the loss from investment return was about $2,004.4 million. In addition, there was a loss of $359.7 million from actuarial liabilities, including a loss of $30.6 million from pay increases and a loss of about $329.1 million from demographic experience.

The total gain or loss from liabilities for the system is calculated as follows:

1. AAL - Prior Year	$	23,362.1
2. Normal Cost - Prior Year		574.5
3. Benefits and Admin Expenses Paid in FY 2008		(1,332.8)
4. Interest on the above items		1,954.2
5. Expected AAL 6/30/2008 (1+2+3+4)		24,558.0
6. Actual AAL 6/30/2008		24,917.7
7. Actuarial (Gain)/Loss on Liabilities (6-5)	$	359.7

The total net actuarial loss is the total of the loss from assets and the loss from liabilities. The total loss is as follows:

1. Actuarial (Gain)/Loss on Assets	$	2,004.4
2. Actuarial (Gain)/Loss on Liabilities		359.7
3. Total Actuarial (Gain)/Loss (1+2)	$	2,364.1

The "behavior" of the population determines the liability gain or loss for the year. We examine the key drivers of changes in liabilities. From last year to this year, there was a slight loss on salary increases (about .1% of accrued liabilities). A loss on salary increases means that the pay increases for those who were active both this year and last year exceeded the assumed salary increase rate. There was a slight gain on retirement. Based on the assumptions, there were about 3,000 employees expected to retire from active service, and only 1,900 retired from active service. Retiree mortality experience was a loss, meaning retirees are living a little bit longer than expected, and, as always, there was a new entrant loss. The new entrant loss occurs each year, but is offset by additional contributions in the assets. The other assumptions were so close that they generated very little actuarial gain or loss.

See Table 8, Appendix C, for detail of the gains and losses by source.

STATUTORY APPROPRIATIONS FOR THE 2010 FISCAL YEAR AND BEYOND

Section 15-155, which governs the development of Employer/State contributions to SURS, provides that:

1. Employer/State contributions are determined under the following process:

    a) The overall objective is to achieve a funding ratio of 90% by the end of fiscal year ("FY") 2045.

    b) The Employer/State contribution for FY 2010 and each year thereafter to and including FY 2045 are to be based on a (theoretically) constant percentage of the payroll of active members of SURS.

    c) The Employer/State contribution rate (expressed as a percentage of active member payroll) is to grade from the fiscal 2007 contribution to the fiscal 2010 contribution.

    d) After 2045, the Employer/State contribution rate is to be sufficient to maintain the funding level at 90%.

2. During the period of amortization of the bond issue, the Employer/State contribution in any fiscal year may not exceed the excess of:

    a) the contribution, as developed in 1., above, assuming that the special contribution (from the bond proceeds) has not been made, over

    b) the debt service on the bond issue for the fiscal year.

3. Pursuant to Section 15-165, the dollar amount of Employer/State contribution required for a fiscal year shall be certified to the Governor no later than November 15 for the fiscal year commencing on the following July 1. The required amounts are budgeted pursuant to the continuing appropriations process.

Based on market value of assets, Employer/State contributions for FY 2010 and estimates of the required contributions for the subsequent five fiscal years are set out below.

Fiscal Year	Required State Contribution (in Millions) 15% of New Members to SMP SURS	SMP	Total
2010	$707.7	$36.8	$744.5
2011	730.7	44.8	775.5
2012	755.5	46.9	802.4
2013	781.6	49.1	830.7
2014	809.3	51.5	860.8
2015	838.8	54.0	892.8

The State contribution for FY 2010 is $744,514,000. This is equal to a gross contribution of $747,606,000 less $3,092,000 in SMP forfeitures.

Estimates of Employer/State contributions through 2045, assuming that 15% of future new members elect SMP, are set out in Table 14.

The State contributions set out in this report represent total required contributions. The net State appropriation is the total shown in this report, adjusted by contributions from federal and trust funds.

ASSET INFORMATION

The Governmental Accounting Standards Board ("GASB") has promulgated Statements No. 25 and 27 that mandate, among other things, the use of market or market-related asset value. It has been agreed that market value, without adjustment, will be used for all actuarial purposes. In this valuation, funding status determinations and contribution projections will be set out based on the market value of assets. The assets of the fund that are available for benefits are the total assets of the system reduced by current fund liabilities.

The market value of the assets of the fund that is available for benefits had decreased from $15,985.7 million as of June 30, 2007 to $14,586.3 million as of June 30, 2008. This decrease is due to unfavorable return on fund assets.

The detailed determinations of asset values utilized in this valuation and asset growth in the last year are set out in Appendix A.

FUNDING STATUS

The funding status of SURS is measured by the Funding Ratio. The Funding Ratio is the ratio of the assets available for benefits to the actuarial accrued liability of the System. Thus, it reflects the portion of benefits earned by SURS members, which are covered by System assets.

A funding ratio of 100% means that all of the benefits earned to date by SURS members are covered by assets. By monitoring changes in the funding ratio each year we can determine whether or not funding progress is being made.

Based on assets at market value, the SURS funding ratio decreased from 68.4% at June 30, 2007, to 58.5% at June 30, 2008.

ACTUARIAL FUNDING AND STATUTORY FUNDING

Actuarial standards of practice, as amplified by GASB, provide guidance on how to ascertain the annual required contribution (ARC) for a retirement plan. This ARC is the sum of the normal cost and amortization of the unfunded accrued liability. The reason for this funding pattern is to have benefits funded within the same generation that has earned them as well as to ensure that all benefit obligations will be met.

The ARC for FY 2009 is $1.1 billion. On a statutory appropriation basis the contribution for FY 2009 (from the June 30, 2007 report) was $491 million. The difference between the ARC and the statutory appropriation represents a "net pension obligation" (NPO) as defined under GASB. An NPO is viewed as the accumulated value of contribution variances – where GASB defines contribution variances as the difference between the ARC and the statutory appropriation.

The statute creates a perpetual contribution variance. In the case of SURS, the variance is always an underfunding. Each year, the statute determines a contribution that is less than the ARC – thereby adding to the NPO. As shown in Table 11 of this report, the NPO (accumulated missed contributions) is over $6 billion dollars. A large and growing NPO may raise concerns in the capital markets and impact the cost of debt and borrowing for the State.

RECOMMENDATIONS

We recommend a funding policy that recognizes and funds to the ARC. If all actuarial assumptions are met, the benefit obligations will need to be funded through the payment of the ARC. In addition, the NPO will be "paid off" through contributing amounts in excess of the ARC. Continually funding the Plan below the ARC creates the risk that ultimately benefit obligations cannot be met from the trust, and will require a greater amount of funding from other State resources.

We recognize that the statute governs the funding policy of the plan. The purpose of these comments is to highlight the difference between the statutory appropriation and the ARC, and to discuss the impact of the ongoing contribution variance.

GASB DISCLOSURE

The accounting policies of the State of Illinois relative to its retirement systems are based on the terms of GASB Statement No. 25. Tables 9 and 10 are Required Supplemental Information tables mandated by that statement. Table 11 provides additional supporting information.

APPENDICES

APPENDIX A

ASSET INFORMATION

TABLE 1
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2008 AND JUNE 30, 2007

	Defined Benefit Plan	Self Managed Plan	Reporting Entity Totals 2008	Reporting Entity Totals 2007
Assets				
Cash and short-term investments	$ 442,903,785		$ 442,903,785	$ 788,901,518
Receivables				
Participants	11,008,328	$ 1,883,245	12,891,573	14,625,450
Federal, trust funds, and other	2,106,418	1,085,990	3,192,408	1,937,728
Notes receivable, long-term	542,701		542,701	883,468
Pending investment sales	2,087,413,798		2,087,413,798	2,186,217,154
Interest and dividends	39,705,356		39,705,356	33,821,070
Total receivables	2,140,776,601	2,969,235	2,143,745,836	2,237,484,870
Prepaid expenses	8,000		8,000	14,237
Investments, at fair value				
Equity investments	8,697,596,058	34,208,427	8,731,804,485	10,242,225,544
Fixed income investments	5,151,348,326	16,812,218	5,168,160,544	5,180,583,996
Real estate investments	351,998,193	276,993	352,275,186	328,033,841
Mutual fund and variable annuities		562,118,120	562,118,120	533,000,506
Total investments	14,200,942,577	613,415,758	14,814,358,335	16,283,843,887
Securities lending collateral	2,046,536,507		2,046,536,507	2,162,980,971
Capital assets, at cost, net of accum deprec $16,053,478 and $15,182,625 respectively	6,931,226		6,931,226	7,444,568
Total assets	18,838,098,696	616,384,993	19,454,483,689	21,480,670,051
Liabilities				
Benefits payable	5,436,697		5,436,697	7,036,909
Refunds payable	2,899,940		2,899,940	3,053,323
Securities lending collateral	2,046,536,507		2,046,536,507	2,162,980,971
Payable to brokers for unsettled trades	2,184,482,162		2,184,482,162	2,725,185,889
Administrative expenses payable	12,417,935		12,417,935	12,662,376
Total liabilities	4,251,773,241		4,251,773,241	4,910,919,468
Net assets held in trust for pension benefits	$ 14,586,325,455	$ 616,384,993	$ 15,202,710,448	$ 16,569,750,583

TABLE 2
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	Defined Benefit Plan	Self Managed Plan	Reporting Entity Totals 2008	Reporting Entity Totals 2007
Additions				
Contributions				
Employer	$ 344,945,238	$ 38,954,066	$ 383,899,304	$ 294,451,464
Participant	264,149,354	45,951,911	310,101,265	303,992,601
Total Contributions	609,094,592	84,905,977	694,000,569	598,444,065
Investment Income				
Net appreciation				
in fair value of investments	(899,179,819)	(39,127,004)	(938,306,823)	2,249,927,509
Interest	60,706,695		60,706,695	225,548,765
Dividends	187,602,637		187,602,637	155,508,304
Securities lending	14,161,232		14,161,232	4,958,036
	(636,709,255)	(39,127,004)	(675,836,259)	2,635,942,614
Less investment expense				
Asset management expense	39,012,867		39,012,867	37,104,488
Securities lending expense				1,007,138
Net investment income	(675,722,122)	(39,127,004)	(714,849,126)	2,597,830,988
Total additions	(66,627,530)	45,778,973	(20,848,557)	3,196,275,053
Deductions				
Benefits	1,275,713,711	3,459,031	1,279,172,742	1,180,574,674
Refunds of contributions	44,984,290	9,955,302	54,939,592	53,407,456
Bond interest expense				
Administrative expense	12,079,244		12,079,244	11,704,567
Total deductions	1,332,777,245	13,414,333	1,346,191,578	1,245,686,697
Net increase	(1,399,404,775)	32,364,640	(1,367,040,135)	1,950,588,356
Net assets held in trust for pension benefits				
Beginning of year	15,985,730,230	584,020,353	16,569,750,583	14,619,162,227
End of Year	$ 14,586,325,455	$ 616,384,993	$ 15,202,710,448	$ 16,569,750,583

APPENDIX B

MEMBERSHIP DATA

TABLE 3
SUMMARY OF DATA CHARACTERISTICS
($ IN MILLIONS)

	June 30, 2007		June 30, 2008	
	Number	**Earnings**	**Number**	**Earnings**
Active Members				
Full time				
Traditional SURS	50,434	$2,186.2	50,073	$2,235.3
Portable SURS	16,614	843.3	17,315	910.6
SMP	8,880	464.0	9,168	509.2
Total Full Time	75,928	$3,493.5	76,556	$3,655.1
Part time				
Traditional SURS	4,268	$ 20.7	4,757	$ 24.3
Portable SURS	776	4.6	941	6.2
SMP	719	5.0	820	5.6
Total Part Time	5,763	$ 30.3	6,518	$ 36.1
Total	81,691	$3,523.8	83,074	$3,691.2
Inactive Members				
Traditional/Portable	69,726		70,657	
SMP	5,535		6,064	
Total	75,261		76,721	

	Number	**Annual Benefits**	**Number**	**Annual Benefits**
Benefit Recipients				
Retirement	35,200	$1,093.8	37,055	$1,189.8
Survivor	6,958	81.1	7,122	86.6
Disability	1,237	22.3	1,169	21.0
Total	43,395	$1,197.2	45,346	$1,297.4

TABLE 4

DISTRIBUTION OF FULL-TIME* ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE

AS OF JUNE 30, 2008

Age	Years of Service: Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Totals
Under 20	13	20	-	-	-	-	-	-	33
	47,132	167,072	-	-	-	-	-	-	214,204
20-24	384	961	32	-	-	-	-	-	1,377
	2,976,146	22,493,028	747,214	-	-	-	-	-	26,216,388
25-29	587	3,688	780	21	-	-	-	-	5,076
	6,433,660	125,152,662	28,432,776	746,556	-	-	-	-	160,765,654
30-34	564	3,970	2,374	419	11	-	-	-	7,338
	6,854,042	158,716,201	103,961,574	18,551,421	392,735	-	-	-	288,475,973
35-39	436	3,364	3,050	1,440	378	24	-	-	8,692
	5,814,264	148,313,311	150,829,533	74,800,315	18,188,780	1,167,766	-	-	399,113,969
40-44	339	2,619	2,906	1,815	1,120	455	16	-	9,270
	4,345,450	107,806,475	144,690,164	100,368,053	64,424,707	23,584,205	866,269	-	446,085,323
45-49	324	2,507	2,927	2,179	1,643	1,222	465	29	11,296
	4,644,361	98,913,253	136,322,452	119,185,395	105,695,536	75,453,712	26,201,589	1,572,596	567,988,894
50-54	235	2,168	2,823	2,168	2,032	1,670	906	212	12,214
	3,078,673	85,524,828	125,987,106	112,642,327	123,042,863	120,905,114	61,861,471	13,202,588	646,244,970
55-59	177	1,865	2,395	1,841	2,039	1,507	1,033	445	11,302
	2,408,260	69,998,778	105,592,176	88,206,896	115,179,853	108,186,961	86,678,484	38,224,384	614,475,792
60-64	81	1,005	1,428	1,151	1,208	794	477	385	6,529
	870,146	34,872,756	59,594,506	52,905,751	58,081,579	55,476,426	42,685,342	41,552,802	346,039,308
65 & Over	32	436	826	607	652	299	180	397	3,429
	296,382	11,061,727	23,012,678	21,934,928	26,897,680	20,299,423	14,855,002	41,117,909	159,475,729
Totals	3,172	22,603	19,541	11,641	9,083	5,971	3,077	1,468	76,556
	37,768,516	863,020,091	879,170,179	589,341,642	511,903,733	405,073,607	233,148,157	135,670,279	3,655,096,204

** Includes part-time members with at least three years of service.*

TABLE 5
DISTRIBUTION OF BENEFIT RECIPIENTS BY AGE
AS OF JUNE 30, 2008

Age	Number	Annual Benefit
Retirees and Survivors		
Under 50	611	$ 4,340,713
50-54	579	17,418,504
55-59	4,021	118,637,777
60-64	7,509	246,457,252
65-69	8,788	292,013,881
70 & Over	22,669	597,487,261
Total	44,177	$ 1,276,355,388
Disabilitants		
Under 50	195	$ 3,208,841
50-54	217	4,014,012
55-59	256	4,927,370
60-64	211	4,415,460
65-69	160	2,988,124
70 & Over	130	1,461,657
Total	1,169	$ 21,015,464

APPENDIX C

ACTUARIAL DETERMINATIONS

TABLE 6
SUMMARY OF ACTUARIAL VALUES
AS OF JUNE 30, 2008
($ IN MILLIONS)

		Projected Unit Credit Values	
	APV of Projected Benefits	Actuarial Accrued Liability (AAL)	Normal (NC)
1. Active Members			
a. Retirement	$11,442.0	$ 7,691.3	$441.0
b. Death	260.1	172.4	11.3
c. Disability	607.5	395.7	34.2
d. Termination	1,305.7	834.2	91.5
Total - Active Members	$13,615.3	$ 9,093.6	$578.0
2. Benefit Recipients			
a. Retirement	$12,964.7	$12,964.7	$ 0.0
b. Survivor	733.9	733.9	0.0
c. Disability	279.5	279.5	0.0
Total - Benefit Recipients	$13,978.1	$13,978.1	$ 0.0
3. Other Inactive	$ 1,846.0	$ 1,846.0	
4. Grand Total	$29,439.4	$24,917.7	$578.0
5. Operating Expense			$ 13.0
6. Total Normal Cost			$591.0

TABLE 7
ANALYSIS OF CHANGE IN
UNFUNDED ACTUARIAL ACCRUED LIABILITY
FOR THE YEAR ENDING JUNE 30, 2008
($ IN MILLIONS)

1. Actuarial (Gain)/Loss on AAL		
(a) AAL 6/30/07		$ 23,362.1
(b) Normal Cost FY08	$ 574.5	
(c) Benefits and Admin Expenses Paid FY08	(1,332.8)	
(d) Interest on (a), (b), and (c)	1,954.2	
(e) Expected AAL 6/30/2008 (a+b+c+d)		24,558.0
(f) Actual AAL 6/30/2008		24,917.7
(g) Actuarial (Gain)/Loss on AAL (f-e)		$ 359.7
(h) Impact of Benefit Changes		0.0
(i) Impact of Change in Actuarial Assumptions		0.0
(j) Actual AAL After Changes ((f)+(h)+(i))		$ 24,917.7
2. Actuarial (Gain)/Loss on Assets		
(a) Assets 6/30/07		15,985.7
(b) Contributions FY08	609.1	
(c) Benefits and Admin Expenses	(1,332.8)	
(d) Interest at 8.5%	1,328.7	
(e) Expected Assets 6/30/2008 (a+b+c+d)		16,590.7
(f) Actual Assets 6/30/2008		14,586.3
(g) Actuarial (Gain)/Loss on Assets (e-f)		$ 2,004.4
3. Total Actuarial (Gain)/Loss		
(a) (Gain)/Loss on AAL		$ 359.7
(b) (Gain)/Loss on Assets		2,004.40
(c) Net (Gain)/Loss (a+b)		$ 2,364.1

TABLE 8
ANALYSIS OF ACTUARIAL GAINS AND LOSSES
($ IN MILLIONS)

	Amount of (Gain) or Loss			
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**
Investment Return	$ (218.0)	$ (414.1)	$ (1,342.0)	$ 2,004.4
Salary Increase	(19.4)	28.6	67.0	30.6
Age and Service Retirement	253.1	133.8	(21.7)	(34.7)
General Employment Termination	(83.9)	(39.6)	46.5	45.3
Disability Incidence	15.1	13.7	(1.4)	2.1
In Service Mortality	2.4	2.4	5.5	(1.1)
Benefit Recipient	(171.6)	(49.7)	44.7	105.5
New Entrants	68.0	81.6	71.3	117.0
Other	124.9	45.5	(22.9)	95.0
Total Actuarial (Gain)/Loss	$ (29.4)	$ (197.8)	$ (1,153.0)	$ 2,364.1

TABLE 9
SCHEDULE OF FUNDING STATUS
($ IN 000'S)

Plan Year	Assets*	AAL	UAAL	Funding Ratio	Payroll/DB**	UAAL as % of Payroll
1995	$ 4,673,287	$ 9,378,486	$4,705,199	49.83 %	$2,237,025	210.33 %
1996	5,082,891	10,155,039	5,072,148	50.05	2,330,038	217.69
1997	5,750,637	10,552,216	4,801,579	54.50	2,298,029	208.94
1997 *	8,376,347	10,552,216	2,175,869	79.38	2,298,029	94.68
1998	9,793,809	11,416,095	1,622,286	85.79	2,377,578	68.23
1999	10,762,157	12,617,495	1,855,338	85.30	2,411,118	76.95
2000	12,063,950	13,679,039	1,615,089	88.19	2,424,209	66.62
2001	10,753,297	14,915,317	4,162,020	72.10	2,474,631	168.19
2002	9,814,677	16,654,041	6,839,364	58.93	2,607,155	262.33
2003	9,714,547	18,025,032	8,310,485	53.89	2,763,428	300.73
2004	12,586,305	19,078,583	6,492,278	65.97	2,814,071	230.71
2005	13,350,278	20,349,922	6,999,644	65.60	2,939,185	238.15
2006	14,175,147	21,688,935	7,513,788	65.36	3,054,100	246.02
2007	15,985,730	23,362,079	7,376,349	68.43	3,180,985	231.89
2008	14,586,325	24,917,678	10,331,353	58.54	3,303,220	312.77

* *Book Value up to second 1997 value, then Market Value*

AAL - Actuarial Accrued Liability

UAAL - Unfunded Actuarial Accrued Liability

** *Payroll is rolled forward with salary scale for one year.*

TABLE 10
SCHEDULE OF EMPLOYER CONTRIBUTIONS
($ IN MILLIONS)

Fiscal Year	(1) Total ARC*	(2) Member Contributions	(3) (1) - (2) Net State ARC	(4) Actual State Contribution	(5) (4) / (3) State Cont. as Percent of Net ARC
1995	$ 739.5	$ 185.9	$ 553.6	$ 128.1	23.14 %
1996	787.1	197.0	590.1	147.4	24.97
1997	634.8	202.2	432.6	182.0	42.08
1998 **	512.1	221.7	290.4	227.8	78.44
1999	509.2	213.0	296.2	237.9	80.32
2000	547.8	222.5	325.3	241.1	74.11
2001	548.1	221.6	326.5	247.1	75.69
2002	686.9	251.6	435.3	256.1	58.84
2003	843.8	246.3	597.5	285.3	47.74
2004	934.8	243.8	691.0	1,757.5	254.36
2005	859.7	251.9	607.8	285.4	46.96
2006	914.9	252.9	662.0	180.0	27.19
2007	968.3	262.4	705.9	261.1	36.99
2008	971.6	264.1	707.5	344.9	48.75
2009	1,147.3				

* *ARC - Annual Required Contribution as defined in GASB Statements No. 25 and 27*

** *Assets at market value*

TABLE 11
GENERAL INFORMATION GASB #25

Development of Net Pension Obligation
June 30, 2008
($ in Millions)

1. NPO at 6/30/07		$5,584.453
2. State Expense for FY 2008	$881.512	
3. State Contribution for FY 2008	344.945	
4. Excess of Expense over Contribution (2-3)		536.567
5. NPO at 6/30/08 (1+4)		$6,121.020

Development of ARC and Expense for FY 2009
($ in Millions)

1. Normal Cost	$ 591.116
2. Amortization of UAAL (30 years remaining)	556.216
3. Total ARC (1+2)	$1,147.332
4. Interest on NPO	520.287
5. NPO Adjustment	(329.542)
6. Total Expense (Including member contributions) (3+4+5)	$1,338.077

Notes in Trend Data

Information	Data
Valuation Date	June 30, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market
Actuarial Assumptions	
Investment rate of return	8.50%
Projected salary increases	5% - 10%
Cost-of-living adjustment	3.0%

APPENDIX D

ACTUARIAL PROJECTIONS

TABLE 12
BASELINE PROJECTIONS – ACTUARIAL VALUATION JUNE 30, 2008
ASSUMES CONTRIBUTIONS BASED ON TABLE 14 & INVESTMENT RETURN OF 8.5% EACH YEAR
($ MILLIONS)

Fiscal Year Ending	Total Payroll	SMP Pay	DB Pay	Benefits	Expenses	Assets EOY	AAL	Funding Ratio
2009	$ 3,879.428	$ 544.934	$ 3,334.494	$ 1,422.440	$ 12.820	$ 15,077.889	$ 25,600.143	58.90 %
2010	3,999.628	565.499	3,434.129	1,511.235	13.218	15,795.299	26,741.000	59.07
2011	4,129.267	589.970	3,539.297	1,607.971	13.646	16,505.149	27,883.951	59.19
2012	4,269.539	616.769	3,652.770	1,709.812	14.110	17,204.093	29,022.887	59.28
2013	4,416.911	646.008	3,770.903	1,815.400	14.597	17,888.976	30,153.752	59.33
2014	4,573.956	677.680	3,896.276	1,926.135	15.116	18,555.594	31,273.055	59.33
2015	4,740.566	711.109	4,029.457	2,043.355	15.666	19,198.021	32,369.808	59.31
2016	4,918.892	747.021	4,171.871	2,162.353	16.255	19,815.238	33,440.463	59.26
2017	5,106.397	784.639	4,321.758	2,287.309	16.875	20,401.180	34,473.994	59.18
2018	5,309.347	824.283	4,485.064	2,411.006	17.546	20,958.413	35,473.436	59.08
2020	5,752.485	907.891	4,844.594	2,653.485	19.010	21,997.357	37,367.367	58.87
2025	7,122.253	1,138.962	5,983.292	3,221.916	23.537	24,326.930	41,550.717	58.55
2030	8,939.519	1,396.873	7,542.646	3,689.844	29.542	27,085.729	45,408.070	59.65
2035	11,323.813	1,729.052	9,594.760	4,073.980	37.422	31,804.788	49,704.244	63.99
2040	14,431.053	2,174.515	12,256.538	4,365.269	47.690	41,042.362	55,689.744	73.70
2045	18,409.485	2,762.974	15,646.511	4,707.330	60.838	58,421.835	64,913.150	90.00

TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2008
BEFORE IMPACT OF BONDS ISSUED IN 2004

	15% of New Members to SMP			
			Total Contribution	
FYE	SURS Cont.	SMP Cont.	$	% of Pay
2010	$ 840.447	$ 36.794	$ 877.241	21.93 %
2011	867.689	44.838	912.526	22.10
2012	897.164	46.874	944.039	22.11
2013	928.132	49.097	977.228	22.12
2014	961.132	51.504	1,012.635	22.14
2015	996.142	54.044	1,050.186	22.15
2016	1,033.614	56.774	1,090.387	22.17
2017	1,073.014	59.633	1,132.647	22.18
2018	1,115.660	62.646	1,178.306	22.19
2019	1,160.949	65.783	1,226.732	22.20
2020	1,208.778	69.000	1,277.777	22.21
2021	1,259.643	72.328	1,331.971	22.22
2022	1,313.624	75.755	1,389.378	22.22
2023	1,371.266	79.295	1,450.561	22.23
2024	1,432.107	82.895	1,515.002	22.23
2025	1,496.609	86.561	1,583.170	22.23
2026	1,564.825	90.326	1,655.151	22.23
2027	1,636.936	94.136	1,731.072	22.22

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TABLE 13
PROJECTED STATE CONTRIBUTIONS FOR RETIREMENT
ACTUARIAL VALUATION AS OF JUNE 30, 2008
BEFORE IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

	15% of New Members to SMP			
			Total Contribution	
FYE	SURS Cont.	SMP Cont.	$	% of Pay
2028	$ 1,713.210	$ 98.045	$ 1,811.255	22.22 %
2029	1,793.576	102.036	1,895.612	22.21
2030	1,878.474	106.162	1,984.636	22.20
2031	1,968.046	110.562	2,078.608	22.19
2032	2,062.710	115.315	2,178.025	22.19
2033	2,162.606	120.353	2,282.959	22.18
2034	2,268.096	125.751	2,393.847	22.18
2035	2,379.489	131.408	2,510.897	22.17
2036	2,496.752	137.356	2,634.108	22.17
2037	2,620.662	143.726	2,764.388	22.17
2038	2,751.343	150.501	2,901.844	22.16
2039	2,888.421	157.669	3,046.090	22.16
2040	3,032.417	165.263	3,197.680	22.16
2041	3,183.508	173.269	3,356.777	22.16
2042	3,342.329	181.719	3,524.048	22.16
2043	3,509.149	190.652	3,699.801	22.15
2044	3,684.437	200.079	3,884.516	22.15
2045	3,868.411	209.986	4,078.397	22.15
Total	$68,761.365	$3,798.134	$72,559.498	

TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2008
INCLUDING IMPACT OF BONDS ISSUED IN 2004

	15% of New Members to SMP					
			Total Contribution		Debt Service	
FYE	SURS Cont.	SMP Cont.	$	% of Pay	$	% of Pay
2010	$ 707.720	$ 36.794	$ 744.514	18.61 %	$ 106.373	2.66 %
2011	730.659	44.838	775.497	18.78	106.050	2.57
2012	755.480	46.874	802.354	18.79	115.487	2.70
2013	781.557	49.097	830.653	18.81	114.754	2.60
2014	809.345	51.504	860.849	18.82	114.000	2.49
2015	838.826	54.044	892.870	18.83	113.227	2.39
2016	870.380	56.774	927.154	18.85	112.435	2.29
2017	903.559	59.633	963.191	18.86	116.476	2.28
2018	939.470	62.646	1,002.115	18.87	120.304	2.27
2019	977.606	65.783	1,043.390	18.89	123.920	2.24
2020	1,017.882	69.000	1,086.881	18.89	132.009	2.29
2021	1,060.714	72.328	1,133.042	18.90	139.615	2.33
2022	1,106.170	75.755	1,181.925	18.91	146.736	2.35
2023	1,154.709	79.295	1,234.004	18.91	153.373	2.35
2024	1,205.941	82.895	1,288.836	18.91	164.417	2.41
2025	1,260.257	86.561	1,346.818	18.91	174.604	2.45
2026	1,317.701	90.326	1,408.026	18.91	179.149	2.41
2027	1,378.423	94.136	1,472.559	18.90	183.195	2.35

(Continued on next page)

TABLE 14
PROJECTED STATE CONTRIBUTIONS
ACTUARIAL VALUATION AS OF JUNE 30, 2008
INCLUDING IMPACT OF BONDS ISSUED IN 2004
(CONCLUDED)

	15% of New Members to SMP					
			Total Contribution		Debt Service	
FYE	SURS Cont.	SMP Cont.	$	% of Pay	$	% of Pay
2028	$ 1,442.651	$ 98.045	$ 1,540.697	18.90 %	$ 191.634	2.35 %
2029	1,510.326	102.036	1,612.362	18.89	199.325	2.34
2030	1,581.816	106.162	1,687.978	18.88	211.160	2.36
2031	1,657.243	110.562	1,767.804	18.88	221.997	2.37
2032	1,736.956	115.315	1,852.272	18.87	226.944	2.31
2033	1,821.077	120.353	1,941.430	18.86	226.249	2.20
2034	1,909.907	125.751	2,035.659	18.86		
2035	2,003.708	131.408	2,135.116	18.86		
2036	2,102.452	137.356	2,239.808	18.85		
2037	2,206.795	143.726	2,350.521	18.85		
2038	2,316.838	150.501	2,467.338	18.84		
2039	2,432.267	157.669	2,589.936	18.84		
2040	2,553.523	165.263	2,718.786	18.84		
2041	2,680.753	173.269	2,854.022	18.84		
2042	2,814.492	181.719	2,996.211	18.84		
2043	2,954.967	190.652	3,145.619	18.84		
2044	3,102.573	200.079	3,302.652	18.84		
2045	3,257.492	209.986	3,467.479	18.84		
Total	$ 57,902.236	$ 3,798.134	$ 61,700.369		$ 3,693.431	

APPENDIX E

ACTUARIAL METHOD AND ASSUMPTIONS

PROJECTED UNIT CREDIT METHOD

The Projected Unit Credit Method is mandated under Section 15-155 as the funding method to be used for all purposes under SURS.

The concept of this method is that funding of benefits should occur as benefits are accrued (earned) by active members of SURS.

The Normal Cost (NC) for a fiscal year under this method is the actuarial present value of all benefits expected to be accrued during the fiscal year. The Actuarial Accrued Liability (AAL) under this method is the actuarial present value of all benefits accrued to the valuation date. To the extent that the assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability (UAAL) develops. Under the classical application of this method, the contribution for a year is the NC for that year plus an amount to amortize the UAAL.

Under Section 15-155, the employer/State contribution is determined such that the assets of SURS reach 90% of the AAL by the end of FY 2045.

This contribution is determined as a level percentage of pay for all years except that the contribution rates through 2010 shall grade in equal steps to the desired level contribution rate.

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)

Rate of Investment Return. For all purposes under the system the rate of investment return is assumed to be 8.5% per annum.

Effective Rate of Interest: The assumed rate credited to member accounts is 8.5% per annum.

Annual Compensation Increases. Each member's compensation is assumed to increase by 5.0% each year, 3.75% reflecting salary inflation and 1.25% reflecting standard of living increases. That rate is increased for members with less than 9 years of service, as follows:

Service Year	Additional Increase
0	5.00%
1	4.00
2	2.50
3	1.50
4	1.25
5	1.00
6	0.80
7	0.50
8	0.30
9 & Over	0.00

Mortality. The mortality assumption for retirees, beneficiaries and disabilities are based on the 1994 Group Annuity Mortality Table with a two-year age setback for males and no age setback for females. The assumed mortality rates for active members are 75% of those for retirees.

Disability. A table of disability incidence with sample rates follows:

Age	Males	Females
20	0.05%	0.05%
30	0.08	0.08
40	0.16	0.16
50	0.34	0.34
60	0.55	0.55
70	0.85	0.85

Retirement. Upon eligibility, active members are assumed to retire as follows:

Age	Members Eligible For Normal Retirement	Members Eligible For Early Retirement
Under 55	35.0%	0.0%
55	30.0	7.0
56	30.0	5.0
57	27.0	5.0
58	27.0	5.5
59	26.0	6.0
60	12.0	
61	12.0	
62	15.0	
63	15.0	
64	15.0	
65	20.0	
66	17.0	
67	17.0	
68	17.0	
69	17.0	
70	100.0	

General Turnover. A table of termination rates based on experience in the 2001-2006 period. The assumption is a table of turnover rates by years of service. A sample of these rates follows:

Years of Service	All Members
0	29.5%
1	25.5
2	19.0
3	16.0
4	14.0
5	12.0
6	10.0
7	9.0
8	7.5
9	6.5
10	5.5
15	3.0
20	2.1
25	1.6
30	0.0

Part time members with less than 3 years of service are assumed to terminate at the valuation date.

Members terminating with less than 15 years of service are assumed to take a refund of contributions. Members terminating with 15 or more years of service are assumed to take a deferred annuity benefit.

ACTUARIAL ASSUMPTIONS
(ADOPTED EFFECTIVE WITH THE JUNE 30, 2007 ACTUARIAL VALUATION)
(CONTINUED)

Operational Expenses. The amount of operational expenses incurred in the latest fiscal year are supplied by SURS staff and incorporated in the Normal Cost.

Marital Status. Members are assumed to be married in the following proportions:

Age	Males	Females
20	25 %	40 %
30	70	75
40	80	80
50	85	80
60	85	70

Spouse Age. The female spouse is assumed to be 3 years younger than the male spouse.

Load on Final Average Salary. No load is assumed to account for higher than assumed pay increases in final years of employment before retirement

Valuation of Inactives. An annuity benefit is estimated based on information provided by staff for members with five or more years of service.

Self Managed Plan Election Percentage: 15%

APPENDIX F

SUMMARY OF BENEFIT PROVISIONS OF TRADITIONAL SURS

It should be noted that the purpose of this Appendix is to describe the benefit structures of SURS for which actuarial values have been generated. There is no description of the SMP and many portions of the defined plans are described in a manner which is not legally complete or precise.

It is not our intent to provide an exhaustive description of all benefits provided under SURS or the policies and procedures utilized by SURS staff. A more precise description of the provisions of SURS is contained in the Member's Guide, published by SURS staff. Of course, the statute is controlling.

Plans

There are two defined benefit plans available under SURS, the Traditional Plan and the Portable Plan. A Member must select one of these plans within the first six months of participation. If no choice is made in that time, the Traditional Plan is deemed chosen.

The provisions of the plans are identical in many areas. The description below is primarily of the Traditional Plan. Where different, the Portable plan provisions will be described in *italics*.

Member Contributions

Most members contribute a total of 8% of compensation, broken down as follows:

Retirement Annuity	6.5%
Survivor Benefits	1.0%
Annual Increases in Retirement Benefits	0.5%

Police officers and firefighters contribute a total of 9.5% of compensation, with the additional 1.5% allocated to the retirement annuity.

Portable Plan members contribute a total of 8% of compensation, but the breakdown set out above does not apply.

Since January 1, 1981, the member contributions under SURS have been "picked up" by employers.

Effective Rate of Interest

The interest rate credited to member contribution accounts for most purposes under the system is called the Effective Rate of Interest ("ERI"). Effective for the 2006 fiscal year, the ERI for the purpose of determining the money purchase benefit is established annually by the State Comptroller.

For the purpose of withdrawal of contributions at termination by Traditional Plan Members, this rate is not greater than 4.5% by statute.

Normal Retirement:

Eligibility

For police officers and firefighters, separation from service on or after the attainment of the earlier of:

1. Age 55 with 20 years of service, or
2. Age 50 with 25 years of service.

For other members, separation from service on or after attainment of the earlier of:

1. Age 62 with 5 years of service,
2. Age 60 with 8 years of service, and
3. 30 years of service regardless of age.

Initial Benefit Amount

There are 3 alternate formulae. The initial benefit is the largest produced by one of the three:

1. General Formula: The following percentages of high 4 consecutive year average compensation for each year of service:

Year of Service	General	Police/Fire
1st 10 Years	2.20 %	2.25 %
Next 10 Years	2.20	2.50
Over 20	2.20	2.75

2. Money Purchase Formula:

   a) The member contributions for retirement benefits accumulated with interest at the ERI, plus

   b) An imputed employer contribution match at $1.40 per dollar of member contribution accumulated with interest at the ERI.

   c) The total of the accumulations in (a) and (b) is converted into an annuity using a life annuity factor that takes into account neither the automatic 50% spousal survivor benefit nor the automatic annual increases.

   Members hired on or after July 1, 2005 no longer receive the Money Purchase Formula under the plan.

3. Minimum Benefit - A benefit for each year of service, up to 30, based on final annual pay, as follows:

Under 3,500	$ 8
$3,500 - $4,500	9
$4,500 - $5,500	10
$5,500 - $6,500	11
$6,500 - $7,500	12
$7,500 - $8,500	13
$8,500 - $9,500	14
Over $9,500	15

4. Minimum Retirement Annuity – No retiree shall receive a retirement annuity less than $25 per month for each year of service up to 30. The comparable benefit for survivor benefit recipients is $17.50 per month for each year of service up to 30.

Maximum Benefit

80% of high 4-year average compensation.

The present value of the benefits for pay increases in excess of 6% during the last four years prior to retirement will be paid by the employer. The employer will pay this amount in a lump sum to the Retirement System.

Benefit Duration

The Normal Retirement benefit is payable for the lifetime of the retired member. If the retiree under the Traditional Plan has a spouse at date of retirement and if that spouse survives the retiree the spouse will receive, upon the death of the retiree, a survivor benefit equal to 50% of the monthly benefit being paid to the retiree as of the date of death. Such benefit will continue for the lifetime of the surviving spouse.

For retirees under the Portable Plan, the normal form of benefit is an annuity which is payable for the lifetime of the retiree only. Benefit forms, which provide for continuation of the benefit to a surviving spouse after the death of the retiree, are available as options. Those selecting such an option will have their benefit reduced to cover the cost of the option.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Early Retirement

Eligibility

For members other than police and fire employees, separation from service on or after attainment of age 55 with 8 years of service but not eligible for Normal Retirement.

Benefits

The benefit amounts and all terms of benefit payment are the same as that for Normal Retirement, except that the benefit amounts calculated under the General Formula and the Minimum Formula shall be reduced by .5% for each month by which the retirement date precedes the 60^{th} birthday.

Survivor Benefits – Traditional Plan Only

Eligibility

Death of an active member with at least 1.5 years of service or a terminated member with at least 10 years of service. For this purpose, service under the State Employees' Retirement System, the Teachers' Retirement System of the State of Illinois, and the Public School Teachers' Pension and Retirement Fund of Chicago is recognized.

Benefits

An annuity to the surviving spouse equal to the greater of:

1. 50% of the benefit accrued to the date of the death of the member, and
2. The applicable benefit from the following list:
   a) $400 per month to a single survivor (spouse, child or dependent parent), or
   b) $600 to two or more survivors.

Benefit Duration

Surviving spouse may receive a lifetime benefit commencing at the later of the member's date of death and the spouse's attainment of age 50. Benefits are payable to a spouse at an earlier date so long as there is a surviving dependent, unmarried child under age 18 (over 18 if disabled).

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each survivor annuity recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Death Benefit – Portable Plan

Upon the death of a member of the Portable Plan prior to retirement, the member's survivors will receive a benefit whose value is the larger of:

1. A Pre-Retirement Survivor Annuity, or
2. A refund of all member contributions plus interest at the full Effective Rate, plus, if the member has at least 5 years of service at death, a like amount of imputed employer contributions.

Lump Sum Death Benefit – Traditional and Portable Plan

Eligibility

Death of member prior to retirement.

Benefit

The following are payable to the member's beneficiary:

1. Refund of accumulated member contributions for retirement and annual adjustment,
2. $1,000
3. If survivor benefits not payable,
   a) Refund of the accumulated member contribution for survivor benefits, and
   b) $5,000 to a dependent beneficiary or $2,500 to a non-dependent beneficiary

Disability Benefit

Eligibility

Disablement after completing 2 years of service. The service requirement is waived if the disablement is accidental.

Disability definition - inability to perform the duties of "own occupation".

Pregnancy and childbirth are, by definition, disablement.

Benefit

50% of the basic compensation paid at date of disablement. This base benefit level is offset dollar for dollar by each of the following:

1. Earnings while disabled in excess of the disability benefit.
2. Other disability insurance either fully or partially employer provided.
3. Worker's compensation benefits.

Duration of Benefit

Benefits become payable on the later of the termination of salary and sick leave, or the 61st day after disablement and continue to the earlier of the following:

1. Recovery or death
2. Benefits paid equal 50% of total compensation during the period of SURS service
3. If disablement occurs prior to age 65, the attainment of age 70
4. If disablement occurs at or after attainment of age 65, completion of 5 years in disablement.

If, at discontinuance of the disability benefit, the member is eligible for a retirement benefit (based on service, which includes the period of disability), the member may retire and receive that benefit.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each disability benefit recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

Disability Retirement Annuity

Eligibility

Continuing disablement after discontinuation of the disability benefit as a result of reaching the "50% of total earnings" limitation. Disability is defined in accordance with the Social Security disability definition.

Benefit

35% of the compensation being earned at disablement.

Duration of Benefit

Benefits become payable upon discontinuance of the disability benefit and continue to the earlier of the following:

1. Recovery or death
2. Election to receive a retirement benefit

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each disability retirement benefit recipient shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.

BENEFITS FOR DEFERRED MEMBERS

Eligibility

Separation from employment with at least 5 years of service.

Benefit

Benefit as defined for normal retirement purposes, but calculated based on final average compensation and service at date of termination.

Commencement of Benefit

Benefits commence when member reaches the age condition for either normal or early retirement.

Annual Increases

Each January 1 subsequent to retirement date the monthly benefit being paid each retiree shall be increased by 3%. The adjustment for the first January after retirement shall be proportional.