



2008 ANNUAL REPORT

Taking the long view

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



The Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2008

All Financial Information Prepared by SURS Finance Division

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Taking the long view

Prudent investment management travels a lengthy road filled with peaks, plateaus and valleys. Though it has been many years since we've experienced the depth of valleys that have characterized 2008, it's important to place these events in the context of SURS' investment timeline.

Like other pension funds, SURS is a quintessential long-term investor. With an investment

horizon of 30 plus years, SURS maintains an enduring investment philosophy designed to weather market turmoil. Although we're reporting a negative return for Fiscal Year 2008, this follows four years of double digit investment returns. In fact, SURS' return over five years has been 10.3%; over 10 years, 6.2%; and over 22 years (the average length of employment of a SURS participant upon retirement) has been 9.34%.

As always, we are monitoring the situation, staying in constant contact with our investment managers and our strategic investment consultant to vigilantly protect the retirement funds entrusted to us. We're confident that a stronger overall U.S. and international financial system will emerge, bringing with it rewards for patient and diligent long-term investors such as SURS.

Introductory Section

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



Letter of Transmittal



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

1901 Fox Drive • Champaign, IL 61820
 1-800-ASK SURS • (217) 378-8800 (C-U)
 (217) 378-9800 (FAX)

January 21, 2009

Board of Trustees and Executive Director
 State Universities Retirement System
 1901 Fox Drive
 Champaign, IL 61820

I am pleased to present the 67th Comprehensive Annual Financial Report for the State Universities Retirement System of Illinois (SURS or the System, a component unit of the State of Illinois). This retirement system was created in 1941 by the State of Illinois for the benefit of the staff members and employees of the state universities, community colleges, and certain affiliated organizations, certain other state educational and scientific agencies, and the survivors, dependents, and other beneficiaries of those employees.

The management of SURS is responsible for the compilation and accuracy of the financial, investment, actuarial and statistical information contained in this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of SURS.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

Summary of Financial Information

The following table summarizes the change to System's plan net assets available for benefits between fiscal years 2008 and 2007. (in millions)

(\$ millions)	2008	2007	Increase/(Decrease)	
			Amount	%
Additions	(\$ 20.9)	\$ 3,196.3	(\$ 3,217.2)	(100.6)
Deductions	1,346.2	1,245.7	100.5	8.1
Change	(\$ 1,367.1)	\$ 1,950.6	(\$ 3,317.7)	(170.1)

The overall decrease in net assets available for benefits is due to a net investment loss of \$715 million offset by contributions of \$694 million, refund and benefit payments of \$1,334 million, and administrative expenses of \$12 million. More detailed analysis can be found in the Financial Section of this report.

Letter of Transmittal

Funding

The State of Illinois, the largest employer covered by SURS, provides funding from three sources: the General Revenue Fund, the Educational Assistance Fund and the State Pensions Fund which is funded with proceeds from unclaimed property. The determination of the total employer contributions for fiscal year 2008 to be funded through these three sources was based upon Public Act 88-0593, a funding plan which calls for increasing contributions between 1995 and 2010, and then sustaining contributions at a level which would result in a 90% funding ratio by 2045. In fiscal year 2008 state contributions were set at \$340.2 million, an increase of \$89 million from the prior year.

The actuarial accrued liability for the defined benefit plan at June 30, 2008 was \$24.9 billion as calculated by the projected unit credit method. The net assets available at June 30, 2008, equaled \$14.6 billion. The amount by which the liability exceeds the assets is called the unfunded accrued actuarial liability, and it equaled \$10.3 billion at the end of fiscal year 2008. It is expected that the growth in state contributions versus benefit payments will continue to result in a deficit of contributions over expenses, requiring the Board of Trustees to redirect investment income to cover benefit payments as needed.

Investments

Investments are made under the authority of the prudent expert rule, which 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. This standard has enabled the System to invest in different types of asset classes seeking to increase return while lowering risk through diversification.

Investment policy provides for a goal of 68.0% of the fund to be invested in equities, 23.5% of which may be invested in non-U.S. common stock and global equities, and 5.0% in private equities; 21% in fixed income; 6% in real estate investment trusts and direct real estate; and 5% in treasury inflation protected securities. The System retains professional investment firms who serve as fiduciaries and are afforded full discretion to manage the assets entrusted to them in accordance with written policies and guidelines established by the Board of Trustees.

The majority of SURS investments are insured or collateralized with securities held by its agent except for mutual funds, which are not evidenced by securities that exist in physical or book entry form.

Yield information is detailed in the Investment Section of this report. Taken as a whole, the SURS portfolio of investments produced a return of (4.5%), net of fees, for the year ended June 30, 2008.

Major Initiatives

The mission statement of SURS provides the foundation for the System's initiatives and ongoing programs. The mission of SURS is "To provide for SURS annuitants, participants, and their employers, in accordance with state law, the best and most cost effective benefit administration services in the United States, to manage and invest the fund's assets prudently, and to endeavor to achieve and maintain a financially sound retirement system."

Internet-Based Applications

Work continues on the multiple-year effort to develop SURS' internet site to allow for interactive menu options and enhanced information exchange for members and employers. This project is organized into three major phases of development and implementation: an employer website to facilitate employment status event communication, an employer website to enhance payroll contribution data transfer, and a member website to be utilized by both active and retired members.

While the development of the project phases related to employer data submission is complete, work continues on the final project phase related to member inquiry, applications and data submission via the website.

Letter of Transmittal

Operational Refinements

SURS staff continue to seek ways to improve operational efficiency and reduce costs, and enhance customer service. Activities in this area during the past fiscal year include the following:

Image and Data Entry Improvements

Work continues on the reengineering of imaging and data entry business processes, including business process reviews and developing an automatic link between the image and microfilm storage systems.

Upgrade of System Software

The staff email and calendaring system was converted from Lotus Notes to Microsoft Outlook, and all Microsoft applications were upgraded to the 2007 series.

Migration of ACH Processing

ACH processing of over 50,000 monthly benefit payments was transferred to SURS custody bank, Northern Trust, with resulting operational cost savings and improved efficiency.

Accounting System and Internal Control

SURS uses the accrual basis of accounting to record assets, liabilities, revenues, and expenses. Revenues for SURS are taken into account when earned, without regard to date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Market value has been used to present the assets of the System in accordance with Governmental Accounting Standards Board Statements #25 and #27, implemented effective July 1, 1996.

In developing and evaluating the accounting system, consideration has been given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding safekeeping of assets and reliability of financial records. SURS maintains an internal audit program that employs the services of two internal auditors to determine that all controls implemented are as designed.

Independent Audit

The Illinois Pension Code requires an annual audit of the financial statements of the System by independent public accountants, selected by the State Auditor General. This requirement has been complied with, and the independent auditors' unqualified report on the System's 2008 financial statements has been included in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SURS for its component unit financial report for the fiscal year ended June 30, 2007. This is the twenty-fourth consecutive year the System has earned this award.

To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Letter of Transmittal

Appointment of Trustees

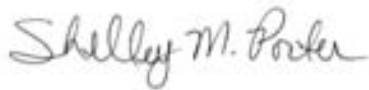
As of June 30, 2008, the composition of the SURS nine-member Board of Trustees who serve upon appointment by the Governor is as follows: Ms. Marva Williams and Mr. Antonio Vasquez concluded the first year of their appointed six-year terms. Ms. Christine Boardman concluded the first year of her reappointed six-year term. Mr. Michael Mackey, Mr. Michael Pizzuto, and Mr. Mitchell Vogel concluded the fourth year of their six-year appointed terms. Ms. Alice Palmer, Mr. Mark Donovan, and Mr. Robert Hilgenbrink concluded the third year of their six-year appointed terms. Mr. Vogel, Ms. Palmer, and Mr. Hilgenbrink served as President, Vice-President, and Treasurer, respectively.

Acknowledgements

The preparation of the annual report by the Finance Division reflects the combined efforts of the SURS staff under the leadership of the Board of Trustees. It is intended for use by the Trustees and staff in making management decisions, in judging compliance with legal provisions, and in determining responsible stewardship for the assets contributed by System members and the State of Illinois. The report is made available to all employers covered by the State Universities Retirement System and is also available to members and other interested persons upon request.

On behalf of the Board of Trustees, I would like to express my gratitude to the staff, the consultants, and the many other people who work so effectively to assure the successful operation of this System.

Respectfully submitted,



Shelley M. Porter, CPA
Chief Financial Officer

Board of Trustees



Mitchell Vogel
President
Evanston



Christine Boardman
Chicago



Marva Williams
Chicago



Mark Donovan
Chicago



Antonio Vasquez
Chicago



Robert Hilgenbrink
Treasurer
Shiloh



Michael Mackey
Chicago



Michael Pizzuto
Lyons



Alice Palmer
Vice President
Chicago

Administrative Staff



Dan M. Slack
Executive Director



Judith A. Parker
Associate Executive Director



Daniel L. Allen
Chief Investment Officer



Angela Lieb
*Deputy Director
Member Services*



Kelly Jenkins
General Counsel



Steven L. Hayward, CPA
Internal Auditor



Douglas Wesley
*Deputy Chief
Investment Officer*



M. Christopher Hansen
Director of Operations

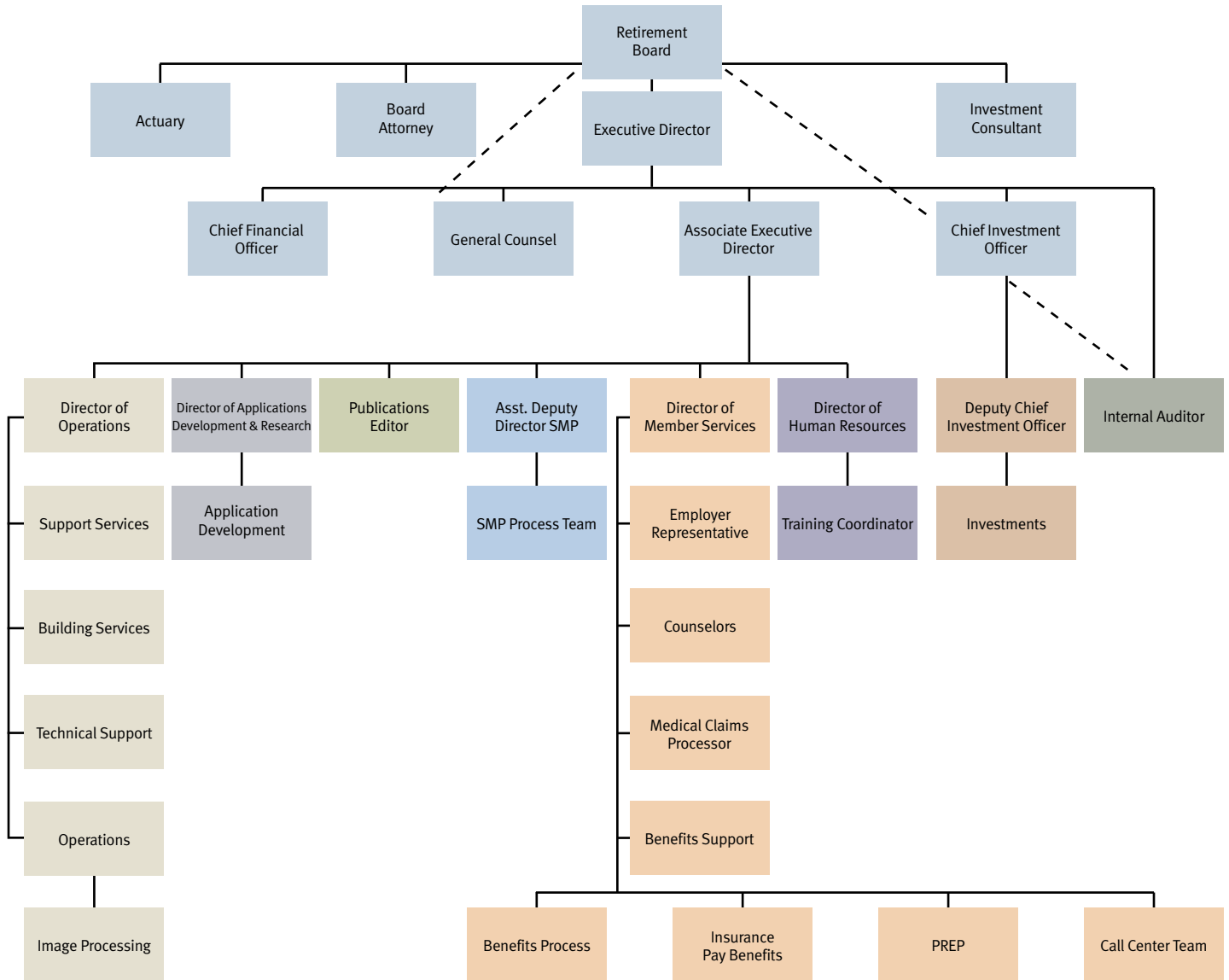


Shelley Porter
Chief Financial Officer



Douglas J. Steele
*Manager
Director of Applications
Development & Research*

Organizational Chart



Consulting and Professional Services

Actuary

Gabriel, Roeder, Smith & Co. – Southfield, Michigan

Auditor

McGladrey & Pullen, LLP – Schaumburg, Illinois
(Acting as Special Assistant Auditor for the Illinois Office of the Auditor General)

Legal Counsel

Burke, Burns & Pinelli, Ltd. – Chicago, Illinois
Mayer, Brown, LLP – Chicago, Illinois
Thomas, Mamer & Haughey – Champaign, Illinois

Information Systems

Champaign Systems, Inc. – Champaign, Illinois

Master Custodian & Performance Measurement

The Northern Trust Company – Chicago, Illinois

Investment Consultant

Ennis, Knupp + Associates, Inc. – Chicago, Illinois

Investment Advisors

Adams Street Partners – Chicago, Illinois
Ariel Capital Management – Chicago, Illinois
Barclays Global Investors – San Francisco, California
BlackRock Financial Management – New York, New York
Capital Guardian Trust Company – San Francisco, California
GlobeFlex Capital, L.P. – San Diego, California
ING Clarion Real Estate Securities – Radnor, Pennsylvania
Jacobs Levy Equity Management – Florham Park, New Jersey
Martin Currie, Inc. – Edinburgh, Scotland
Metropolitan West Asset Management – Los Angeles, California
Mondrian Investment Partners – London, England
Muller and Monroe – Chicago, Illinois
Northern Trust Investments – Chicago, Illinois

Pacific Investment Management Company – Newport Beach, California
Pantheon Ventures – San Francisco, California
Paradigm Asset Management – White Plains, New York
Payden & Rygel – Los Angeles, California
Progress Investment Management Company – San Francisco, California
Pyramis Global Advisors Trust Company – Boston, Massachusetts
RhumbLine Advisers – Boston, Massachusetts
RREEF – Chicago, Illinois
T. Rowe Price – Baltimore, Maryland
UBS Realty Investors – Hartford, Connecticut
Wellington Management Company – Boston, Massachusetts
Western Asset Management – Pasadena, California

Manager Development Program Investment Advisors

Atlanta Life Investment Advisors – Atlanta, Georgia
Attucks Asset Management – Chicago, Illinois
Buford, Dickson, Harper & Sparrow – St. Louis, Missouri
Channing Capital Management – Chicago, Illinois
Holland Capital Management – Chicago, Illinois
Lombardia Capital Partners – New York, New York

NCM Capital Management – Durham, North Carolina
Profit Investment Management – Silver Spring, Maryland
Pugh Capital Management – Seattle, Washington
Smith Graham & Company – Houston, Texas
Taplin, Canida & Habacht – Miami, Florida

Progress Investment Management Company

Emerging Manager Investment Advisors

AH Lisanti Capital Growth - New York, New York
Ambassador Capital Management - Detroit, Michigan
Atlanta Life Investment Advisors - Atlanta, Georgia
Brown Capital Management - Baltimore, Maryland
Cypress Asset Management - Charlottesville, Virginia
Denali Advisors - San Diego, California
Fortaleza Asset Management - Chicago, Illinois
GW Capital - Bellevue, Washington
John Hsu Capital Group - New York, New York

LM Capital Group - San Diego, California
Lynmar Capital Group - Marlton, New Jersey
Mar Vista Investment Partners - Santa Monica, California
New Century Advisors - Bethesda, Maryland
Palisades Investment Partners - Santa Monica, California
Piedmont Investment Advisors - Durham, North Carolina
Redwood Investments - Newton, Massachusetts
Strategic Global Advisors - Newport Beach, California

Self-Managed Plan Service Providers

Fidelity Investments – Boston, Massachusetts
Teachers Insurance Annuity Association-College Retirement Equities Fund –
New York, New York

Financial Section

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



Independent Auditors' Report

McGladrey & Pullen

Certified Public Accountants

Honorable William G. Holland, Auditor General – State of Illinois

Board of Trustees, State Universities Retirement System of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Statement of Plan Net Assets of the State Universities Retirement System of Illinois (System), a component unit of the State of Illinois, as of June 30, 2008, and the related Statement of Changes in Plan Net Assets for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2007 financial statements, which were audited by other auditors whose report dated December 4, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State Universities Retirement System of Illinois as of June 30, 2008, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in fiscal year 2008 the System adopted provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*.

As described in Note 8 to the financial statements, the fair value of the investment portfolio as of June 30, 2008, has experienced a significant decline due to unprecedented unfavorable market conditions that have occurred subsequent to June 30, 2008. The information presented in Note 8 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated January 21, 2009 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The accompanying supporting schedules in the financial section and the accompanying introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2008 supporting schedules in the financial section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2008, taken as a whole. The System's financial statements for the year ended June 30, 2007, which are not presented with the accompanying financial statements, were audited by other auditors whose report thereon dated December 4, 2007, expressed an unqualified opinion on those statements. Their report on the 2007 supporting schedules in the financial section stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole. The introductory, investment, actuarial, and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
January 21, 2009

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Management's Discussion and Analysis

This section presents management's discussion and analysis of the State Universities Retirement System's (SURS or the System) financial statements and the major factors affecting the operations and investment performance of the System during the year ended June 30, 2008, with comparative reporting entity totals for the year ended June 30, 2007.

Overview of Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Plan Net Assets as of June 30, 2008 and the Statement of Changes in Plan Net Assets for the year ended June 30, 2008. These statements present separate totals for the defined benefit plan and the self-managed plan, with reporting entity totals for the years ended June 30, 2008 and 2007. The Statement of Plan Net Assets presents the assets on hand as of June 30, 2008 and available to be used in the payment of benefits. The Statement of Changes in Plan Net Assets presents the additions to and deductions from the plan net assets during the year ended June 30, 2008.
- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Disclosures include the description of the plan, summary of significant accounting policies, current schedule of funding progress, detailed presentations of major assets and liabilities, and subsequent events impacting the plan.
- Required supplementary information presents current and historical schedules related to employer contributions and the funding of the plan.
- Other supplementary schedules consist of detailed information supporting administrative and investment expenses, fees paid to consultants, and a summary of cash receipts and disbursements.

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. The readers of these financial statements are advised that financial markets continue to be volatile and are experiencing significant changes on almost a daily basis.

Financial Analysis of the System

The State Universities Retirement System serves 189,089 members in its defined benefit plan and 16,114 members in its self-managed plan. The funds needed to finance the benefits provided by SURS are accumulated through the collection of member and employer contributions and through income on investments. The total net assets of the System decreased from \$16.6 billion as of June 30, 2007 to \$15.2 billion as of June 30, 2008. This \$1.4 billion change was chiefly due to a decrease in investments of \$1.8 billion, offset by a decrease in the payables to brokers for unsettled trades of \$.5 billion and a decrease in securities lending collateral of \$.1 billion.

For fiscal year 2008 there was a net decrease in plan net assets of \$1.4 billion. Contributions and investment income decreased from the prior year by \$3.2 billion, resulting in total additions of (\$20.8) million.

Benefits, refunds and administrative expenses increased from the prior year by \$100.5 million, resulting in total deductions of \$1.35 billion.

Plan Net Assets

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

Condensed Statement of Plan Net Assets

Reporting Entity Total (in millions)	2008	2007	Change	
			Amount	%
Cash and short-term investments	\$ 797.6	\$ 788.9	\$ 8.7	1.1
Receivables and prepaid expenses	56.4	51.3	5.1	9.9
Pending investment sales	2,087.4	2,186.2	(98.8)	(4.5)
Investments and securities lending collateral	16,506.2	18,446.8	(1,940.6)	(10.5)
Capital assets, net	6.9	7.4	(0.5)	(6.8)
Total assets	19,454.5	21,480.6	(2,026.1)	(9.4)

Management's Discussion and Analysis

Payable to brokers—unsettled trades	2,184.5	2,725.2	(540.7)	(19.8)
Securities lending collateral	2,046.5	2,163.0	(116.5)	(5.4)
Other liabilities	20.8	22.7	(1.9)	(8.4)
Total liabilities	4,251.8	4,910.9	(659.1)	(13.4)
Total plan net assets	<u>\$15,202.7</u>	<u>\$16,569.7</u>	<u>(\$1,367.0)</u>	<u>(8.2)</u>

Overall, plan net assets decreased by \$1.37 billion, or 8.2%, chiefly due to the decrease in investments. Of this decrease, \$.72 billion represents the use of investments to pay benefits, and the remainder is due to the negative return on investments of 4.5%. The investment allocation strategy for the plans making up the reporting entity as of June 30, 2008 and 2007 is as follows:

	2008	2007
Defined Benefit Plan		
Equities	68.0%	65.0%
Opportunity Fund	0.0	3.0
Fixed income	21.0	21.0
TIPS*	5.0	5.0
Real Estate Investment Trusts	4.0	4.0
Real Estate	2.0	2.0
Total	100.0%	100.0%
Self-Managed Plan		
Equities	75.0%	75.0%
Fixed income	25.0	25.0
Total	100.0%	100.0%

*TIPS denotes Treasury Inflation Protected Securities

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. Although a strategy may be within a specified asset class, the manager may be authorized to utilize other instruments in another asset class. SURS' rebalancing policy calls for rebalancing, as soon as practical, if a strategy exceeds or falls below its target allocation by 3%. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of System cash flows. The allocation of assets within the self-managed plan is totally determined by the individual participants, and also reflects losses over the past year.

Liabilities decreased by \$.66 billion or 13.4%. This was primarily due to a decrease in the payable to brokers for unsettled trades at year end.

Changes in Plan Net Assets

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

 Condensed Statement of Changes in Plan Net Assets
 Reporting Entity (in millions)

	2008	2007	Change	
			Amount	%
Employer contributions	\$ 383.9	\$ 294.4	\$ 89.5	30.4
Participant contributions	310.1	304.0	6.1	2.0
Investment (loss)/income	(714.8)	2,597.9	(3,312.7)	(127.5)
Total additions	(20.8)	3,196.3	(3,217.1)	(100.6)
Benefits	1,279.2	1,180.6	98.6	8.4
Refunds	54.9	53.4	1.5	2.8
Administrative expense	12.1	11.7	.4	3.4
Total deductions	\$ 1,346.2	1,245.7	100.5	8.1
Net (decrease)/increase in plan net assets	<u>\$(1,367.0)</u>	<u>\$1,950.6</u>	<u>\$(3,317.6)</u>	<u>(170.1)</u>

Management's Discussion and Analysis

Additions

Additions to plan net assets are in the form of employer and participant contributions and investment income or losses. For fiscal year 2008, employer contributions increased by \$89.5 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Participant contributions increased by \$6.1 million, or 2% due to salary increases among active members.

The investment loss for fiscal year 2008 was \$.7 billion for the System, representing a \$3.3 billion decrease from the prior year. For the defined benefit plan, the overall loss was 4.5% (net of all investment management fees).

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

Time Period	Annualized Return
1-year	(4.5%)
3-year	8.1%
5-year	10.3%
10-year	6.2%
22-year	9.3%

The 22-year return corresponds to the average length of service for retiring members. The investment return for the longer time period of 9.3%, can be compared to the actuarial rate of return assumption, currently 8.5%. This assumed rate is determined every five years as part of the experience study performed by the System actuaries, and reviewed at least annually. Should market conditions or plan demographics of the System significantly deviate, the performance of an experience study in advance of the five-year period would be considered.

Deductions

The expenses of the Retirement System relate to the provision of retirement annuities and other benefits, refunds to terminated employees, and the cost of administering the System. These expenses for fiscal year 2008 were \$1.35 billion, an increase of \$100 million or 8.1% over expenses for 2007. This increase is primarily due to the \$99 million increase in defined benefit plan retirement and survivor annuity payments, plus a \$1.9 million increase in SMP benefit payments in the form of separation refunds. Administrative expenses remained relatively unchanged from fiscal year 2007 to 2008.

Future Outlook

Participant contributions are expected to grow in the future, at least at the pace of wage inflation experienced by the employers. The employer contribution, mainly provided by the State of Illinois, will increase by approximately \$252 million or 56% as the determination of projected state contributions for fiscal years 2010 and beyond are at levels required by the funding plan set out by Public Act 88-0593. Under this plan contributions will be at levels sufficient to fund the employer normal cost while amortizing the unfunded accrued actuarial liability for the period of 2011 to 2045, allowing the System to reach a funding ratio of 90%.

Benefit payments are expected to continue to grow at a rate of approximately 8–10% annually as a result of increasing numbers of retirees and the impact of annual salary increases at the participating agencies. Even with the increase in the employer contributions as discussed above, the projected deficit of contributions over expenditures will continue in future years, forcing the System to continue to liquidate investments in order to pay current benefits. SURS will continue to structure its portfolio with the objective of maximizing returns over the long term, taking advantage of investment income to help offset the shortages in employer contributions.

Financial Statements

 Statement of Plan Net Assets as of June 30, 2008
 With Comparative Reporting Entity Totals as of June 30, 2007

	2008			2007
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	\$ 797,620,497	\$ —	\$ 797,620,497	\$ 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	4,796,631,614	16,812,218	4,813,443,832	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	13,846,225,865	613,415,758	14,459,641,623	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 accumulated depreciation of \$16,053,476 and \$15,182,624, 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 and investment 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

A Schedule of Funding Progress is presented on page 37.

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

Financial Statements

Statement of Changes in Plan Net Assets For the Year Ended June 30, 2008
With Comparative Reporting Entity Totals For the Year Ended June 30, 2007

	2008			2007
	Defined Benefit Plan	Self-Managed Plan	Total	Total
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 (loss) income				
Net appreciation (depreciation) 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	37,659,805	—	37,659,805	37,104,488
Securities lending expense	1,353,062	—	1,353,062	1,007,138
Net investment (loss) 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
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 (decrease)	(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

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

Notes to the Financial Statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Based upon the required criteria, the System has no component units.

B. Measurement Focus and Basis of Accounting

The financial transactions are recorded using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as revenue when due pursuant to statutory or contractual requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plans.

C. Use of Estimates

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

D. Risks and Uncertainties

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

E. Description of Plans

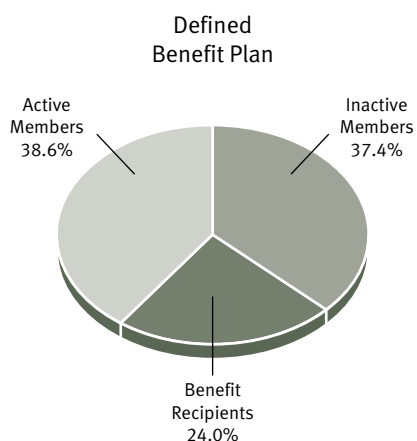
Legislation effective January 1, 1998 required State Universities Retirement System (SURS or the System) to introduce a portable benefit package to the existing defined benefit plan and to offer a defined contribution plan. The portable benefit package and the defined contribution plan are available to all participants whose employers elect to make the options available. As of June 30, 2008, the defined benefit plan has two options available. These options are known as the traditional benefit package and the portable benefit package. The defined contribution plan is known as the self-managed plan. The membership, contributions, and benefit provisions related to these plans are presented in the following summary of the provisions of SURS in effect as of June 30, 2008, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the Statutes for more complete information.

1. Defined Benefit Plan

SURS is the administrator of a cost-sharing, multiple-employer public employee retirement system established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for

Notes to the Financial Statements

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



At June 30, 2008 and 2007, the number of participating employers was:

	2008	2007
Universities	12	12
Community Colleges	39	39
Allied Agencies	15	15
State of Illinois	2	2
	68	68

At June 30, 2008 and 2007, defined benefit plan membership consisted of:

	2008	2007
Benefit Recipients	45,346	43,395
Active Members	73,086	72,092
Inactive Members	70,657	69,726
	189,089	185,213

a. 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.

b. Benefit Provisions

Public Act 90-448 was enacted effective January 1, 1998 which established an alternative defined benefit program known as the portable benefit package. This option is offered in addition to the existing traditional benefit option. New employees are allowed 6 months from their date of hire to make an irrevocable election. The benefit provisions for these two defined benefit plan packages are as follows:

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

Retirement benefits are payable to participants 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. Under both defined benefit options, the annuity is the larger of (a) a percentage of the average of the highest 4 consecutive years earnings, with the percentage based upon total service credit, or (b) an actuarially determined benefit based upon the total employee and employer contributions and the individual's age at time of retirement. Retirement benefits are payable for life and are subject to a 3 percent compounded increase each January 1.

Disability benefits are payable to all participants 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 participant 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.

Notes to the Financial Statements

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

Death benefits are payable to named beneficiaries upon the death of any participant of this System. Under the traditional benefit package, monthly survivor benefits may be paid to eligible survivors if the participant 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.

c. Funded status and funding progress

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (in millions):

Net Assets	Accrued Actuarial Liabilities	Unfunded Accrued Actuarial Liabilities	Funding Ratio	Covered Payroll	UAAL as % of Covered Payroll
\$14,586.3	\$ 24,917.7	\$10,331.4	58.5%	\$3,303.2	312.8%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases*	5.0% - 10.0%
Postretirement benefits	3.0%

*Includes inflation and cost-of-living adjustments of 1.25%.

Notes to the Financial Statements

2. Self-Managed Plan

SURS is the plan sponsor and administrator of a defined contribution plan established as of January 1, 1998 by the Illinois General Assembly as an amendment to the Illinois Pension Code through Illinois Public Act 90-448. This plan is referred to as the self-managed plan (SMP) and is offered to employees of all SURS employers who elect to participate. This plan is a qualified money purchase pension plan under Section 401(a) of the Internal Revenue Code. The assets of the SMP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

At June 30, 2008 and 2007, the number of SMP participating employers was:

	2008	2007
Universities	12	12
Community Colleges	39	39
Allied Agencies	13	13
State of Illinois	1	1
	65	65

At June 30, 2008 and 2007, the SMP membership consisted of:

	2008	2007
Annuity Benefit Recipients	62	48
Active Members	9,988	9,599
Inactive Members	6,064	5,535
	16,114	15,182

a. Membership

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

b. Benefit Provisions

The SMP provides retirement, disability, death, and survivor benefits as authorized in Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, and amended by Public Act 90-448.

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

Disability benefits are payable to all participants 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 the 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 participant 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 participant of this plan. If the participant has less than 1.5 years of service credit, the death benefit payable is the employee contributions and related investment earnings. If the participant has 1.5 or more years of service credit, the death benefit payable is the employee and employer contributions and related investment earnings.

Notes to the Financial Statements

F. Cash and Short-Term Investments

Included in the \$797,620,497 of cash and short-term investments presented in the Statement of Plan Net Assets is \$354,716,712 of short-term investments with less than 90 days maturity. For purposes of the various data tables presented in Note III, 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.

G. 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.

For the defined benefit plan, investments are 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 prices 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 (formerly known as the Association for Investment Management Research) or other industry standards, values non-marketable securities (real estate and venture capital). These methods generally include detailed property level appraisals and discounted cash flow analysis.

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

H. Capital Assets

Capital assets are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method.

I. Administrative Expenses

System administrative expenses (which include amounts for both the defined benefit and self-managed plans) are budgeted and approved by the System's Board of Trustees. Funding for these expenses is included in the employer contribution as determined by the annual actuarial valuation and appropriated by the State of Illinois. This funding is included in the allocation of the state employer contribution recognized in the defined benefit plan. Therefore, expenses to administer the self-managed plan are recognized as administrative expenses in the defined benefit plan in these financial statements.

J. Prior Year Comparative Information

The basic 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, 2007, from which the summarized comparative information was derived.

Notes to the Financial Statements

K. New Accounting Pronouncements

The Governmental Accounting Standards Board Statement 51 has been issued and is effective for all reporting periods beginning after June 15, 2009. This pronouncement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. SURS plans to follow these reporting requirements for fiscal year 2010 according to this Statement.

The Governmental Accounting Standards Board Statement 53 has been issued and is effective for all reporting periods beginning after June 15, 2009. This pronouncement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The guidance in this Statement improves financial reporting by requiring governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments. SURS plans to follow these reporting requirements for fiscal year 2010 according to this Statement.

The Governmental Accounting Standards Board Statement 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, has been issued and is effective for all reporting periods beginning after June 15, 2007. This pronouncement guides the preparation of the pension disclosures included in the notes to the financial statements of defined benefit pension plans. The purpose of this Statement is to more closely align the financial reporting requirements for pensions with those for other post-employment benefits. The System implemented this Statement for the year ended June 30, 2008.

II. Contributions and Net Assets Designations

A. Defined Benefit Plan

1. Membership Contributions

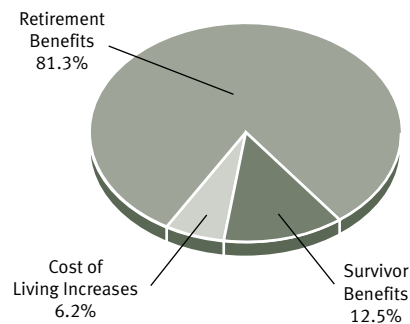
In accordance with Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, members of the traditional benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for survivor benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. Members of the portable benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. These statutes assign the authority to establish and amend the contribution provisions of the plan to the State Legislature. The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings.

All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, military service payments, and the employee portion of Early Retirement Option payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases, or unless the payments are made in installments through employer deductions from payroll. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.

2. Interest Credited on Member Contributions

For the traditional and portable benefit packages, the interest rate credited is fixed by the Board of Trustees and is currently 8.5%. As of July 1, 2008, the rate will remain at 8.5%. For purposes of lump sum refunds to former members, the traditional benefit package offers an interest rate of 4-1/2%, 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. The Comptroller set that rate at 8.5% for fiscal year 2006, and at 8.0% for fiscal years 2007 and 2008. As of July 1, 2008, the rate will be 8.5%. 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.

Member Contributions



Notes to the Financial Statements

3. Employer Contributions

On an annual basis, an actuarial valuation is performed in order to determine the amount of statutorily required contributions from the State of Illinois. An actuarial experience study is performed every 5 years to determine the assumptions to be used in the annual valuation. The actuarial assumptions are also reviewed at least annually by the System. The last actuarial experience study was performed during fiscal year 2007. 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 15-year phase-in to a 35-year plan that requires the state to make continuing appropriations to meet the normal actuarially-determined cost of the System, plus amortize the unfunded accrued liability. Under this plan, the System is expected to be 90% funded by fiscal year 2045.

On June 1, 2005, Governor Blagojevich signed Public Act 94-0004 which impacted state funding and retirement benefit calculations in fiscal year 2006 and 2007. This public act authorizes the following changes. First, it eliminated the money purchase calculation formula for Illinois higher education institution employees hired after June 30, 2005. Second, it transferred responsibility for determining the annual effective rate of interest to be used for the money purchase formula calculation from the SURS Board of Trustees to the State Comptroller. Finally, it required lower state contributions than the prior funding plan for the fiscal years 2006 and 2007. The decrease in state contributions was \$158 million for fiscal year 2006, and \$140 million for fiscal year 2007.

4. Net Asset Accounts

The System maintains two designated accounts that reflect the assignment of net assets to employee and benefit accounts:

- a. The Employee Contribution Account records the pension assets contributed by each employee and the interest income earned by those contributions.
- b. The Benefits from Employee and Employer Contributions Account records the net assets 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, 2008 are as follows:

Employee contributions	\$ 5,426,801,501
Benefits from employee and employer contributions	9,159,523,954
Total Net Assets	<u>\$ 14,586,325,455</u>

5. Ownership of Greater than 5 Percent of Net Assets Available for Benefits

In addition to U.S. Government and agency bond issues and treasury notes, there are investments as of June 30, 2008 in Federal National Mortgage Association (FNMA) obligations that represent 10.53% of the System's total investments.

B. Self-Managed Plan**1. Membership Contributions**

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

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

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

Notes to the Financial Statements

2. Employer Contributions

In accordance with Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*, employer contributions credited to the SMP participant are at a rate of 7.6% of the participant's gross earnings, less the amount retained by SURS (currently 1%) to provide disability benefits to the participant. The amounts credited are paid into the participant's account. The State of Illinois shall make the employer contribution to SURS on behalf of the SMP participants.

3. Net Asset Accounts

The SMP maintains three designated accounts that reflect the assignment of net assets to employee contributions, disability benefits, and employer forfeiture accounts:

- a. The Employee Contribution Account records the pension assets contributed by each employee and the corresponding employer contribution, and the investment income earned by those contributions.
- b. The Disability Benefits Account reflects the pension assets contributed by the employer and held to fund member disability benefits.
- c. The Employer Forfeiture Account reflects the pension assets contributed by the employer but forfeited from member accounts due to termination prior to reaching 5 years of service. Future employer contributions are reduced by the total forfeitures held by the defined contribution plan.

The assets related to disability benefits and employer forfeitures are commingled with the investment assets of the defined benefit plan. Investment income or loss is credited to these balances based upon the annual investment return or loss of the commingled assets. For fiscal year 2008, the investment loss credited to these balances was \$2,273,544.

Balances in these designated accounts as of June 30, 2008 are as follows:

Employee contributions	\$ 565,087,355
Disability benefits	43,068,578
Employer forfeitures	8,229,060
Total Net Assets	<u>\$ 616,384,993</u>

4. Ownership of Greater than 5 Percent of Net Assets Available for Benefits

There are no significant investments in any one organization that represent 5% or more of net assets available for benefits.

III. Deposits and Investments

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, State Universities Retirement System deposits may not be returned. Cash held in the investment related bank account in excess of \$100,000 is uninsured and uncollateralized. SURS has no deposit policy for custodial credit risk. Deposits are under the custody of The Northern Trust Company which has a AA- Long Term Deposit/Debt rating by Standard & Poor's, an Aa3 rating by Moody's and an AA/AA rating by Fitch. At June 30, 2008, the carrying amount of cash was \$442,903,785 and the bank balance was \$449,680,771, of which \$6,290,701 was foreign currency deposits and was exposed to custodial credit risk. The remaining \$354,716,712 was made up of short-term invested funds which are considered to be investments for the purpose of assessing custodial credit risk.

Notes to the Financial Statements

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 a Statement of Investment Guidelines that contains general guidelines for investments. The Investment Section of this report contains a summary of these guidelines. 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.

Investment Commitments

Private Equity Investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to these limited partnerships of approximately \$494.6 million and \$535.5 million as of June 30, 2008 and 2007, respectively.

Investments

The carrying values of investments by type at June 30, 2008 are summarized below:

Equity investments	
U.S. equities	\$ 5,665,036,468
Non-U.S. equities	2,130,624,675
U.S. private equity	1,035,890,139
Non-U.S. private equity	79,657,943
Equity futures	(179,404,740)
Fixed income investments	
U.S. government obligations	380,980
U.S. agency obligations	2,006,718,718
U.S. corporate fixed income	2,383,724,817
U.S. fixed income, other	121,049,412
Non-U.S. fixed income securities	208,940,633
U.S. fixed income derivatives	255,538,365
Non-U.S. fixed income derivatives	(231,468,648)
U.S. fixed income futures	(256,978,211)
Non-U.S. fixed income futures	231,468,648
U.S. short-term investments	792,149,116
Non-U.S. short-term investments	(44,639,371)
U.S. swaps and options	44,070,467
Non-U.S. swaps and options	5,506,991
Real estate investments	
Real estate	352,275,186
Mutual funds and variable annuities	
Self-managed plan mutual funds and variable annuity funds	562,118,120
Total investments	<u>\$ 15,162,659,707</u>

(a) Fixed income investments presented in this table include \$354,716,712 of short-term investments with maturities of less than 90 days, and \$348,301,372 of investments in the form of cash and cash-equivalents. Both 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 \$5,795,460 of short-term bills and notes with maturities greater than 90 days.

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 not adopted a formal policy specific to custodial credit risk. At June 30, 2008, 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.

Notes to the Financial Statements

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, 2008, SURS had investments in Federal National Mortgage Association (FNMA) obligations totaling \$1,542,187,032 that represented 10.53% 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, 2008 are as follows:

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	\$ 3,153,660,997	\$ 22,785,149	\$ 3,176,446,146
AA+	567,489,140	10,141,817	577,630,957
AA	88,731,571	20,701,585	109,433,156
AA-	161,736,486	23,631,738	185,368,224
A+	230,010,883	39,287,213	269,298,096
A	149,377,350	13,017,483	162,394,833
A-	52,951,283	17,171,412	70,122,695
BBB+	88,221,727	48,346,225	136,567,952
BBB	109,211,825	16,170,459	125,382,284
BBB-	83,843,437	3,244,897	87,088,334
BB+	19,286,900	2,521,940	21,808,840
BB	34,287,778	5,147,335	39,435,113
BB-	50,955,307	155,500	51,110,807
B+	3,686,841	—	3,686,841
B	6,123,080	1,406,666	7,529,746
B-	22,691,738	—	22,691,738
CCC+	1,757,614	—	1,757,614
CCC	3,290,311	—	3,290,311
CCC-	951,002	—	951,002
CC	647,025	—	647,025
D	737,365	—	737,365
Not Rated	73,035,604	3,597,110	76,632,714
Total credit risk: debt securities	\$ 4,902,685,264	\$ 227,326,529	\$ 5,130,011,793
U.S. Government Agencies *	12,293,406	—	12,293,406
Total Debt Securities Investments	\$ 4,914,978,670	\$ 227,326,529	\$ 5,142,305,199

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.
Includes \$11,912,427 from self-managed plan mutual fund.

** Includes \$46,349,255 from self-managed plan variable annuities and mutual funds.

Notes to the Financial Statements

Interest Rate Risk

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

At June 30, 2008 the segmented time distribution of the various investment types of debt securities of the System are as follows:

Type	2008 Fair Value	Maturities in Years				
		Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years
U.S. Gov't & Agency Fixed Income	\$ 2,208,304,289	\$273,219,807	\$(586,243,028)*\$	260,325,042	\$363,727,896	\$1,897,274,572
U.S. Corporate Fixed Income	2,585,624,969	239,203,565	493,949,853	932,444,468	77,165,799	842,861,284
U.S. Fixed Income, Other	121,049,412	2,287,147	2,184,226	115,463,167	1,114,872	—
Non-U.S. Fixed Income	<u>227,326,529</u>	<u>34,200,246</u>	<u>58,595,617</u>	<u>71,501,131</u>	<u>7,326,385</u>	<u>55,703,150</u>
Total	<u>\$ 5,142,305,199</u>	<u>\$548,910,765</u>	<u>\$(31,513,332)</u>	<u>\$1,379,733,808</u>	<u>\$449,334,952</u>	<u>\$2,795,839,006</u>

* The negative total for the 1-5 year maturity U.S. government and agency fixed income category at June 30, 2008, includes pending trades of short sales that settled after June 30.

Notes to the Financial Statements

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, 2008 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	\$ 62,196,964	\$ 3,572,844	\$ 65,769,808
Brazilian real	4,083,023	22,546,725	26,629,748
British pound sterling	244,280,873	(50,945,132)	193,335,741
Canadian dollar	94,875,268	(2,977,368)	91,897,900
Chinese yuan renminbi	—	2,206,211	2,206,211
Czech koruna	10,617,255	—	10,617,255
Danish krone	2,938,194	3,099	2,941,293
Euro	504,531,215	(6,966,430)	497,564,785
Hong Kong dollar	65,304,026	283,528	65,587,554
Indian rupee	—	1,113,367	1,113,367
Indonesian rupiah	—	140,347	140,347
Japanese yen	263,421,411	(9,856,374)	253,565,037
Kuwaiti dinar	—	232,296	232,296
Malaysian ringgit	1,266,338	184,670	1,451,008
Mexican peso	990,200	378,305	1,368,505
New Israeli shekel	51,080	—	51,080
New Taiwan dollar	3,964,748	100,821	4,065,569
New Zealand dollar	2,295,582	151,077	2,446,659
Norwegian krone	18,990,332	38,494	19,028,826
Philippine peso	37,446	—	37,446
Polish zloty	—	844,036	844,036
Russian ruble (new)	—	4,227,636	4,227,636
Saudi riyal	—	222,801	222,801
Singapore dollar	27,766,876	7,915,186	35,682,062
South African rand	2,198,833	132,979	2,331,812
South Korean won	5,766,616	—	5,766,616
Swedish krona	13,516,343	1,395,082	14,911,425
Swiss franc	83,920,685	(494,928)	83,425,757
United Arab Emirates dirham	—	222,969	222,969
Total securities subject to foreign currency risk	\$ 1,413,013,308	\$ (25,327,759)	\$ 1,387,685,549
Foreign investments denominated in U.S. Dollars	797,269,310	195,136,012	992,405,322
Total foreign investment securities	\$ 2,210,282,618	\$ 169,808,253	\$ 2,380,090,871

* Includes Swaps, Options and Short-Term Investments

Notes to the Financial Statements

Derivative Securities

The System invests in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or a market index. The System's investments in derivatives are not leveraged. 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 or currency rates 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. During the year, SURS' derivative investments included foreign currency forward contracts, collateralized mortgage obligations (CMOs), treasury inflation protected securities (TIPS), options, futures, and swaps.

Foreign currency forward contracts are used to hedge against the currency risk in SURS' foreign stock 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.

SURS fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2008, the carrying value of the System's CMO holdings totaled \$419,858,060.

Treasury inflation protected securities (TIPS) are used by SURS fixed income managers to provide a real return against inflation (as measured by the Consumer Price Index). In addition, SURS employs TIPS at the total fund level in order to utilize their diversification benefits. As of June 30, 2008, the carrying value of the System's TIPS holdings totaled \$788,710,798.

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. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

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.

Notes to the Financial Statements

The following table presents the derivative positions held by SURS as of June 30, 2008:

Derivative Contracts Outstanding

	Number of Contracts	Contractual Principal(a)	Carrying Value(b)
Domestic Index Products			
Equity futures purchased	523	\$ 179,404,740	\$ 179,404,740
Derivative offset	—	—	(179,404,740)
Domestic Interest Rate Products			
Fixed income futures purchased	9,026	6,054,900,000	1,772,894,694
Derivative offset	—	—	(1,722,894,694)
Fixed income futures sold	993	116,600,000	(142,564,283)
Derivative offset	—	—	142,564,283
Fixed income written put options	161,901,835	875,500,000	(5,258,001)
Fixed income written call options	13,001,274	235,800,000	(569,968)
Fixed income purchased put options	93,800,000	93,800,000	7,281,494
Fixed income purchased call options	184,300,457	326,300,000	2,579,915
International Interest Rate Products			
International fixed income futures purchased	852	738,910,656	202,139,918
Derivative offset	—	—	(202,139,918)
International fixed income futures sold	1,722	338,343,732	(285,640,881)
Derivative offset	—	—	285,640,881
International fixed income written call options	259	255,424,063	(199,736)
International fixed income written put options	3,300,000	5,199,315	(48,094)
Foreign Currency Products			
Foreign forward currency purchases	—	—	389,742,676
Foreign forward currency sales	—	—	(385,490,953)

a) The contractual principal amounts listed above represent the market value of the underlying assets the derivative contracts control. Contractual principal amounts are often used to express the volume of the transactions but do not reflect the extent to which positions may offset one another. Contractual principal values do not represent actual recorded values.

b) Carrying value for futures in the table above, while shown as zero, is recorded in the financial statements as an asset in an amount equal to the contractual principal and is offset by a corresponding liability.

Notes to the Financial Statements

Securities Lending

The SURS Board of Trustees policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Credit Suisse, New York Branch, the System's third party agent lender, lends securities in exchange for cash collateral at 102% for U.S. securities and 105% for international securities. Cash collateral is shown on the System's financial statements. Securities lent are included in the Statement of Plan Net Assets. At year end, the System had no credit risk exposure to borrowers because the amount the System owes to the borrowers exceeds the amounts the borrowers owe to the System. 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 is 1.69 days. Cash collateral is invested in the System's short-term investment pool, which at year end has a weighted average maturity of 30.64 days.

Loans outstanding as of June 30, 2008 (*\$ millions*)

Market value of securities loaned	\$ 1,988.8
Market value of collateral received from borrowers	\$ 2,046.5

Self-Managed Plan

The SMP participants have the ability to invest their account balances in 47 mutual and variable annuity funds. These funds are offered by two providers: Fidelity Investments and Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). As of June 30, 2008, the SMP had assets of \$613,475,758. A detailed schedule (unaudited) of the funds and balances at June 30, 2008 is located in the Investment Section of The Comprehensive Annual Financial Report.

Notes to the Financial Statements

IV. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 531,834	\$ —	\$ —	\$ 531,834
Office building	6,362,571	—	—	6,362,571
Information system equipment & software	13,712,702	319,717	—	14,032,419
Furniture and fixtures	2,020,085	37,793	—	2,057,878
	<u>22,627,192</u>	<u>357,510</u>	<u>—</u>	<u>22,984,702</u>
Less accumulated depreciation:				
Office building	1,764,269	126,019	—	1,890,288
Information system equipment and software	11,673,969	648,005	—	12,321,974
Furniture and fixtures	1,744,386	96,828	—	1,841,214
	<u>15,182,624</u>	<u>870,852</u>	<u>—</u>	<u>16,053,476</u>
	<u>\$ 7,444,568</u>	<u>\$ (513,342)</u>	<u>\$ —</u>	<u>\$ 6,931,226</u>

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

Office building	40 years	Information systems equipment	3 years
Information systems software	10 years	Furniture and fixtures	3 years

V. Compensated Absences

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is 448 hours of vacation and one-half of unused sick time earned between January 1, 1984 and December 31, 1997. No sick time earned after December 31, 1997 will be compensable at termination. At June 30, 2008, the System had a liability of \$1,034,463 for compensated absences, based upon the vesting method used for calculation of sick leave payable. 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, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated Absences Payable	<u>\$ 926,119</u>	<u>\$ 133,638</u>	<u>\$ 25,294</u>	<u>\$ 1,034,463</u>	<u>\$ 30,000</u>

Notes to the Financial Statements

VI. Insurance Coverage

The System is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 \$250 to \$500 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 three fiscal years.

VII. Post-employment Benefits

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

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

VIII. Subsequent Events (unaudited)

The System has suffered a decline in its investment portfolio subsequent to June 30, 2008. As of November 30, 2008, the market values of the assets have declined approximately \$3,633,707,940, or 25.13%. These numbers represent the most current available information for both public and private market investments as compared to June 30, 2008. The decline in asset values is the result of a continued worldwide economic slowdown.

Required Supplementary Information

 Defined Benefit Plan
 Schedule of Funding Progress (\$ millions)

Fiscal Year**	Net Assets	Accrued Actuarial Liabilities	Unfunded Accrued Actuarial Liabilities	Funding Ratio	Payroll	UAAL as % of Payroll
1999	\$10,761.7	\$ 12,617.5	\$ 1,855.8	85.3%	\$ 2,411.1	77.0%
2000	12,063.9	13,679.0	1,615.1	88.2%	2,424.2	66.6%
2001	10,753.3	14,915.3	4,162.0	72.1%	2,474.6	168.2%
2002	9,814.7	16,654.0	6,839.3	58.9%	2,607.2	262.3%
2003	9,714.5	18,025.0	8,310.5	53.9%	2,763.4	300.7%
2004	12,586.3	19,078.6	6,492.3	66.0%	2,814.1	230.7%
2005	13,350.3	20,349.9	6,999.6	65.6%	2,939.1	238.1%
2006	14,175.1	21,688.9	7,513.8	65.4%	3,054.1	246.0%
2007	15,985.7	23,362.1	7,376.4	68.4%	3,181.0	231.9%
2008	14,586.3	24,917.7	10,331.4	58.5%	3,303.2	312.8%

Schedule of Employer Contributions (\$ millions)

Fiscal** Year	Total ARC*	Member Contributions	Net ER/State ARC	Actual ER/State Contribution	State Contributions as % of Net ARC	Total Contributions as % of Total ARC
1999	\$ 509.2	\$ 213.0	\$ 296.2	\$ 237.9	80.3%	88.6%
2000	547.8	222.5	325.3	241.1	74.1%	84.6%
2001	548.1	221.6	326.5	247.1	75.7%	85.5%
2002	686.9	250.0	436.9	256.1	58.6%	73.7%
2003	843.8	246.3	597.5	285.3	47.7%	63.0%
2004	934.8	243.8	691.0	1,757.5	254.4%	214.1%
2005	859.7	251.9	607.8	285.4	47.0%	62.5%
2006	914.9	252.9	662.0	180.0	27.2%	47.3%
2007	968.3	262.4	705.9	261.1	37.0%	54.1%
2008	971.6	264.1	707.5	344.9	48.8%	62.7%

* Annual Required Contribution as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

** The source of these schedules is the annual actuarial valuation which is performed as of June 30 for each fiscal year listed.

Supporting Schedules

Defined Benefit Plan
 Summary Schedule of Administrative Expenses
 For the Years Ended June 30, 2008 and 2007

	2008	2007
Personnel services		
Salary and wages	\$ 6,179,016	\$ 5,934,154
Retirement contributions	642,268	632,896
Insurance and payroll taxes	1,626,001	1,531,790
	<u>8,447,285</u>	<u>8,098,840</u>
Professional services		
Computer services	648,252	459,250
Medical consultation	38,513	31,764
Technical and actuarial	350,243	434,710
Legal services	159,930	186,636
	<u>1,196,938</u>	<u>1,112,360</u>
Communications		
Postage	287,219	261,240
Printing and copying	109,732	115,437
Telephone	87,166	94,095
	<u>484,117</u>	<u>470,772</u>
Other services		
Equipment repairs, rental and maintenance	64,238	74,519
Building operations and maintenance	274,750	246,772
Surety bonds and insurance	158,775	159,156
Memberships and subscriptions	36,412	43,330
Transportation, travel	158,889	161,750
Education	20,916	18,436
Supplies	86,198	110,348
	<u>800,178</u>	<u>814,311</u>
Self-managed plan administration		
Salary and wages	169,682	149,788
Retirement contributions	17,682	15,364
Insurance and payroll taxes	34,405	31,232
Technical and actuarial	12,580	7,500
Legal services	-	1,938
Postage	32,860	27,011
Printing	12,665	4,683
	<u>279,874</u>	<u>237,516</u>
Depreciation and amortization	<u>870,852</u>	<u>970,768</u>
Total administrative expenses	<u>\$ 12,079,244</u>	<u>\$ 11,704,567</u>

Supporting Schedules

Defined Benefit Plan
 Summary Schedule of Consultant Payments
 For the Years Ended June 30, 2008 and 2007

	2008	2007
Defined benefit plan		
Technical and actuarial services		
Berwyn Group	\$ 3,342	\$ 3,188
Cortex	—	24,767
James Dulebohn	—	1,900
Economic Research	4,306	4,306
Gabriel, Roeder, Smith & Co.	102,825	153,648
GII of Illinois	18,000	18,000
Government Consulting Solutions	36,000	36,000
ICS/Merrill	337	—
JP Morgan Chase	15,995	34,698
Lexis Nexis	6,460	—
McLagan	2,500	—
Miscellaneous	887	3,498
Morill & Associates	48,000	48,584
Smith Investigations	1,475	2,100
The Northern Trust	83,215	68,921
Position Search, Advertising and Relocation Costs	2,786	21,754
Woolard Marketing Consultants, Inc.	24,115	13,346
	<u>350,243</u>	<u>434,710</u>
Legal services		
Areawide Reporting Services	3,043	1,165
Burke, Burns & Pinelli	45,629	16,463
Claims Settlement	—	21,004
Investors Responsibility Support Services	25,000	25,000
Mayer, Brown, Rowe & Maw	39,008	86,165
Thomas, Mamer & Haughey	29,454	31,049
Winters, Featherstun, et al	17,796	5,790
	<u>159,930</u>	<u>186,636</u>
Self-managed plan		
Technical and actuarial services		
Ennis & Knupp, Investment Consulting	7,500	7,500
Gabriel, Roeder, Smith & Co.	5,080	—
	<u>12,580</u>	<u>7,500</u>
Legal services		
Mayer, Brown, Rowe & Maw	—	1,938
	<u>—</u>	<u>1,938</u>
Total consultant payments	<u>\$ 522,753</u>	<u>\$ 630,784</u>

Supporting Schedules

 Defined Benefit Plan
 Summary Schedule of Investment Fees, Commissions, and Administrative Expenses
 For the Years Ended June 30, 2008 and 2007

	2008	2007
Master trustee & custodian		
The Northern Trust Company	\$ 1,003,906	\$ 125,000
Investment manager firm		
Adams Street Partners	3,191,403	2,592,809
Ariel Capital Management	206,360	178,393
Barclays Global Investors	2,186,658	3,925,484
BlackRock Financial Management	951,107	1,072,048
Capital Guardian Trust Company	1,580,664	1,642,148
GlobeFlex Capital	755,476	648,107
ING Clarion Real Estate Securities	1,107,496	1,058,625
Jacobs Levy Equity Management	480,491	-
Manager Development Program	954,629	717,086
Martin Currie, Inc.	1,771,692	1,840,633
Metropolitan West Asset Management	414,522	626,104
Mondrian Investment Partners	647,664	687,621
Muller & Monroe	375,000	250,000
New Amsterdam Partners	-	302,985
Northern Trust Global Advisors	888,664	1,087,210
Northern Trust Investments	220,626	240,003
Pacific Investment Management Company	5,368,626	4,638,654
Pantheon Ventures	2,689,749	2,811,104
Paradigm Asset Management	115,932	139,140
Payden & Rygel	157,600	156,956
Piedmont Investment Advisors	107,194	-
Progress Investment Management Company	1,555,738	1,421,907
Pyramis Global Advisors Trust Company	1,373,609	685,655
Rasara Strategies	309,503	374,482
Rhumblin Advisors	188,931	167,712
Rosenberg Real Estate Equity Funds	3,830,564	5,178,877
T. Rowe Price	172,791	-
USB Realty Investors	1,288,944	1,042,377
Wellington Management Company	1,902,660	1,506,796
Western Asset Management	503,155	915,367
	<u>35,297,448</u>	<u>35,908,283</u>
Investment consultant, measurement & counsel		
Ennis, Knupp & Associates, Inc.	360,000	273,116
Mayer, Brown, Rowe & Maw	113,854	57,077
	<u>473,854</u>	<u>330,193</u>
Investment administrative expenses		
Personnel	699,100	604,998
Resources, board and travel	92,850	62,014
Performance measurement and database	92,647	74,000
	<u>884,597</u>	<u>741,012</u>
Total investment expenses	<u>\$ 37,659,805</u>	<u>\$ 37,104,488</u>

Supporting Schedules

Defined Benefit Plan
 Summary Schedule of Cash Receipts and Disbursements
 For the Year Ended June 30, 2008 (\$ millions)

Beginning Cash and		
Short-Term Investments Balance	\$	<u>788.9</u>
Receipts		
Member contributions	\$	267.0
Employer contributions		345.0
Investment income (loss)		(642.6)
Investments redeemed		<u>48,450.8</u>
Total Receipts	\$	<u>48,420.2</u>
Disbursements		
Benefit payments	\$	1,277.5
Administrative expenses		12.5
Investment expenses		38.0
Fixed asset purchases		.3
Refunds		45.0
SMP balance transfers		1.6
Investments purchased		<u>47,036.6</u>
Total Disbursements	\$	<u>48,411.5</u>
Ending Cash and Short-Term		
Investments Balance	\$	<u><u>797.6</u></u>

Investment Section

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



Letter of Certification

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675
(312) 630-6000



Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as Master Trustee has provided annual Statements of Account for the State Universities Retirement System of Illinois Master Trust ("Trust") which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Trust for the period July 1, 2007 through June 30, 2008.

In addition to the custody of assets, pursuant to and in accordance with the terms of the agreement establishing the Trust, The Northern Trust Company provided and continues (unless otherwise noted below) to provide the following services as Master Trustee:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in accordance with the instructions of appointed Investment Managers or third party lending agents.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Lend Securities pursuant to a Securities Lending Agreement entered into by and between the Board of Trustees and The Northern Trust Company*
6. Begin, maintain or defend any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Trust.
7. Invest cash balances held from time to time in the individual investment management accounts in short term-cash equivalent securities.
8. Exercise rights of ownership with respect to securities held in the trust fund, including but not limited to, proxy voting in accordance with the instructions of appointed Investment Managers (international securities) or Marco Consulting (US domiciled securities); respond to stock subscriptions, conversion rights, and other capital changes pursuant to procedures set forth in the operating guidelines of The Northern Trust Company in effect from time to time.
9. Hold securities in the name of the Trust or nominee form or other means as provided in the agreement establishing the Trust.
10. Use the Federal Book Entry Account System for deposit of Treasury securities, and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of other securities.
11. Employ agents with the consent of the Board of Trustees to the extent provided in the agreement establishing the Trust.
12. Provide disbursement services.
13. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

*Discontinued as of 8-1-07

THE NORTHERN TRUST COMPANY

By: 
Patricia Somerville, Vice President

Letter of Transmittal



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

1901 Fox Drive • Champaign, IL 61820
1-800-ASK SURS • (217) 378-8800 (C-U)
(217) 378-9800 (FAX)

Investment Department

January 21, 2009

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

I am presenting this year's Investment section of the State Universities Retirement System (SURS) Comprehensive Annual Financial Report. SURS is a large and mature defined pension plan with an investment portfolio value of over \$14.6 billion for the fiscal year ending June 30, 2008. During an extremely volatile and tumultuous market, the SURS investment portfolio achieved a return of (4.5%), net of investment management fees, for the fiscal year ended June 30, 2008. The portfolio exceeded its benchmark goal for the fiscal year by .5%.

Primarily as a result of investment performance being less than the assumed actuarial rate of return of 8.5%, the System's funding ratio decreased from 68.4% to 58.5%. Prior to this year's reporting period, SURS had experienced four consecutive years of double-digit investment returns. Investment performance for fiscal year 2007 was 18.3% and the three-year and five-year investment returns as of June 30, 2008 were 8.1% and 10.3%, respectively.

As previously stated in last year's Letter of Transmittal, SURS, with the assistance of its pension consultant, conducted a comprehensive asset/liability study during fiscal year 2008. Prior to this, a study had last been conducted during fiscal year 2004. A major duty of the SURS Board is to approve the asset allocation strategy as a long-term measure of the investment program.

Consistent with many investment programs throughout the United States, the SURS Board of Trustees adopted a modified asset allocation strategy from the prior study. The new asset allocation is designed to manage risk by moving a segment of the portfolio away from public market securities into private market or alternative strategies. At the conclusion of the implementation process, anticipated to be completed in approximately 18 to 24 months, the investment program is designed to utilize an increased exposure to real estate, private equity, infrastructure and potentially commodities. In addition, an increased exposure to global equity strategies will be achieved while reducing exposure to domestic equity strategies.

As always, a number of significant events occurred during the year, many of which are referenced below. The Investment section of this Report provides a more detailed review of these items.

- In spite of the negative investment returns, total combined fund assets in the defined benefit and defined contribution plans exceed \$15 billion and continue to rank SURS as one of the largest 100 pension plans in the U.S.
- For the fiscal year ended June 30, 2008, the defined benefit portfolio achieved above benchmark returns in six of the nine major asset classes in which SURS invests. Asset classes in which investment performance exceeded their respective benchmarks were global equity, private equity, core/core plus fixed income, Real Estate Investment Trust Securities (REITS), Treasury Inflation Protected Securities (TIPS) and the Opportunity Fund. Investment returns lagged benchmarks in domestic equity, non-U.S. equity and direct real estate (through funds).
- The largest absolute investment returns were obtained in the private equity and TIPS asset classes, returning 16.4% and 16.3%, respectively.

Letter of Transmittal (continued)

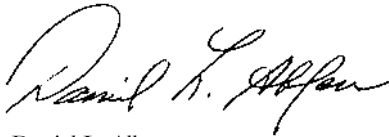
- During the year, a global equities search was conducted which resulted in the selection of four additional investment mandates. The strategy increases the investment opportunity set for SURS, with global equity managers having the discretion to invest in the best companies throughout the world wherever domiciled, either domestic or internationally based.
- The securities lending function transfer from the custodian, Northern Trust, to Credit Suisse was implemented successfully.
- The Self-Managed Plan (SMP) has now completed its tenth year of existence and exceeds \$600 million in assets.

In the upcoming fiscal year, SURS, with the assistance of its pension consultant, will continue the process of implementing outcomes from the comprehensive asset/liability study. Currently, searches are in progress for opportunistic real estate investment strategies as well as a fund of funds real estate investment manager with the intent to identify emerging, minority and women-owned real estate funds. In early 2009, the search process to identify infrastructure opportunities is scheduled to commence.

The new asset allocation strategy will, over time, increase the diversification of the SURS investment program, thus assisting in the management of investment risk. It is anticipated implementation of the adopted modifications will be achieved over the next several years.

Despite the challenging market environment facing all of us, the Board of Trustees, always keeping SURS members in mind, will continue to address the daunting task of seeking favorable long-term investment opportunities while maintaining a risk-controlled portfolio.

Sincerely,



Daniel L. Allen
Chief Investment Officer

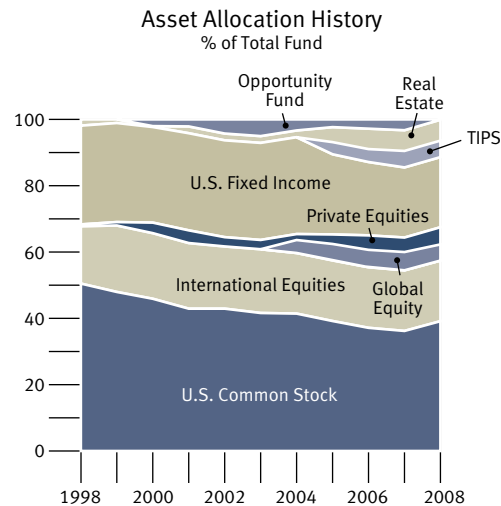
Investment Summary

The SURS Board of Trustees is charged with the responsibility of investing the assets entrusted to them solely for the benefit of the System's participants and beneficiaries. The Trustees, in carrying out their responsibilities, adhere to applicable Illinois statutes, and the prudent expert rule, which states that the Trustees must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." In carrying out their fiduciary duties, the Trustees have set forth clearly defined investment policy, objectives, and strategies.

Investment Policy

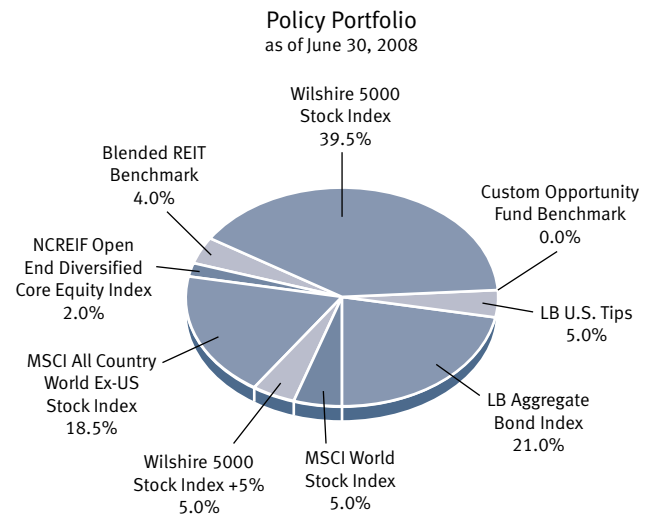
During fiscal year 2008, minor modifications to the SURS asset allocation targets were implemented. The allocation to the U.S. Equities asset class increased during the year from 36.5% to 39.5% with a corresponding decrease in the allocation to the Opportunity Fund asset class from 3.0% to 0.0%.

As of June 30, 2008, SURS current investment policy targets are: 39.5% of the total fund invested in U.S. equities, 18.5% in non-U.S. equities, 5% in global equities, 5% in private equities, 21% in fixed income, 5% in treasury inflation protected securities (TIPS), 6% in real estate investment trust securities (REITs) and direct real estate (through fund of funds), and 0% in the Opportunity Fund. The graph titled Asset Allocation History details the various investment policy changes during the past 10 years.



Investment Objectives

The investment objective of the total portfolio is to produce annualized investment returns, net of all management fees, which exceed the return of a composite market benchmark or policy portfolio. The policy portfolio is comprised of market indices, which are consistent with the overall investment policy. The policy portfolio reflects a passive implementation of the investment policy. The current policy portfolio is comprised of 39.5% of the Wilshire 5000 Stock Index, 18.5% of the Morgan Stanley All Country World Ex-US Index, 5% of the Morgan Stanley World Index, 5% of the Wilshire 5000 Stock Index +5%, 21% of the Lehman Brothers Aggregate Bond Index, 5% of the Lehman Brothers U.S. TIPS Index, 4% of a blend of the Wilshire Real Estate Securities Index, the FTSE European Public Real Estate Association/National Association of Real Estate Investment Trusts (EPRA/NAREIT) Global Real Estate Ex-US Index and the FTSE EPRA/NAREIT Global Real Estate Index, and 2% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity Index.



Investment Summary

Comparisons of total fund performance are also made with a universe of public pension funds implementing generally comparable investment policies. The public pension fund index used for comparative purposes is the Russell/Mellon Public Funds Index.

Investment Strategies

Asset Allocation

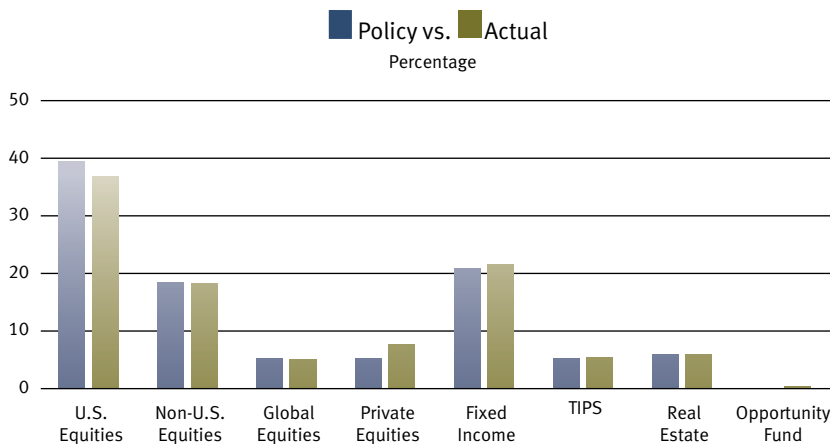
The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Periodically, asset allocation studies are conducted and the results of these studies guide the setting of investment policy. A more comprehensive asset/liability study was conducted in fiscal year 2008. The outcome of the study will result in minor modifications to the investment portfolio with implementation scheduled to occur over the next several years. These modifications will increase the overall diversification of the portfolio and assist in managing investment risk.

Diversification

SURS invests in different types of assets and uses multiple investment managers as a method to ensure overall fund diversification. As of June 30, 2008, the System had retained the services of 37 investment management firms, several of which manage multiple mandates, and an additional 15 managers through the Progress Emerging Managers program. Each investment management firm is afforded full discretion to diversify its portfolio(s) in a manner it deems appropriate. The Trustees have created guidelines to direct the investment managers in their execution of the overall investment policy. The guidelines are specific to the type of portfolio managed.

Rebalancing

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. Although a strategy may be within a specified asset class, the manager may be authorized to utilize other instruments in another asset class. SURS' rebalancing policy call for rebalancing, as soon as practical, if a strategy exceeds or falls below its target allocation by 3%. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of System cash flows. In addition, the fund required rebalancing once during the fiscal year as U.S. equities fell below their target allocation. At year end, the fund was invested 71% in equities, 27% in fixed income and 2% in real estate, in line with target allocations of 72%, 26% and 2%, respectively.

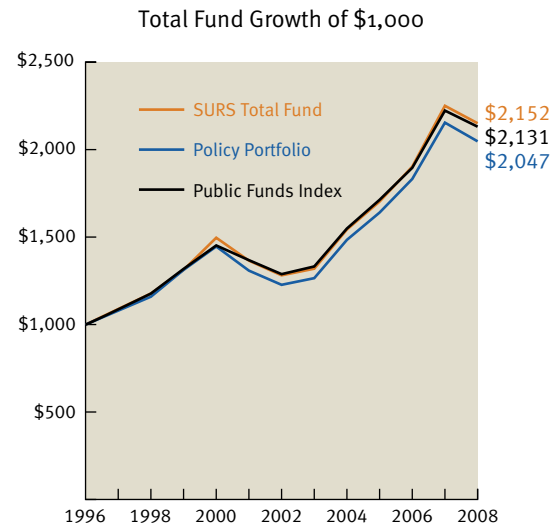


Investment Results

Long-Term Investment Results

The 10-year period ended June 30, 2008 provided returns that, by historical measures, remain favorable. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 6.2%. As shown in the investment results table, SURS total fund return matches or exceeds its market goal (policy portfolio) for all time periods presented (one-, three-, five-, and ten-years). SURS total fund continues to compare favorably relative to the median public pension fund and has outperformed this benchmark for all time periods presented (one-, three-, five- and ten-years).

This consistent long-term above-benchmark performance is best illustrated by the growth of \$1,000 invested in SURS total fund, the policy portfolio and median public funds index during the past 10 years. The ending points indicate that \$1,000 invested in SURS' total fund would have grown to \$2,152, while the same \$1,000 invested in the policy portfolio and median public funds index would have grown to \$2,047 and \$2,131, respectively.



Fiscal Year 2008 Results

For the fiscal year ended June 30, 2008, SURS total fund returned (4.5%), exceeding the market goal, or policy portfolio by .5%. SURS' one-year return trailed that of the median public pension fund return, as measured by the Russell/Mellon Public Pension Funds Index, by .4%. Six of the nine asset class portfolios, including global equity, private equity, fixed income, TIPS, REITS, and the Opportunity Fund, met or exceeded the returns of their benchmarks.

Investment Results

	Fiscal Year Ended June 30					Annualized		
	2004	2005	2006	2007	2008	3 yr	5 yr	10 yr
Total Fund								
SURS	17.0%	10.4%	11.7%	18.3%	(4.5)%	8.1%	10.3%	6.2%
Policy Portfolio	17.0	10.5	11.7	17.6	(5.0)	7.7	10.1	5.8
Public Funds Index	16.3	10.6	10.7	17.2	(4.1)	7.6	9.8	6.1
CPI	3.3	2.5	4.3	2.7	5.0	4.0	3.6	3.0
US Common Stock Returns								
SURS	20.7	7.8	9.4	19.8	(13.4)	4.3	8.1	3.4
Wilshire 5000	21.2	8.2	9.9	20.5	(12.5)	5.0	8.7	3.6
Non-U.S. Stock Returns								
SURS	32.6	15.7	28.2	29.2	(7.9)	15.1	18.5	6.5
Performance Benchmark	32.0	16.5	27.9	29.6	(6.6)	15.7	18.9	7.3
Global Stock Returns								
SURS	25.0	8.7	17.0	20.5	(8.7)	8.8	11.9	8.5
Performance Benchmark	24.0	10.1	16.9	23.6	(10.7)	8.9	12.0	8.2
Private Equity Returns (1)								
SURS	12.6	14.9	22.2	25.7	16.4	21.5	19.4	28.6
Wilshire 5000 + 5%	44.4	12.2	19.7	16.3	(0.8)	11.4	17.5	9.0
Fixed Income Returns								
SURS	1.8	7.6	0.3	6.0	7.4	4.5	4.6	6.3
Performance Benchmark	1.0	7.4	(0.2)	6.1	7.1	4.3	4.2	5.9
TIPS Returns								
SURS	4.5	7.5	(1.2)	3.9	16.3	6.1	6.1	
Performance Benchmark	3.3	7.6	(1.6)	4.0	15.1	5.6	5.5	
Direct Real Estate Returns (2)								
SURS			3.6	18.5	10.6	13.6		
Performance Benchmark			13.0	15.6	12.0	16.7		
Real Estate Returns (REITS)								
SURS	29.1	33.3	22.0	13.3	(15.7)	5.3	14.9	
Wilshire Real Estate Securities Index	29.1	34.3	21.9	12.6	(17.2)	4.4	14.6	
Opportunity Fund								
SURS	14.5	9.9	11.9	16.4	10.7	12.8	12.5	
Performance Benchmark	13.5	10.5	14.7	15.2	(6.8)	7.2	9.1	

Return calculations (except for private equities) were prepared using a time-weighted rate of return methodology in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

(1) Private equity returns were prepared using an Internal Rate of Return (IRR) methodology which is consistent with industry standards. Additionally, the returns for both the portfolio and the benchmark are reported one quarter in arrears due to the length of the performance reporting cycle.

(2) Direct real estate returns for both the portfolio and the benchmark are reported one quarter in arrears due to the length of the performance reporting cycle.

Investment Results

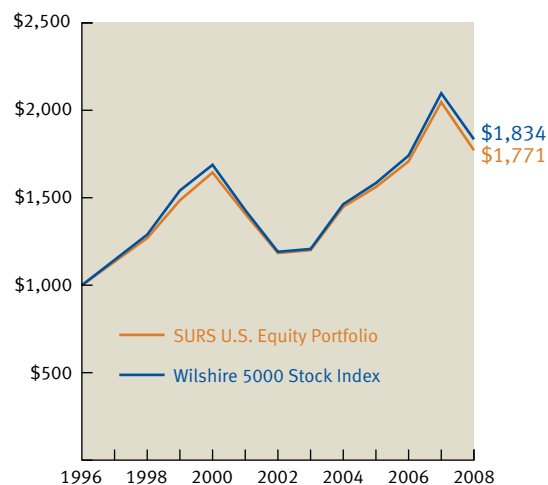
U.S. Equities

For the fiscal year 2008, SURS U.S. equity portfolio returned (13.4%). SURS portfolio underperformed its market benchmark, the Wilshire 5000 Index, by .9%. As the table indicates, the Wilshire 5000 Index returned (12.5%). For the third time in seven years, all segments of the U.S. equity market posted negative returns. Growth outperformed value stocks, while large stocks outpaced small stocks. The SURS U.S. equity portfolio is by design both size and style neutral relative to the Wilshire 5000 Index. Consequently, the returns from this portfolio should track consistently with the broad market.

The accompanying chart indicates the growth of \$1,000 invested in the U.S. equity market during the past 10 years. The ending points indicate that \$1,000 invested in SURS U.S. equity portfolio would have grown to \$1,771 (net of investment management expenses), while the same \$1,000 invested in the Wilshire 5000 Index would have grown to \$1,834.

	FY 2008	3 YR	5 YR	10 YR
SURS	(13.4)%	4.3%	8.1%	3.4%
Wilshire 5000	(12.5)	5.0	8.7	3.6
Wilshire Large Cap	(11.8)	5.1	8.4	3.2
Wilshire Large Growth	(4.9)	6.7	8.3	1.3
Wilshire Large Value	(18.8)	3.3	8.2	4.8
Wilshire Small Cap	(15.8)	4.9	11.6	6.7
Wilshire Small Growth	(11.1)	7.3	12.9	4.4
Wilshire Small Value	(20.6)	2.5	10.2	8.1
S & P 500	(13.1)	4.4	7.6	2.9
Russell 3000	(12.7)	4.7	8.4	3.5
Russell 2000	(16.2)	3.8	10.3	5.5

U.S. Equity Portfolio Growth of \$1,000



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)

	Shares	Carrying Value
Exxon Mobil Corp	1,382,124	\$ 121,806,588
Microsoft Corp	2,429,691	66,840,799
General Electric Co	2,346,752	62,634,811
Chevron Corp	582,682	57,761,267
AT&T Inc	1,554,357	52,366,287
Procter & Gamble Co	734,476	44,663,486
Wal-Mart Stores Inc	788,142	44,293,580
Johnson & Johnson	674,889	43,422,358
International Business Machines Corp	339,898	40,288,110
Apple Inc	215,408	36,067,916

Note: A complete list of the portfolio holdings is available upon request.

Investment Results

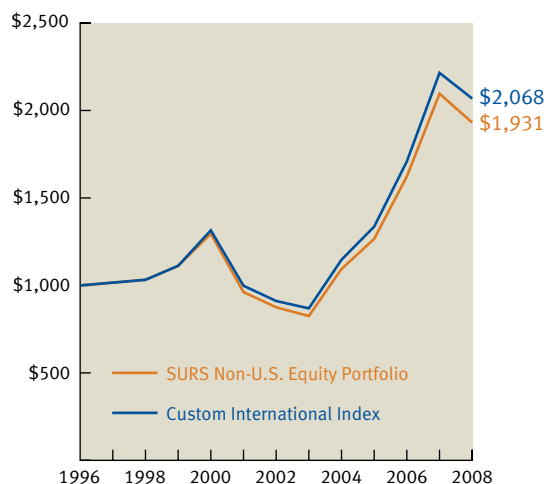
Non-U.S. Equities

For fiscal year 2008, SURS non-U.S. equity portfolio returned (7.9%), lagging its benchmark return by 1.3%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, fell 6.6% in value during the fiscal year. The benchmark represents a mixture of both developed and emerging markets, which varies over time depending on market performance. This mix accurately portrays the manner in which SURS non-U.S. equity investments are allocated.

During fiscal year 2004, the non-U.S. equity asset class was restructured to include a layer of structured active (enhanced) management. These changes, which are consistent with those previously implemented in the U.S. equity portfolio, were made in an attempt to reduce the performance volatility and earn more consistent returns.

The accompanying chart indicates the growth of \$1,000 invested in the non-U.S. equity markets during the past 10 years. The ending points indicate that \$1,000 invested in SURS non-U.S. equity portfolio would have grown to \$1,931 (net of investment management expenses), while the same \$1,000 invested in the performance benchmark would have grown to \$2,068.

Non-U.S. Equity Portfolio Growth of \$1,000



FY 2008 3 YR 5 YR 10 YR

SURS	(7.9)%	15.1%	18.5%	6.5%
Performance Benchmark	(6.6)	15.7	18.9	7.3
MSCI EAFE	(10.6)	12.8	16.7	5.8
MSCI Emerging Markets	4.6	27.1	29.7	15.3
CGE BMI Ex-US	(9.5)	14.2	18.4	7.5

TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds) Shares Carrying Value

BP (United Kingdom)	3,468,019	\$ 40,255,203
Potash Corp (Canada)	158,464	36,950,203
Nestle SA (Switzerland)	747,190	33,860,485
Telefonica SA (Spain)	1,045,599	27,808,002
E.On AG (Germany)	127,044	25,651,039
Banco Santander (Spain)	1,160,122	21,330,778
Eni Spa (Italy)	533,361	19,915,985
BHP Billiton PLC (United Kingdom)	479,219	18,311,379
Transocean Inc (Cayman Islands)	119,022	18,137,763
Siemens AG (Germany)	155,247	17,249,150

Investment Results

Global Equities

SURS initially invested in global equities through its Opportunity Fund and transferred the program to a separate asset class during fiscal year 2004. The two managers and strategies that were employed in the Opportunity Fund were transferred to this new asset class. As the table indicates, SURS global equity portfolio outperformed its benchmark by 2.0% for the fiscal year, returning (8.7%). The benchmark for this portfolio is the MSCI World Index, which represents a blend of both U.S. and non-U.S. equities large capitalization stocks.

	FY2008	3 YR	5YR
SURS	(8.7)%	8.8%	11.9%
MSCI World	(10.7)	8.9	12.0
Wilshire 5000	(12.5)	5.0	8.7
MSCI EAFE	(10.6)	12.8	16.7
MSCI ACWI Ex US	(6.6)	15.7	18.9

Private Equities

SURS private equity portfolio posted a positive return of 16.4% during fiscal year 2008. The portfolio's benchmark, the Wilshire 5000 Index + 5%, posted a return of (.8%). The returns from this asset class lag one quarter due to the time frame associated with data collection for both accounting and performance reporting purposes. As of June 30, 2008, the valuation of SURS' private equity portfolio was \$1.12 billion, amounting to 7.6% of total plan assets.

	FY 2008	3 YR	5 YR	10 YR
SURS	16.4%	21.5%	19.4%	28.6%
Performance Benchmark	(0.8)	11.4	17.5	9.0

SURS private equity portfolio is a highly diversified portfolio. Since its inception in 1990, the SURS private equity portfolio has made commitments to different partnership funds. The private equity portfolio has been diversified by a number of different measures such as time, general partner groups and sub-asset class types. This diversification effort has benefited the portfolio immensely as different sub-classes perform well under different economic and market conditions.

Since its inception, a total of \$1,915 million and €104 million (euros) has been committed to these funds, and of this amount \$1,412 million and €45 million has been invested. During this same period, SURS has received \$1,250 million and €26 million in distributions, which, when combined with the current value of the portfolio, indicates that the portfolio has generated a significant return over the approximately 17-year period. The table above indicates that for the longer term time period of 10 years, SURS private equity portfolio has significantly outperformed its benchmark return.

Fixed Income

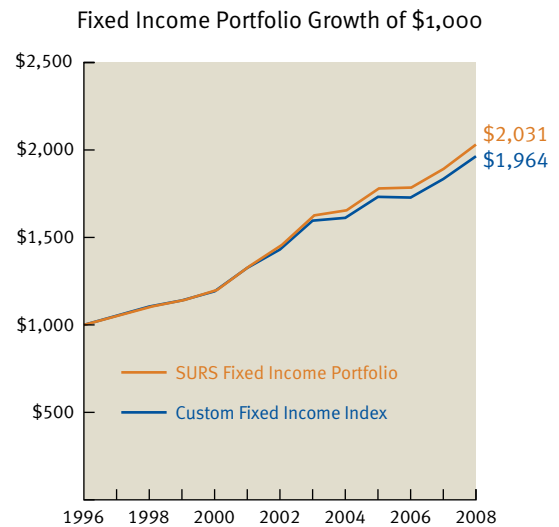
The SURS fixed income portfolio returned 7.4% for the year, exceeding the 7.1% return of the portfolio's custom benchmark. In April 2007, the fixed income portfolio's benchmark was modified from the Lehman Brothers Universal Bond Index to the Lehman Brothers Aggregate Bond Index, which reflects the manner in which the assets are invested. SURS investment managers typically employ a Core Plus approach that utilizes securities which include government, corporate, mortgage, high yield and non-U.S. bonds. This portfolio has been the most consistent of all the portfolios, generating above benchmark returns in 19 of the past 20 years.

	FY 2008	3 YR	5 YR	10 YR
SURS	7.4%	4.5%	4.6%	6.3%
Performance Benchmark	7.1	4.3	4.2	5.9
Lehman Brothers Universal	6.2	4.1	4.2	5.8
Lehman Brothers Aggregate	7.1	4.1	3.9	5.7
Long Term Govt.	12.3	3.7	4.7	6.7
Intermediate Govt.	9.2	4.8	3.6	5.4
Long Term Corp.	0.8	0.4	3.1	5.5
Intermediate Corp.	3.7	3.1	3.1	5.5
Mortgage-Backed	7.8	4.8	4.6	5.8

SURS fixed income portfolio is structured to capture the return of the broad market over the long term. Consequently, the returns from this portfolio will tend to track that of the broad fixed income market (Lehman Brothers Aggregate Bond Index) over longer periods of time. As the table above indicates, SURS portfolio has reliably added value over each of the longer-term periods presented.

Investment Results

The accompanying chart indicates the growth of \$1,000 invested in the U.S. fixed income market during the past 10 years. The ending points show that \$1,000 invested in SURS' U.S. fixed income portfolio would have grown to \$2,031 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,964.



TEN LARGEST FIXED INCOME HOLDINGS (excludes commingled funds)

Asset Description	S & P Rating	Interest Rate	Maturity Date	Par Value	Carrying Value
Federal National Mortgage Association	AAA	5.000	15-Jul-38	\$566,410,000	\$542,868,868
Federal National Mortgage Association	AAA	5.500	15-Jul-38	192,585,000	189,816,591
US Treasury Inflation Index Notes	AAA	2.375	15-Jan-25	63,466,000	75,778,970
US Treasury Inflation Index Notes	AAA	2.000	15-Jul-14	47,103,000	57,021,296
US Treasury Inflation Index Bonds	AAA	3.875	15-Apr-29	32,091,000	54,390,331
US Treasury Inflation Index Bonds	AAA	3.000	15-Jul-12	40,871,000	53,624,581
Federal National Mortgage Association	AAA	5.500	01-Sep-34	47,762,240	47,268,761
US Treasury Inflation Index Bonds	AAA	2.375	15-Apr-11	41,073,000	47,100,963
US Treasury Inflation Index Notes	AAA	0.875	15-Apr-10	39,889,000	46,014,765
Federal National Mortgage Association	AAA	6.000	01-May-38	43,600,597	44,040,091

Note: A complete list of the portfolio holdings is available upon request.

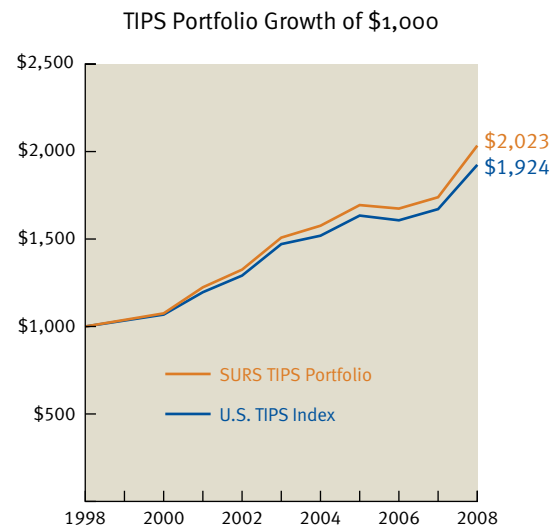
Treasury Inflation Protected Securities (TIPS)

As of July 1, 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2008, TIPS accounted for 5.2% of the total fund. Over the past year, the TIPS portfolio was rebalanced to its target allocation.

The TIPS portfolio returned 16.3% for fiscal year 2008, exceeding its U.S. TIPS benchmark by 1.2%. The portfolio's three- and five-year returns outpaced the annualized benchmark returns by .5% and .6%, respectively.

	FY 2008	3YR	5 YR
SURS	16.3%	6.1%	6.1%
Performance Benchmark	15.1	5.6	5.5

The accompanying chart indicates the growth of \$1,000 invested in the U.S. TIPS market during the past 9 years. The ending points indicate that \$1,000 invested in SURS U.S. TIPS portfolio would have grown to \$2,023 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,924.



Investment Results

Real Estate

The SURS Board of Trustees adopted an asset allocation during fiscal year 2001 that created a 2% allocation to publicly traded real estate securities (REITs). During fiscal year 2005, the target allocation to the real estate asset class was increased to 6%, comprised of 4% REITs and 2% direct real estate through fund of funds. Funding of the direct real estate allocation started at the end of fiscal year 2006. During fiscal year 2007, an allocation to global REITs was approved as a component of the 4% REITs target allocation with initial funding commencing April 2007.

The direct real estate portfolio returned 10.6% for the fiscal year, underperforming its benchmark by 1.4%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned 12% for the same period. The returns from this asset class lag one quarter due to the time frame associated with data collection for both accounting and performance reporting purposes.

SURS combined real estate portfolio decreased 15.7% during the fiscal year, outperforming its benchmark, a blend of the Wilshire Real Estate Securities Index, the FTSE EPRA/NAREIT Global Real Estate Index and the FTSE EPRA/NAREIT Global Real Estate Index, by 1.2%. The portfolio's three-year return exceeded the benchmark return by a margin of .8% (annualized).

	FY 2008	3YR	5 YR
SURS	(15.7)%	5.3%	14.9%
Performance Benchmark	(16.9)	4.5	14.6
Wilshire Real Estate Securities	(15.4)	4.8	14.9
FTSE EPRA/NAREIT Global Real Estate	(20.3)	N/A	N/A
FTSE EPRA/NAREIT Global Ex-US Real Estate	(22.7)	N/A	N/A

Opportunity Fund

The SURS Board of Trustees created the Opportunity Fund during fiscal year 2000 to provide an arena for investments in new opportunities, which might otherwise not be included in the total investment portfolio. Each of the investment portfolios is evaluated on an annual basis to determine whether or not they continue to merit inclusion in the fund. This unique portfolio has been designed in such a manner that no more than approximately 5% of the total fund assets can be invested in the fund. As of June 30, 2008, this fund accounted for 0% of the total fund assets. Currently, there is one type of investment in the portfolio: a special private equity fund.

The Opportunity Fund returned 10.7% during the year, outpacing its custom benchmark return by 17.5%. In order to accurately monitor these investments, a custom benchmark has been established. The benchmark reflects a passive implementation of the various portfolios included in the Fund.

	FY 2008	3YR	5 YR
SURS	10.7%	12.8%	12.5%
Performance Benchmark	(6.8)	7.2	9.1

Self-Managed Plan

Fiscal year 2008 marks the tenth complete year of the Self-Managed Plan (SMP). As of June 30, 2008, the SMP had accumulated plan assets of approximately \$616 million. This represents an increase of approximately \$32 million since the end of fiscal year 2007. Contributing to the slower growth in plan assets was a market-related decrease, net of asset withdrawals, of approximately \$53 million. During the past several years, SMP participants have maintained exposure to equities. In aggregate, the total funds invested by SMP participants have a 72% equity and 29% fixed income allocation, a 4% decrease in equities from last year's position and consistent with the defined benefit plan asset allocation.

A detailed schedule of the funds available in this plan, along with the investment totals for each fund, can be found in the accompanying table.

Asset Allocation

Self-Managed Plan Asset Allocation
June 30, 2008

	U.S. Stocks	Non-U.S. Stocks	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio	\$ -	\$ -	\$ 8,095,704	\$ -	\$ -	\$ 8,095,704
Fidelity U.S. Bond Index	-	-	8,611,408	-	-	8,611,408
PIMCO Total Return	-	-	9,148,353	-	-	9,148,353
Fidelity Four In One Index	-	-	-	3,431,222	-	3,431,222
Fidelity Puritan	-	-	-	86,958,049	-	86,958,049
Ariel Fund	8,138,302	-	-	-	-	8,138,302
American Beacon Large Cap Value	647,486	-	-	-	-	647,486
Buffalo Small Cap	813,933	-	-	-	-	813,933
Hartford Capital Appreciation Y Fund	14,720,831	-	-	-	-	14,720,831
Fidelity Growth Company	25,139,306	-	-	-	-	25,139,306
Spartan Extended Market Index	7,615,717	-	-	-	-	7,615,717
Fidelity Contrafund	31,720,661	-	-	-	-	31,720,661
Fidelity Low Priced Stock Fund	15,143,672	-	-	-	-	15,143,672
Spartan Total Market Index	4,499,127	-	-	-	-	4,499,127
Spartan U.S. Equity Index	31,079,445	-	-	-	-	31,079,445
Fidelity Diversified International	-	22,265,335	-	-	-	22,265,335
Spartan International Index	-	4,651,088	-	-	-	4,651,088
Fidelity Worldwide	-	12,351,656	-	-	-	12,351,656
Fidelity Real Estate Investment	-	-	-	-	866,476	866,476
Fidelity Freedom 2000	-	-	-	37,688	-	37,688
Fidelity Freedom 2005	-	-	-	110,339	-	110,339
Fidelity Freedom 2010	-	-	-	678,378	-	678,378
Fidelity Freedom 2015	-	-	-	842,177	-	842,177
Fidelity Freedom 2020	-	-	-	2,338,122	-	2,338,122
Fidelity Freedom 2025	-	-	-	2,261,028	-	2,261,028
Fidelity Freedom 2030	-	-	-	3,363,978	-	3,363,978
Fidelity Freedom 2035	-	-	-	2,478,927	-	2,478,927
Fidelity Freedom 2040	-	-	-	2,257,673	-	2,257,673
Fidelity Freedom 2045	-	-	-	491,275	-	491,275
Fidelity Freedom 2050	-	-	-	630,720	-	630,720
Fidelity Freedom Income	-	-	-	311,889	-	311,889
Fidelity Total	139,518,480	39,268,079	25,855,465	106,191,465	866,476	311,699,965
						55.5%
TIAA-CREF Funds						
CREF Money Market Account	-	-	13,177,768	-	-	13,177,768
TIAA Traditional Annuity	-	-	40,252,611	-	-	40,252,611
CREF Bond Market Account	-	-	20,493,791	-	-	20,493,791
CREF Inflation Linked Bond Account	-	-	11,912,427	-	-	11,912,427
CREF Social Choice Account	-	-	-	20,838,609	-	20,838,609
CREF Equity Index Account	26,245,216	-	-	-	-	26,245,216
CREF Growth Account	254,962	-	-	-	-	254,962
CREF Stock Account	60,906,284	-	-	-	-	60,906,284
CREF Global Equities Account	-	23,496,568	-	-	-	23,496,568
TIAA-CREF Large-Cap Growth Index	29,426,168	-	-	-	-	29,426,168
TIAA-CREF Lifecycle Fund 2010	-	-	-	533,059	-	533,059
TIAA-CREF Lifecycle Fund 2015	-	-	-	327,776	-	327,776
TIAA-CREF Lifecycle Fund 2020	-	-	-	272,898	-	272,898
TIAA-CREF Lifecycle Fund 2025	-	-	-	362,932	-	362,932
TIAA-CREF Lifecycle Fund 2030	-	-	-	598,820	-	598,820
TIAA-CREF Lifecycle Fund 2035	-	-	-	515,922	-	515,922
TIAA-CREF Lifecycle Fund 2040	-	-	-	802,344	-	802,344
TIAA-CREF Total	116,832,630	23,496,568	85,836,597	24,252,360	-	250,418,155
						44.5%
GRAND TOTALS	\$256,351,110	\$62,764,647	\$111,692,062	\$130,443,825	\$866,476	\$562,118,120
	45.6%	11.2%	19.9%	23.2%	.2%	100.0%
SMP Forfeiture Reserve (3)						8,229,059
SMP Disability Reserve (3)						43,068,578
Total SMP Investments						\$613,415,757

1. As of June 30, 2008, the Fidelity Freedom Fund (lifecycle) series is the default fund for members who have selected the Self-Managed Plan, but have not yet selected individual mutual/variable annuity funds.
 2. CREF Growth Account is no longer an approved option for the Self-Managed Plan. Assets remaining in the Account were invested prior to termination of this option.
 3. These assets are commingled with the SURS defined benefit plan investments and accrue interest equal to the overall annual rate of return of the fund, net of fees.

Asset Allocation

 Defined Benefit Plan Asset Allocation
 June 30, 2008 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
U.S. Stock Managers - Passive					
Attucks Asset Management	\$ 56,380	\$ -	\$ -	\$ 56,380	-
Northern Trust Investments	1,991,639	-	-	1,991,639	14%
RhumbLine Advisers	922,735	-	-	922,735	6%
Subtotal	2,970,754	-	-	2,970,754	20%
Non-U.S. Stock Managers - Passive					
Barclays Global Investors Custom International Fund	889,020	-	-	889,020	6%
Subtotal	889,020	-	-	889,020	6%
U.S. Stock Managers - Active					
Ariel Capital Management	39,838	-	-	39,838	-
BlackRock Equity Plus	414,732	-	-	414,732	3%
Buford Dickson Harper & Sparrow	20,624	-	-	20,624	-
Channing Capital Management	14,406	-	-	14,406	-
Holland Capital Management	16,365	-	-	16,365	-
Jacobs Levy	289,468	-	-	289,468	2%
Lombardia Capital Partners	28,738	-	-	28,738	-
NCM Capital Management	42,099	-	-	42,099	-
Pacific Investment - StocksPlus	945,779	-	-	945,779	6%
Paradigm Asset Management	39,991	-	-	39,991	-
Payden & Rygel	142,633	-	-	142,633	1%
Piedmont Investments	65,110	-	-	65,110	-
Profit Investment Management	24,849	-	-	24,849	-
Progress Emerging Managers	101,197	-	-	101,197	1%
RASARA Strategies	6,972	-	-	6,972	-
T. Rowe Price	203,368	-	-	203,368	1%
Subtotal	2,396,169	-	-	2,396,169	16%
Non-U.S. Stock Managers - Active					
Atlanta Life Investment Advisors	32,547	-	-	32,547	-
BGI Alpha Tilt	633,045	-	-	633,045	4%
GlobeFlex Capital	124,068	-	-	124,068	1%
Martin Currie	525,057	-	-	525,057	4%
Mondrian Investment Partners	231,119	-	-	231,119	2%
Progress Emerging Managers	32,679	-	-	32,679	-
Pyramis Global Advisors	183,788	-	-	183,788	1%
Subtotal	1,762,303	-	-	1,762,303	12%
Global Stock Managers - Active					
Capital Guardian	328,900	-	-	328,900	2%
Wellington Management	394,959	-	-	394,959	3%
Subtotal	723,859	-	-	723,859	5%
Private Equity Managers					
Adams Street Acquisition Fund II	69	-	-	69	-
Adams Street Partnerships	426,635	-	-	426,635	3%
Adams Street 2008 Offering	6,888	-	-	6,888	-
Adams Street 2007 Global Oppor Ptf	22,173	-	-	22,173	-
Adams Street Global Secondary Fund	22,146	-	-	22,146	-
Adams Street Non-U.S. Partnerships	66,919	-	-	66,919	-
Muller and Monroe ILPEFF	6,681	-	-	6,681	-
Muller and Monroe MPEFF	5,148	-	-	5,148	-
Pantheon Europe Fund III	75,705	-	-	75,705	1%
Pantheon Global	3,953	-	-	3,953	-
Pantheon Global Secondary Fund II	24,794	-	-	24,794	3%
Pantheon USA 8	3,906	-	-	3,906	-
Pantheon Ventures, Inc.	447,941	-	-	447,941	1%
Progress Investment	6,785	-	-	6,785	-
Subtotal	1,119,743	-	-	1,119,743	8%

Asset Allocation

 Defined Benefit Plan Asset Allocation
 June 30, 2008 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
Bond Managers - Passive					
RhumbLine Advisers	\$ —	\$ 115,463	\$ —	\$ 115,463	1%
Subtotal	—	115,463	—	115,463	1%
Bond Managers - Active					
Barclays Global Investors					
Core Active Bond	—	500,930	—	500,930	3%
BlackRock Core Plus	—	229,323	—	229,323	2%
BlackRock Enhanced	—	324,183	—	324,183	2%
Cash	—	125,714	—	125,714	1%
Metropolitan West Asset Mgmt.	—	334,890	—	334,890	2%
Pacific Investment	—	886,344	—	886,344	6%
Progress Emerging Managers	—	46,336	—	46,336	—
Pugh Capital Management	—	28,321	—	28,321	—
Smith Graham & Company	—	28,187	—	28,187	—
Taplin Canida & Habacht	—	27,976	—	27,976	—
Western Asset Mgmt	—	498,121	—	498,121	3%
Subtotal	—	3,030,325	—	3,030,325	21%
Treasury Inflation Protected Securities - Passive					
US TIPS	—	548,393	—	548,393	4%
Subtotal	—	548,393	—	548,393	4%
Treasury Inflation Protected Securities - Active					
Pacific Investment - U.S. TIPS	—	218,737	—	218,737	1%
Subtotal	—	218,737	—	218,737	1%
Direct Real Estate					
RREEF America II Fund	—	—	167,495	167,495	1%
RREEF America III Fund	—	—	37,932	37,932	—
RREEF West Funds	—	—	153	153	—
UBS Trumbull Property Fund	—	—	148,267	148,267	1%
Subtotal	—	—	353,847	353,847	2%
Real Estate Investment Securities: U.S. - Passive					
Barclays Global Investors REIT	109,382	—	—	109,382	1%
Subtotal	109,382	—	—	109,382	1%
Real Estate Investment Securities: U.S. - Active					
ING Clarion Real Estate Securities	115,723	—	—	115,723	1%
RREEF America	110,091	—	—	110,091	1%
Subtotal	225,814	—	—	225,814	2%
Real Estate Investment Trust Securities:					
Non-U.S. and Global					
Barclays Global Investors REIT	23,803	—	—	23,803	—
ING Clarion Real Estate Securities	69,265	—	—	69,265	—
RREEF	68,130	—	—	68,130	—
Subtotal	161,198	—	—	161,198	1%
Opportunity Fund					
Private Opportunities Fund	12,774	—	—	12,774	—
Subtotal	12,774	—	—	12,774	—
SMP Forfeiture/Disability Reserves (B)					
	(34,209)	(16,812)	(277)	(51,298)	
TOTAL FUND	\$10,336,807	\$3,896,106	\$353,570	\$14,586,483(A)	95%
% OF TOTAL FUND (C)	71%	27%	2%	100%	

(A) Amount includes accrued investment income receivable of \$39,705 at June 30, 2008 and includes net pending transactions of (\$97,068).

(B) These assets are commingled with the SURS defined benefit plan investments.

(C) The % of Total Fund may not add to 100% due to rounding.

Supporting Schedules

 Summary Schedule of Domestic Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
ABN Amro Securities Inc	\$ —	—	\$ —	\$ 396	9,900	\$ 0.04
Adams Harkness & Hill	2,334	47,274	0.05	—	—	—
ADP Clearing & Outsourcing, Inc.	—	—	—	5,552	276,616	0.02
Andes Capital	417	10,418	0.04	—	—	—
Archipelago	—	—	—	3,967	317,320	0.01
Autranet Inc.	762	21,768	0.04	—	—	—
Avondale Partners	39	1,300	0.03	—	—	—
B Trade Services	—	—	—	249	37,700	0.01
Banc of America Securities	6,555	166,059	0.04	16,721	412,281	0.04
Banc of America Securities (ECN)	23	1,400	0.02	1,302	130,200	0.01
Bank of New York	6,372	150,960	0.04	4,719	110,570	0.04
Bass Trading	45	1,500	0.03	772	19,300	0.04
Baycrest	12	400	0.03	63	2,100	0.03
Baypoint Trading	60	1,500	0.04	—	—	—
BB&T Investment Services	—	—	—	1,100	22,000	0.05
Bear Stearns Securities Corp	11,377	287,436	0.04	70,027	3,187,583	0.02
Bear XO	—	—	—	230	10,200	0.02
Berean Capital Inc	—	—	—	285	7,132	0.04
Bernstein, Sanford G. & Co.	1,457	36,404	0.04	2,284	54,450	0.04
Bernstein, Sanford C. & Co. (ECN)	745	74,500	0.01	—	—	—
Blair, William & Co.	3,797	85,451	0.04	2,430	56,640	0.04
Blaylock & Partners	—	—	—	88	2,200	0.04
Bley Investments	—	—	—	1,552	38,800	0.04
Bloomberg Tradebook	353	35,200	0.01	—	—	—
BMO Capital Markets	972	20,572	0.05	180	4,500	0.04
BNY Clearing Services, Inc.	16,985	399,974	0.04	912	22,982	0.04
BNY ESI Securities Co.	36,219	1,207,288	0.03	661	16,516	0.04
BOE Securities	369	9,229	0.04	514	12,841	0.04
Boenning & Scattergood	—	—	—	2,306	102,500	0.02
Buckingham Research Group	7,642	185,570	0.04	5,293	105,850	0.05
Burns Fry Inc.	—	—	—	—	—	—
C.L. King & Associates	642	20,314	0.03	22	727	0.03
Cabrera Capital Markets	50,160	1,621,909	0.03	39,072	1,027,092	0.04
Canaccord Adams	188	3,750	0.05	—	—	—
Cantor Fitzgerald & Co	8,056	237,627	0.03	6,530	156,859	0.04
Capital Institutional Services	19,866	458,953	0.04	13,831	279,050	0.05
Carlos A. Veytia & Associates	—	—	—	1,894	54,100	0.04
CastleOak Securities	1,466	38,935	0.04	—	—	—
Chapdelaine Corporate Securities	—	—	—	336	8,400	0.04
Cheevers & Co	202,071	4,130,628	0.05	314,148	6,852,342	0.05
CIBC World Markets Corp.	498	10,335	0.05	6,713	171,500	0.04
Citigroup Global Markets	29,428	1,671,324	0.02	41,481	2,020,636	0.02
Citigroup Global Markets Inc. (ECN)	862	86,230	0.01	461	92,100	0.01
Cowen and Co	1,591	44,405	0.04	3,196	90,620	0.04
Credit Suisse First Boston	8,103	242,512	0.03	37,465	1,255,053	0.03
Credit Suisse First Boston (ECN)	844	84,400	0.01	1,336	133,600	0.01
Crowell Weedon & Co.	—	—	—	272	6,800	0.04
Cruttenden & Co	133	2,660	0.05	—	—	—
Dain Rauscher	82	8,200	0.01	—	—	—
Derrick Walker International Ltd.	—	—	—	1,390	39,700	0.04
Deutsch Morgan Grunfeld	26	2,100	0.01	—	—	—
Deutsche Bank Securities, Inc.	5,025	150,299	0.03	34,502	3,408,923	0.01
Deutsche Bank Securities, Inc. (ECN)	—	—	—	34	6,800	0.01
Direct Trading Institutional Inc.	54	5,350	0.01	—	—	—
Direct Trading Institutional Inc. (ECN)	63	6,250	0.01	—	—	—
Divine Capital Markets	156	10,400	0.02	—	—	—
Donaldson Lufkin & Jenrette Securities Corp	—	—	—	241	7,462	0.03
Doyle Miles & Co.	—	—	—	146	7,300	0.02
E*TRADE Capital Markets	—	—	—	84	2,100	0.04
E & J	—	—	—	—	—	—
East & West	—	—	—	991	28,300	0.04
Edge	2,998	201,110	0.01	5,032	335,438	0.02
Edwards, A.G.	1,427	31,700	0.05	5,787	119,350	0.05
Ewing Capital Inc.	—	—	—	924	26,400	0.04
Execution Ltd	300	5,990	0.05	—	—	—
Fidelity Capital Markets	276	27,600	0.01	133	5,200	0.03
First Analysis Securities Corp.	40	1,000	0.04	—	—	—

Supporting Schedules (continued)

 Summary Schedule of Domestic Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Fox Pitt & Kelton	\$ 162	5,000	\$ 0.03	\$ 907	25,900	\$ 0.04
Friedman Billings & Ramsey	8,264	195,516	0.04	5,110	104,550	0.05
FRS Securities	1,425	40,539	0.04	—	—	—
FTN Financial Capital Markets	—	—	—	172	4,300	0.04
FTN Midwest Securities	2,292	76,400	0.03	306	10,200	0.03
Futuretrade Securities LLC	95	4,743	0.02	1,037	26,965	0.04
Gardner Rich & Co	3,590	95,370	0.04	21,842	585,847	0.04
Genuity Capital Markets	—	—	—	564	14,100	0.04
Gerson Lehrman Group Brokerage	282	8,760	0.03	—	—	—
Goldman Sachs & Company	8,275	207,824	0.04	42,457	2,132,929	0.02
Goldman Sachs Executing & Clearing	701	70,094	0.01	2,445	397,875	0.01
Gordon Haskett Capital Corp.	135	3,605	0.04	—	—	—
Green Street Advisors Inc	2,891	62,100	0.05	5,064	109,750	0.05
Greentree Brokerage	—	—	—	260	8,664	0.03
GRW Capital Corp.	—	—	—	616	17,600	0.04
Guzman & Company	2,597	252,500	0.01	20,280	1,670,976	0.01
Harvest Capital Investments	—	—	—	2,064	51,600	0.04
Heflin & Co.	—	—	—	536	15,300	0.04
Hibernia Southcoast Capital	146	2,955	0.05	—	—	—
Hoengig & Co	—	—	—	2,236	55,900	0.04
Howard, Weil, Legg Mason	799	16,511	0.05	866	17,319	0.05
HSBC Securities	—	—	—	20	500	0.04
Imperial Capital	—	—	—	312	8,900	0.04
ING Baring U.S. Capital Markets	—	—	—	870	21,750	0.04
ING Barings International	—	—	—	632	15,800	0.04
INNOVA Securities Inc.	—	—	—	1,201	34,300	0.04
Instinct	47,384	1,691,728	0.03	1,429	64,500	0.02
Interstate Group	26,999	542,596	0.05	9,872	197,436	0.05
Investment Technology Group Inc	—	—	—	26	2,500	0.01
Investment Technology Group Inc (ECN)	65,805	8,539,419	0.01	30,667	2,262,101	0.01
ISI Group	1,480	33,418	0.04	596	17,600	0.03
Ivy Securities	—	—	—	892	22,300	0.04
J P Morgan Securities Inc	9,092	355,688	0.03	5,734	152,626	0.04
Jackson Partners & Assoc.	1,009	22,600	0.04	2,400	67,900	0.04
Jackson Securities Inc	22,632	478,781	0.05	36,970	805,789	0.05
Janney Montgomery Scott	379	11,559	0.03	—	—	—
Jefferies & Company	14,764	484,077	0.03	15,157	386,525	0.04
JMP Securities	84	2,100	0.04	1,605	41,000	0.04
Johnson Rice & Co.	201	4,360	0.05	292	7,302	0.04
Jones & Associates	107	3,500	0.03	372	9,300	0.04
Jones Ad	—	—	—	9,266	463,024	0.02
JonesTrading Institutional Services	2,527	87,760	0.03	3,755	126,250	0.03
JP Morgan	—	—	—	2,045	58,700	0.03
Keefe Bruyette Woods Inc.	1,787	41,522	0.04	2,114	49,914	0.04
Keybank	2,051	44,231	0.05	198	3,950	0.05
Knight Securities	2,861	84,399	0.03	4,496	112,775	0.04
KV Execution Services LLC	—	—	—	3,038	135,000	0.02
Lambright Financial Solutions	133	2,650	0.05	6,384	159,600	0.04
Leerink Swann & Co	280	5,600	0.05	576	15,100	0.04
Lehman Brothers Inc	19,671	581,478	0.03	36,590	1,303,748	0.03
Lehman Brothers Inc (ECN)	—	—	—	3,199	321,227	0.01
Lek Securities Corp.	279	14,042	0.02	50	4,329	0.01
Liquidnet Inc.	—	—	—	26,971	1,159,074	0.02
Liquidnet Inc. (ECN)	7,918	421,095	0.02	10,936	546,800	0.02
Loop Capital Markets/Broadcort Capital	80,278	2,781,248	0.03	55,037	2,317,092	0.02
Lynch Jones & Ryan	2,236	63,418	0.04	940	25,700	0.04
M. Ramsey King Securities	658	16,450	0.04	20,876	600,447	0.03
Macquarie	—	—	—	40	1,000	0.04
Magna Securities Corp	31,518	1,100,020	0.03	52,900	1,490,043	0.04
Man Financial Ltd.	—	—	—	1,352	33,800	0.04
McDonald and Company	—	—	—	1,411	29,100	0.05
Melvin Securities Corp	8,402	482,592	0.02	9,364	247,342	0.04
Merrill Lynch Direct Access	—	—	—	1,820	36,400	0.05
Merrill Lynch (ECN)	685	68,525	0.01	834	93,000	0.01
Merrill Lynch International	—	—	—	1,162	30,800	0.04
Merrill Lynch Pierce Fenner & Smith	28,807	718,124	0.04	57,583	1,434,412	0.04
Merriman Curhan Ford & Co.	119	2,385	0.05	—	—	—

Supporting Schedules (continued)

 Summary Schedule of Domestic Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Midwest Research Securities	\$ 434	13,421	\$ 0.03	\$ 1,364	35,500	\$ 0.04
Miletus Trading	744	37,200	0.02	390	19,500	0.02
Miller Taboock	63	6,300	0.01	388	9,700	0.04
Mischler Financial Group	1,903	56,149	0.03	497	13,308	0.04
MKM Partners	4,418	147,250	0.03	2,481	79,900	0.03
Mogavero, Lee & Co. Inc.	26	643	0.04	—	—	—
Montrose Securities	34,505	710,820	0.05	32,156	668,300	0.05
Morgan Keegan & Co.	17,713	397,220	0.04	9,605	192,754	0.05
Morgan Stanley & Co Inc.	26,299	708,624	0.04	27,038	990,358	0.03
Morgan Stanley & Co Inc. (ECN)	453	45,300	0.01	3,674	372,200	0.01
M R Beal & Co.	30,720	991,121	0.03	5,446	141,719	0.04
MultiTrade	10,146	333,956	0.03	6,533	164,115	0.04
Muriel Siebert Co.	164	5,000	0.03	—	—	—
Murphy & Durieu	—	—	—	3,248	144,300	0.02
National Financial Services	365	10,323	0.04	—	—	—
Needham and Co., Inc.	334	7,128	0.05	—	—	—
Nomura Securities	—	—	—	652	42,090	0.02
Nutmeg Securities	219	8,104	0.03	6,844	171,485	0.04
NYFIX Clearing Corp	—	—	—	2,583	172,200	0.02
NYFIX Transaction Services	—	—	—	20	3,800	0.01
O'Neil Williams	1,046	21,855	0.05	—	—	—
Oppenheimer & Co Inc	119	3,700	0.03	—	—	—
Pacific American Securities	13,571	394,126	0.03	30,397	970,562	0.03
Pacific Crest Securities	1,287	34,705	0.04	—	—	—
Pacific Growth Equities	68	1,365	0.05	—	—	—
PCS Securities Inc.	—	—	—	3,532	88,300	0.04
Pellinor Securities Corp.	212	5,290	0.04	—	—	—
Percival Financial Partners	55	1,837	0.03	24	790	0.03
Pershing LLC	283	7,080	0.04	1,343	40,835	0.03
Pickering Energy Partners Inc.	865	17,300	0.05	250	5,000	0.05
Pipeline Trading	1,122	67,300	0.02	717	54,100	0.01
Piper Jaffray Inc	1,591	38,595	0.04	1,292	33,100	0.04
Podesta and Co.	81	2,300	0.04	—	—	—
Pritchard Capital Partners	204	4,085	0.05	—	—	—
Prudential Bache	—	—	—	2,571	53,350	0.05
Prudential Securities	—	—	—	16	400	0.04
Pulse Trading	16	852	0.02	2,915	129,600	0.02
Quantex	—	—	—	—	—	—
Ramirez & Co.	871	28,300	0.03	—	—	—
Raymond James	4,181	92,535	0.05	1,850	39,040	0.05
RBC Capital Markets Inc	5,451	114,904	0.05	9,102	192,100	0.05
RBC Dain Rauscher	1,422	37,245	0.04	—	—	—
RBC Dominion Securities	—	—	—	917	26,200	0.04
Renaissance Capital Corp	—	—	—	8,398	209,950	0.04
Robbins & Henderson	150	5,000	0.03	257	11,400	0.02
Robert Van Securities Inc.	204	5,100	0.04	936	27,934	0.03
Robert W Baird & Co	6,585	144,762	0.05	6,289	153,674	0.04
Roberts & Ryan	3,725	114,405	0.03	—	—	—
Roth Capital Partners	27	530	0.05	—	—	—
Ryan Beck & Co.	—	—	—	3,161	85,350	0.04
Sanders Morris	74	2,045	0.04	—	—	—
Sand Grain Securities Inc.	9,437	188,747	0.05	381	7,617	0.05
Sandler O'Neill & Partner	171	5,700	0.03	20	500	0.04
Sanford C Bernstein & Co	352	8,795	0.04	2,537	89,700	0.03
Sanford C Bernstein & Co (ECN)	—	—	—	6,137	622,138	0.01
Saxony Securities, Inc.	18,280	365,590	0.05	11,810	236,200	0.05
SBC Warburg Dillon Reed & Co.	762	16,080	0.05	—	—	—
SBK Brooks	690	22,046	0.03	1,189	29,733	0.04
Score Asset Management	—	—	—	2,835	81,010	0.03
Scotia McLeod	—	—	—	3,192	79,800	0.04
Seaport Securities Corporation	1,472	49,050	0.03	2,232	74,400	0.03
Sidoti & Co, LLC	3,516	71,407	0.05	1,822	40,107	0.05
Smith Barney Inc	1,853	187,025	0.01	728	18,200	0.04
Soleil Securities Corp.	589	13,088	0.05	150	3,740	0.04
Source Trading	—	—	—	12	300	0.04
Southcoast Capital	37	740	0.05	—	—	—
Southwest Securities	953	63,515	0.02	—	—	—

Supporting Schedules (continued)

 Summary Schedule of Domestic Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Standard and Poors Securities	\$ —	—	\$ —	\$ 648	16,200	\$ 0.04
Stanford Group Company	228	5,700	0.04	244	6,100	0.04
State Street Brokerage Services	1,101	36,700	0.03	472	23,600	0.02
State Street Global Markets	—	—	—	240	8,000	0.03
Stephens Inc	114	3,800	0.03	1,796	44,900	0.04
Sterne Agge & Leeds	455	9,090	0.05	3,750	75,000	0.05
Stifel Nicolaus & Co.	13,524	299,568	0.05	10,712	219,964	0.05
Sturdivant & Co.	—	—	—	60	1,500	0.04
Sun Trust	3,953	91,623	0.04	1,297	25,943	0.05
Susquehanna Brokerage Services	2,762	63,705	0.04	3,969	87,700	0.05
ThinkEquity Partners	—	—	—	492	12,300	0.04
Thomas Weisel Partners Llc	2,514	76,515	0.03	7,273	189,300	0.04
UBS AG	—	—	—	935	201,134	0.00
UBS Direct Strategy Access	—	—	—	919	91,900	0.01
UBS Financial Services Inc.	18,247	365,225	0.05	10,781	219,500	0.05
UBS Securities LLC	1,143	25,400	0.05	6,145	270,102	0.02
UBS Securities LLC (ECN)	1,854	185,380	0.01	383	38,300	0.01
UBS Warburg Dillon Read	13,015	323,550	0.04	35,409	990,692	0.04
Utendahl Capital Partners	579	18,800	0.03	—	—	—
Wachovia Capital Markets	3,781	86,122	0.04	11,728	614,513	0.02
Wachovia Capital Markets (ECN)	431	26,300	0.02	—	—	—
Wachovia Securities	—	—	—	8,528	527,400	0.02
Wave Securities	—	—	—	116	9,300	0.01
Wedbush Morgan Securities	281	5,625	0.05	—	—	—
Weeden & Co.	5,493	221,214	0.02	1,966	56,061	0.04
Weeden & Co. (ECN)	197	13,100	0.02	—	—	—
Williams Capital Group	61,616	2,148,852	0.03	12,317	414,464	0.03
WJ Bonfanti	3,738	186,900	0.02	1,397	69,850	0.02
Total	\$ 1,187,534	41,384,193	\$ 0.03	\$ 1,497,878	52,102,646	\$ 0.03

Supporting Schedules

 Summary Schedule of International Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
ABG Securities	\$ 539	29,600	\$ 0.02	\$ 9,013	578,855	\$ 0.02
ABN Amro	30,228	1,097,023	0.03	41,708	1,537,077	0.03
Akros Securities	2,978	65,543	0.05	8,882	1,346,096	0.01
Alpha Brokerage Athens	1,406	12,975	0.11	—	—	—
Arden Partners Limited	1,691	128,789	0.01	—	—	—
Banco Bilbao Vizcaya	2,077	43,600	0.05	949	32,000	0.03
Banco Espirito	195	20,300	0.01	168	4,300	0.04
Banco Santander	18,563	429,628	0.04	—	—	—
Bank Am Bellevue	503	6,047	0.08	—	—	—
Bank J. Vontobel und Co	181	2,168	0.08	121	1,327	0.09
Bank of America	—	—	—	6,838	152,900	0.04
Bank of New York	—	—	—	3,260	77,815	0.04
Bank Sal Oppenheim	285	3,430	0.08	218	1,445	0.15
Banque Paribas	2,076	162,165	0.01	26,703	319,865	0.08
Bear Stearns	53,735	3,716,483	0.01	43,902	2,159,171	0.02
Benito & Monjardin Int'l	—	—	—	—	—	—
Berenberg, Joh Gossler & Co.	1,435	13,350	0.11	107	600	0.18
BHF Bank Frankfurt	—	—	—	264	2,150	0.12
Bley Investments	—	—	—	6,048	298,828	0.02
BNP Paribas Peregrine Securities	1,658	225,800	0.01	1,798	381,944	0.00
BNP Prime Peregrine Securities	5,071	309,200	0.02	—	—	—
BPI Porto Lisbon	1,140	33,700	0.03	—	—	—
Bridgwell Securities	—	—	—	4,082	254,630	0.02
Brockhouse & Cooper	83	4,100	0.02	623	17,600	0.04
C.L. Nordic Securities	22,325	386,512	0.06	12,371	361,749	0.03
Cabrera Capital Markets	4,289	227,806	0.02	7,741	396,250	0.02
Calyon Capital	1,049	40,340	0.03	2,223	78,212	0.03
Canadian Imperial Bank of Commerce	—	—	—	914	20,800	0.04
Cantor Fitzgerald & Co	10,562	420,526	0.03	14,532	483,601	0.03
Carnegie, Inc.	12,125	138,136	0.09	1,224	56,000	0.02
Cazenove & Co	16,302	903,204	0.02	13,805	827,799	0.02
Charles Stanley & Co.	23	3,000	0.01	—	—	—
Chase Manhattan Bank	—	—	—	2,626	591,734	0.00
Cheevors	—	—	—	17,778	388,532	0.05
Cheuvreux De Virieu	7,589	196,699	0.04	37,374	850,123	0.04
China International Capital Corp.	175	15,000	0.01	134	76,000	0.00
CIIBC	—	—	—	1,357	32,000	0.04
CIMB-GK GOH Securities Ltd.	9	500	0.02	—	—	—
Citibank	724	55,270	0.01	—	—	—
Citigroup Global	105,019	4,673,860	0.02	207,451	14,814,537	0.01
CLSA	—	—	—	1,151	318,800	0.00
Collins Stewart	1,730	39,257	0.04	1,485	339,257	0.00
Credit Agricole	2,838	52,000	0.05	10,654	204,765	0.05
Credit Lyonnais	27,496	2,658,819	0.01	16,599	2,355,900	0.01
Credit Suisse First Boston	68,192	3,064,754	0.02	108,602	1,658,495	0.07
Credit Suisse First Boston (ECN)	6,151	996,956	0.01	661	30,378	0.02
D Carnegie AB	1,062	46,700	0.02	7,661	332,000	0.02
Daiwa Ltd	7,685	849,013	0.01	49,083	1,461,143	0.03
Davy Stockbrokers	1,117	55,206	0.02	1,248	46,700	0.03
DBS Vickers Limited	543	112,000	0.00	—	—	—
Den Danske Bank	447	9,050	0.05	2,429	25,373	0.10
Deutsche Alex Brown	—	—	—	18	400	0.05
Deutsche Bank Securities Inc.	86,114	5,435,517	0.02	105,663	3,768,352	0.03
Deutsche Bank Securities Inc. (ECN)	—	—	—	384	916	0.42
Deutsche Securities	16,044	1,074,762	0.01	45,440	2,522,277	0.02
Dexia Securities	2,747	51,035	0.05	13,221	139,325	0.09
Donaldson Lufkin and Jenrette Securities	1,299	31,615	0.04	—	—	—
Dresdner Kleinwort Wasserstein Securities	10,200	537,815	0.02	37,769	1,274,409	0.03
East & West	—	—	—	3,227	247,900	0.01
Eden Group	391	27,500	0.01	—	—	—
Enskilda Securities	2,392	21,900	0.11	3,366	303,515	0.01

Supporting Schedules (continued)

 Summary Schedule of International Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Euroclear Bank	\$ —	—	\$ —	\$ 227	5,040	\$ 0.05
Euromobiliare	6,127	215,592	0.03	1,292	207,804	0.01
Ewing Capital	—	—	—	1,298	57,840	0.02
Exane	62,508	778,504	0.08	24,501	234,707	0.10
Execution Ltd	677	42,975	0.02	5,827	360,499	0.02
Fidentis	39	300	0.13	—	—	—
Fondsfinans	—	—	—	48	1,600	0.03
Fortis Bank	3,208	57,359	0.06	65	2,000	0.03
Fox Pitt Kelston	7,665	709,602	0.01	7,256	546,152	0.01
FTN Midwest Securities	—	—	—	720	24,000	0.03
Fuji Securities	527	15,200	0.03	—	—	—
Gardner Rich	—	—	—	1,815	59,180	0.03
Genuity Capital Markets	—	—	—	695	15,700	0.04
Goldman Sachs & Co	40,861	1,104,460	0.04	34,207	2,005,769	0.02
Goldman Sachs & Co (ECN)	983	125,492	0.01	—	—	—
Goldman Sachs International	34,363	1,390,851	0.02	29,317	1,682,311	0.02
Goldman Sachs International (ECN)	1,821	222,953	0.01	—	—	—
Goodbody	12,556	325,180	0.04	7,336	130,248	0.06
Green Street Advisors Inc.	—	—	—	113	2,500	0.05
GRW Capital Corp.	—	—	—	33	20	1.65
Guzman & Co.	—	—	—	672	9,920	0.07
Harvest Capital Investments	—	—	—	1,103	360,312	0.00
HELVEA	5,947	55,913	0.11	—	—	—
HSBC Investment Bank Plc	9,186	201,891	0.05	12,440	872,348	0.01
HSBC Securities	—	—	—	1,880	155,714	0.01
ING Bank	21,007	637,433	0.03	14,476	88,010	0.16
Innova Securities	—	—	—	4,135	696,277	0.01
Instinet Services	2,094	66,140	0.03	2,075	173,924	0.01
Intermonte Securities	5,657	198,541	0.03	2,719	250,504	0.01
Investec Securities	229	16,500	0.01	7,500	1,382,360	0.01
Investment Technology Group	12,700	787,294	0.02	6,245	697,244	0.01
ITG	—	—	—	2,252	79,900	0.03
Ivy Securities	—	—	—	2,568	114,071	0.02
IXIS Securities	975	14,330	0.07	207	1,800	0.12
JB Were & Son	—	—	—	1,661	260,518	0.01
Jefferies & Co	28,452	3,386,196	0.01	17,593	835,354	0.02
JP Morgan Securities	90,535	5,270,186	0.02	128,524	7,757,254	0.02
Julius Baer	387	12,800	0.03	4,568	102,253	0.04
KAS Associates	19	200	0.10	—	—	—
Kaupthing Bank Sverige	—	—	—	23	400	0.06
KBC Bank	18	100	0.18	—	—	—
KBC Financial Products	6,961	227,458	0.03	3,497	194,834	0.02
Keefe Bruyette Woods Inc	22,882	646,752	0.04	13,330	410,968	0.03
Kempen & Co.	4,163	76,475	0.05	19,300	593,156	0.03
Kepler Equities	24,782	445,444	0.06	27,645	145,158	0.19
Knight Securities	7,756	926,283	0.01	2,541	55,582	0.05
Lambright Financial Solutions	—	—	—	8,604	243,184	0.04
Landsbanki	7,477	271,798	0.03	—	—	—
Lazard Asset Management	148	11,500	0.01	—	—	—
Lehman Brothers Inc.	13,917	689,038	0.02	16,683	890,563	0.02
Lehman Brothers International	77,441	3,232,649	0.02	109,387	4,244,893	0.03
Lehman Brothers International (ECN)	11,932	709,553	0.02	468	20,000	0.02
Liquidnet	—	—	—	13,600	2,027,762	0.01
Liquidnet (ECN)	11,131	1,429,305	0.01	1,367	195,378	0.01
Loop Capital Markets	—	—	—	4,789	426,570	0.01
M Ramsey King Securities	47,948	4,177,022	0.01	90,678	8,093,045	0.01
Macquarie Bank	—	—	—	1,127	123,100	0.01
Macquarie Equities	206	99,301	0.00	73	26,100	0.00
Macquarie Securities	8,561	991,127	0.01	33,063	3,333,504	0.01
Magna Securities	—	—	—	3,435	91,700	0.04
Mainfirst Bank	40,054	176,458	0.23	14,821	80,600	0.18

Supporting Schedules (continued)

 Summary Schedule of International Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Man Financial Ltd.	\$ 1,011	16,615	\$ 0.06	\$ 287	1,150	\$ 0.25
McDonald Co.	—	—	—	50	1,100	0.05
Melvin Securities	41,145	1,865,438	0.02	32,641	1,591,239	0.02
Merrill Lynch & Co.	9,164	858,130	0.01	10,757	540,107	0.02
Merrill Lynch (ECN)	2,041	136,998	0.01	1,382	112,055	0.01
Merrill Lynch Fenner & Smith Inc.	32,007	1,676,773	0.02	11,703	1,020,137	0.01
Merrill Lynch International	31,746	935,638	0.03	15,988	553,487	0.03
Merrill Lynch Pierce Fenner & Smith	—	—	—	37	2,300	0.02
Merrion Stockbrokers Ltd.	659	26,100	0.03	7,324	142,571	0.05
Mitsubishi Securities Inc	1,077	63,483	0.02	2,213	103,434	0.02
Mizuho Securities	4,690	258,159	0.02	6,557	229,176	0.03
MKM Partners	—	—	—	57	1,900	0.03
MM Warburg & Company	151	650	0.23	—	—	—
Montrose Securities	135,791	6,730,923	0.02	256,536	9,828,745	0.03
Monument Derivatives	374	29,000	0.01	—	—	—
Morgan Guaranty Euroclear Op Center	58	4,209	0.01	—	—	—
Morgan Stanley and Co.	30,094	1,983,067	0.02	73,798	5,496,854	0.01
Morgan Stanley and Co. (ECN)	—	—	—	2,538	252,308	0.01
Morgan Stanley International	36,043	665,984	0.05	61,481	1,693,681	0.04
M R Beal & Co.	5,668	386,200	0.01	2,763	208,679	0.01
MultiTrade	—	—	—	5,833	514,674	0.01
NBG International Ltd.	55	500	0.11	2,679	32,001	0.08
NCB Stockbrokers	—	—	—	138	9,200	0.02
Nesbitt Burns	15,577	192,400	0.08	17,446	236,547	0.07
Nikko Securities	—	—	—	484	13,240	0.04
Nomura International	13,577	1,228,710	0.01	1,649	155,967	0.01
Nomura Securities	31,765	1,881,986	0.02	51,950	3,475,753	0.01
Numis Securities	518	76,800	0.01	4,318	283,929	0.02
Nutmeg Securities	—	—	—	7,317	213,380	0.03
NZB Neue Zurcher Bank	548	2,837	0.19	392	3,035	0.13
Oddo	21,806	452,711	0.05	27,270	286,747	0.10
Oppenheim Sal Jr Und Cie Col	121	1,000	0.12	—	—	—
Oppenheimer & Co.	315	6,300	0.05	—	—	—
Oriel Securities Ltd.	6,284	327,888	0.02	23,733	2,527,006	0.01
P K Securities	330	3,720	0.09	—	—	—
Panmure Gordon & Co., Ltd.	3,914	247,625	0.02	—	—	—
Pareto Fonds	—	—	—	10,777	177,702	0.06
PCS Securities	—	—	—	—	—	—
Pershing & Co.	35,584	1,523,469	0.02	20,276	675,956	0.03
Peter Cam	—	—	—	1,067	8,200	0.13
Rabo Securities	68	1,400	0.05	—	—	—
Raymond James	—	—	—	158	3,500	0.05
RBC Capital Markets	—	—	—	557	12,300	0.05
RBC Dominion Securities	—	—	—	1,422	32,800	0.04
Redburn Partners	52,029	1,767,228	0.03	—	—	—
Robert Van Securities, Inc.	—	—	—	363	7,100	0.05
Royal Bank of Canada	3	80	0.04	—	—	—
Samsung Securities Co.	—	—	—	742	566	1.31
Sanford Bernstein	17,247	223,116	0.08	2,237	129,502	0.02
Santander Central Hispano Bolsa	1,745	21,797	0.08	827	17,200	0.05
Score Asset Management	—	—	—	1,322	61,770	0.02
Scotia Meleod	—	—	—	7,396	173,200	0.04
Siebert (Muriel)	735	14,700	0.05	1,601	47,615	0.03
SNS Bank Nederland	23	200	0.12	—	—	—
Societe Generale Securities Corp	22,028	357,038	0.06	64,670	1,124,866	0.06
Standard Chartered Bank	547	67,000	0.01	—	—	—
State Street Bank & Trust	2,779	161,692	0.02	8,106	425,145	0.02
Stifel Nicolaus & Co.	—	—	—	90	2,000	0.05
Susquehanna Investment Group	—	—	—	131	2,900	0.05
Svenska Handelsbanken Equities	10,000	213,804	0.05	8,953	523,784	0.02
TD Securities	—	—	—	697	15,900	0.04

Supporting Schedules (continued)

 Summary Schedule of International Investment Commissions
 For the Years Ended June 30, 2008 and 2007

Investment Brokerage Firm	2008			2007		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Teather & Greenwood	\$ 4,293	153,125	\$ 0.03	\$ 12,581	1,532,907	\$ 0.01
Tokyo-Mitsubishi International	771	15,600	0.05	6,360	780,000	0.01
Toronto Dominion Securities Inc.	—	—	—	5,687	133,300	0.04
UBS AG	7,839	583,410	0.01	28,015	1,017,257	0.03
UBS Securities	2,772	408,467	0.01	10,026	886,211	0.01
UBS Securities (ECN)	4,800	616,717	0.01	315	43,507	0.01
UBS Warburg	—	—	—	376	42,400	0.01
Unibanco	1,126	14,937	0.08	—	—	—
Unicredit Banca Mobiliare	—	—	—	—	—	—
Union Bank of Switzerland	77	1,300	0.06	5,473	245,420	0.02
Wachovia Securities Inc.	—	—	—	11,547	256,600	0.05
Westminster Securities	47,701	2,633,336	0.02	33,634	1,080,100	0.03
Williams Capital	—	—	—	4,046	284,380	0.01
Total	\$ 1,813,079	87,013,068	\$ 0.02	\$ 2,451,447	120,817,965	\$ 0.02

Supporting Schedules

 Summary Schedule of Global Investment Commissions
 For the Year Ended June 30, 2008

	2008		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
ABG Securities	\$ 3,343	178,590	\$ 0.02
ABG Sundal Collier Norge Asa	146	7,500	0.02
ABN Amro Securities Inc	27,377	986,791	0.03
A G Edwards	572	14,300	0.04
Austock Brokers Pty Ltd.	188	21,161	0.01
B Trade Services	213	42,600	0.01
Banco Itau	362	17,250	0.02
Banco Pactual	14	4,600	0.00
Bank Am Bellevue	284	541	0.52
Bank of America	12,377	320,334	0.04
Bank of America Securities	5,036	503,600	0.01
Bank of Montreal	2,732	57,200	0.05
Bank of New York	144	3,600	0.04
Bass Trading	592	14,800	0.04
Bear Stearns Securities Corp	7,955	384,511	0.02
Bear Stearns Algorithmic Strategy Trading (ECN)	602	85,300	0.01
Bear Stearns International	372	24,100	0.02
Blair, William & Co.	3,024	75,600	0.04
Bley Investments	4,258	52,150	0.08
BMO Capital Markets	7,765	184,800	0.04
BNP Paribas Peregrine Securities	545	210,671	0.00
BNP Prime Peregrine Securities	219	32,000	0.01
BNY Brokerage	152	3,800	0.04
Boenning & Scattergood	-	50	0.00
Boenning & Scattergood (ECN)	6,186	274,900	0.02
Burdett Buckenridge & Young	413	65,138	0.01
C. I. Nordic Securities	948	34,200	0.03
CA IB International Markets Limited	656	8,450	0.08
Cabrera Capital Markets	3,672	576,815	0.01
Calyon Capital	1,045	37,800	0.03
Canaccord Capital Corp	254	5,600	0.05
Canadian Imperial Bank of Commerce	1,947	48,450	0.04
Cantor Fitzgerald & Co	272	4,365	0.06
Carlos A. Veytia & Associates	1,300	29,100	0.04
Carnegie	1,610	75,400	0.02
Cazenove & Co	7,283	439,996	0.02
Chase Manhattan Bank	476	30,150	0.02
Cheevers & Co	77,697	1,657,911	0.05
Cheuvreux De Virieu	4,477	46,469	0.10
China International Capital Corp	124	74,000	0.00
CIBC	5,958	152,250	0.04
Citigroup Global Markets Inc.	56,268	9,745,240	0.01
Citigroup Global Markets Inc. (ECN)	303	30,300	0.01
CLSA	2,140	208,000	0.01
Commerzbank	390	75,000	0.01
Cowen and Co	4,885	103,800	0.05
Credit Agricole	9,449	311,027	0.03
Credit Lyonnais	2,846	570,996	0.00
Credit Research & Trading	1,283	41,400	0.03
Credit Suisse First Boston	28,880	4,315,855	0.01
Credit Suisse First Boston (ECN)	5,535	381,100	0.01
Credit Suisse First Boston Global	690	16,600	0.04
Credit Suisse Securities	83,926	2,691,349	0.03
Credit Suisse Securities (ECN)	6,055	907,800	0.01
Cuttone & Co	864	38,400	0.02
Dain Rauscher	10	200	0.05
Daiwa	2,576	30,156	0.09
DBS Vickers Limited	51	6,500	0.01
Deutsche Banc Alex Brown	649	16,400	0.04
Deutsche Bank Securities, Inc.	49,869	2,267,694	0.02
Deutsche Securities	944	166,000	0.01

Supporting Schedules (continued)

 Summary Schedule of Global Investment Commissions
 For the Year Ended June 30, 2008

Investment Brokerage Firm	2008		
	Commission	Shares Traded	Commission per Share
Dominion Securities	\$ 30	600	\$ 0.05
Donaldson Lufkin & Jenrette Securities Corp	1,547	48,750	0.03
Dowling Partners	812	20,300	0.04
Dresdner Kleinwort Wasserstein Securities	10,502	354,208	0.03
E TRADE	922	65,995	0.01
East & West	2,415	153,310	0.02
Enskilda Securities	905	73,919	0.01
Euroz Securities Ltd.	32	10,651	0.00
Ewing Capital Inc.	3,648	63,772	0.06
Exane	5,570	85,691	0.07
Execution Ltd	2,517	166,500	0.02
Fidelity Capital Markets	724	25,100	0.03
First Union Capital Markets	70	1,400	0.05
Fortis Bank	644	4,877	0.13
Fox Pitt & Kelton	1,400	35,000	0.04
Friedman Billings & Ramsey	306	7,500	0.04
FTN Midwest Securities	525	17,500	0.03
Gardner Rich & Co	3,598	141,005	0.03
Genuity Capital Markets	4,018	98,900	0.04
Goldman Sachs & Company	29,248	1,599,050	0.02
Goldman Sachs & Company (ECN)	57	59,500	0.00
Goldman Sachs Executing & Clearing	7,342	1,154,200	0.01
Goldman Sachs International	10,216	373,885	0.03
Goodbody	256	5,200	0.05
Green Street Advisors Inc	414	9,200	0.05
GRW Capital Corp.	1,625	202,930	0.01
Guzman & Company	1,839	157,950	0.01
Heflin & Co.	4,692	131,600	0.04
HSBC Investment Bank	1,917	57,143	0.03
HSBC Securities	4,893	415,533	0.01
Hudson Securities	92	2,300	0.04
ING Bank	360	3,057	0.12
ING Baring Securities	3,497	67,882	0.05
INNOVA Securities Inc.	3,577	105,301	0.03
Instinet	4,943	206,151	0.02
Investment Technology Group Inc (ECN)	12,655	1,059,338	0.01
Itau Securities	103	2,400	0.04
Ivy Securities	4,289	148,444	0.03
J. B. Were & Son	3,653	435,065	0.01
J P Morgan Chase & Co	14,688	925,058	0.02
J P Morgan Securities Inc	32,867	4,505,257	0.01
Jackson Securities Inc	1,181	46,514	0.03
Jefferies & Company	3,424	96,417	0.04
JMP Securities	552	13,812	0.04
JonesTrading Institutional Services	116	3,300	0.04
KAS Associates	2,875	36,955	0.08
KBC Financial Products	474	54,019	0.01
Keefe Bruyette Woods Inc.	99	2,200	0.05
Kempen & Co	10,325	283,058	0.04
Kepler Equities	345	3,049	0.11
Keybank Capital Markets	553	13,300	0.04
Knight Securities	1,840	39,810	0.05
La Branche Financial Services	620	15,500	0.04
Lambright Financial Solutions	12,938	256,397	0.05
Landsbanki Kepler	434	3,050	0.14
Leerink Swann & Co	2,239	63,200	0.04
Lehman Brothers Inc	26,770	2,786,104	0.01
Lehman Brothers Inc (ECN)	1,364	136,400	0.01
Lehman Brothers International	9,988	346,721	0.03
Liquidnet Inc. (ECN)	16,821	858,458	0.02
Loop Capital	14,235	495,448	0.03

Supporting Schedules (continued)

 Summary Schedule of Global Investment Commissions
 For the Year Ended June 30, 2008

Investment Brokerage Firm	2008		
	Commission	Shares Traded	Commission per Share
M. Ramsey King Securities	\$ 22,360	839,088	\$ 0.03
Macquarie Equities	16,915	3,613,990	0.00
Macquarie Securities	20,517	3,051,091	0.01
Magna Securities Corp	4,654	212,462	0.02
Man Financial Ltd.	2,453	37,215	0.07
McDonald and Company	59	1,250	0.05
Melvin Securities Corp	25,593	1,158,810	0.02
Merrill Lynch & Co	49,616	2,911,930	0.02
Merrill Lynch (ECN)	3,064	246,103	0.01
Merrill Lynch Algorithmic Strategy Trading (ECN)	1,586	42,807	0.04
Merrill Lynch Capital Markets	4,048	182,608	0.02
Merrill Lynch Fenner & Smith	7,144	394,324	0.02
Merrill Lynch International	46,073	3,231,474	0.01
Merrill Lynch Pierce Fenner & Smith	11,331	874,309	0.01
Miletus Trading	213	10,650	0.02
Mitsubishi Securities	4,688	182,746	0.03
Mizuho Securities	227	7,100	0.03
MKM Partners	714	19,300	0.04
Montrose Securities	19,182	502,083	0.04
Morgan Stanley & Co Inc.	88,675	7,149,370	0.01
Morgan Stanley & Co Inc. (ECN)	12,931	1,758,072	0.01
Morgan Stanley International	12,254	1,151,196	0.01
M R Beal & Co.	6,170	183,740	0.03
MSDW Australian Securities Ltd	293	87,544	0.00
MultiTrade	33,361	1,203,411	0.03
Murphy & Durieu (ECN)	343	15,200	0.02
National Bank Financial	121	3,000	0.04
National Financial Services	3,039	67,019	0.05
NCB Stockbrokers	2,665	62,300	0.04
Needham and Co., Inc.²	36	900	0.04
Nesbitt Burns	2,059	45,417	0.05
Nikko Securities	218	501	0.44
Nomura Securities	10,824	843,650	0.01
Numis Corp	307	33,200	0.01
NYFIX Transaction Services	27	5,400	0.01
Oddo	3,892	45,447	0.09
Oppenheimer & Co Inc	1,033	29,500	0.04
Pareto Fonds	468	25,700	0.02
Paterson Ord Minnett Limited	528	18,008	0.03
PCS Securities Inc.	4,122	108,668	0.04
Peel Hunt & Co	361	40,196	0.01
Peters & Co	188	4,700	0.04
Pipeline Trading	2,615	177,400	0.01
Piper Jaffray Inc	1,408	35,200	0.04
Pulse Trading	3,293	146,300	0.02
Quantex	1,429	53,612	0.03
Raymond James	967	22,000	0.04
RBC Capital Markets Inc	9,757	238,455	0.04
RBC Dominion Securities	4,198	88,700	0.05
RC Securities Limited	135	1,700	0.08
Redburn Partners	1,996	15,150	0.13
Renaissance Capital Corp	4,129	111,672	0.04
Robert Van Securities Inc.	3,802	127,270	0.03
Robert W Baird & Co	947	23,300	0.04
Royal Bank of Canada	1,310	26,600	0.05
Sanders Morris Harris	301	8,600	0.04
Sandler O'Neill	48	1,200	0.04
Sanford C Bernstein	2,693	150,900	0.02
Sanford C Bernstein (ECN)	11,634	1,164,703	0.01
Score Asset Management	4,004	117,900	0.03
Scotia McLeod	2,163	70,500	0.03

Supporting Schedules (continued)

 Summary Schedule of Global Investment Commissions
 For the Year Ended June 30, 2008

Investment Brokerage Firm	2008		
	Commission	Shares Traded	Commission per Share
Seaport Securities Corporation	\$ 242	8,050	\$ 0.03
SG Americas Securities	1,605	51,601	0.03
SG Securities	809	3,803	0.21
Shearson Lehman Hutton	95	2,100	0.05
Siebert (Muriel)	30,959	642,152	0.05
Simmons & Co	92	2,300	0.04
Societe Generale Equities International	1,019	20,100	0.05
Societe Generale Securities Corp	1,394	34,016	0.04
Southern Cross Equities	160	55,290	0.00
Stanford Group Company	332	8,300	0.04
State Street Bank & Trust	329	2,983	0.11
State Street Global Markets	5,001	353,659	0.01
Stifel Nicolaus & Co.	1,762	37,121	0.05
Susquehanna Investment Group	898	26,100	0.03
Svenska Handelsbanken Equities	70	6,000	0.01
TD Investments	8,647	236,800	0.04
Thomas Weisel Partners Llc	6,393	161,500	0.04
Toronto Dominion Securities Inc	4,228	101,000	0.04
UBS AG	5,817	1,002,713	0.01
UBS Bunting	928	364,408	0.00
UBS Securities	16,701	4,900,545	0.00
UBS Securities (ECN)	25,338	4,573,128	0.01
UBS Warburg	17,819	2,222,244	0.01
Union Bank of Switzerland	958	45,206	0.02
Wachovia Securities	1,067	24,500	0.04
Wasserstein	190	4,500	0.04
Weeden & Co.	6,833	183,800	0.04
West LB Securities	1,288	5,775	0.22
White Cap Trading	693	30,800	0.02
White Cap Trading (ECN)	1,366	60,700	0.02
Williams Capital Group	2,728	149,625	0.02
Total	\$ 1,367,736	95,569,254	\$ 0.01

Supporting Schedules

 Summary Schedule of Fixed Income Investment Brokerage
 For the Years Ended June 30, 2008 and 2007

	2008	2007
	Market Value Traded	Market Value Traded
ABN AMRO Securities	\$ 1,384,025	\$ 2,186,276
AK Capital	–	5,673
Amherst Securities Group	5,619,746	8,363,325
Bank of America	1,257,204,919	840,065,106
Bank of America Securities	1,343,009,857	360,976,534
Bank of New York Capital Markets	132,768	35,383
Bank of Nova Scotia	156,064	–
Banque Paribas	69,325,923	969,051,333
Barclays Bank	89,179,829	19,364,206
Barclays Capital Inc.	1,936,325,817	797,280,245
BB&T Capital Markets	317,896	424,079
BBVA Securities Inc.	–	10,172,508
Bear Stearns & Co.	1,682,490,974	1,026,579,704
Bear Stearns International Ltd.	160,234	(264,225)**
Blaylock & Partners	–	140,784,638
BNP Paribas Securities Corp.	14,133,161	9,278,650
BNY Capital Markets	–	149,320
Bonds Direct	248,589	506,672
Broadpoint Securities Inc.	64,040	–
Cabrera Capital Markets	18,951,911	6,576,660
Cambridge International	49,874,243	–
Cantor Fitzgerald & Co.	28,138,113	54,031,392
Carolina Capital Markets	122,113	–
CastleOak Securities	332,367,864	3,667,832
CIBC World Markets	–	354,887
Citibank NA	38,308,461	104,485,696
Citigroup Funding Inc.	–	–
Citigroup Global Markets Inc.	1,085,913,467	930,532,573
Commonwealth Bank of Australia	–	(65,937)**
Corporate Actions	3,537,467	5,176,759
Countrywide Capital Markets	5,526,394	16,962,703
Countrywide Securities Corp.	8,633,798	96,611,600
Credit Suisse Capital	1,026,505	–
Credit Suisse First Boston Corp.	3,707,262,163	1,426,711,602
Credit Suisse International	2,355,207	(863,927)**
Credit Suisse Securities (USA)	1,650,556,482	2,098,896,188
DaimlerChrysler North America	–	1,368,437
Dain Rauscher	–	755,675
Deutsche Bank AG	22,879,601	(3,751,061)**
Deutsche Bank Securities, Inc.	4,208,266,678	2,293,564,307
Dresdner Kleinwort Wasserstein Securities	–	3,423,037
FCC	671,191	–
Finacorp Securities	69,907,488	275,306,352
First Clearing	1,317,024	–
First Tennessee Bank	2,580,292	95,085
First Tennessee Brokerage	2,935,962	10,109,476
First Tennessee Capital Markets	7,022,855	1,257,101
FTN Financial	1,720,382	237,091
GE Capital	–	25,773,839
GECC Capital Markets Group Inc.	–	3,293,322
Goldman Sachs & Company	2,619,245,175	4,354,029,167
Goldman Sachs Capital Markets	2,905,380	(5,452,535)**
Goldman Sachs Group Inc.	709,644,455	1,030,721,141
Goldman Sachs International	6,582,645	(98,929)**
Government Perspectives	268,324	–
Greenwich Capital Markets Inc.	1,158,320,923	834,898,603
Guzman & Company	288,588,167	113,522,522
GX Clarke & Co.	731,381	–
HSBC Bank Plc	53,755,887	39,894,498
HSBC Bank USA NA	2,854,984	780,109
HSBC Securities Inc.	304,000,612	118,395,368
ING Bank	654,350	645,331
ING Barings U.S. Securities Inc.	112,800	–
Jefferies & Company	12,623,463	3,347,982
Jones & Associates	2,976,180	–
J.P. Morgan Chase & Co.	107,210,742	409,784,370
J.P. Morgan Chase Bank	653,823,077	8,178,554

Supporting Schedules (continued)

 Summary Schedule of Fixed Income Investment Brokerage
 For the Years Ended June 30, 2008 and 2007

	2008	2007
	Market Value Traded	Market Value Traded
J.P. Morgan Securities Inc.	\$ 622,097,111	\$ 720,367,891
Kaupthing Bank	3,187,434	-
KBC Financial	1,435,732	507,950
Lehman Brothers Inc.	6,147,936,820	4,157,360,849
Lehman Brothers Special Financing Inc.	16,947,140	19,426,620
LLC Transactions	14,767,894	9,178,000
Loop Capital Markets	5,764,370,092	3,565,225,906
McDonald & Company	575,444	-
Merrill Lynch Capital Services	23,975,961	(262,512)**
Merrill Lynch Inc.	1,505,856,538	937,738,594
Merrill Lynch International	1,046,904	-
Merrill Lynch Pierce Fenner & Smith	4,296,719	-
Miller Securities	70,076	-
Miller Tabak & Co.	67,313	-
Mitsubishi Securities Inc.	4,016,011	305,635,790
Mitsubishi UFJ Securities International	3,364,488	-
Mizuho Securities USA Inc.	130,858,840	3,535,077
Montrose Securities International	372,146,309	279,763,674
Morgan Keegan & Co.	980,829	-
Morgan Stanley & Co. Inc.	1,039,398,469	1,046,088,737
Morgan Stanley Capital Services Inc.	32,618,109	3,320,809
Morgan Stanley Dean Witter	274,772,064	80,776,396
M R Beal & Co.	214,737	-
Myerberg & Co.	-	15,300,354
Nomura Securities	50,949,764	45,499,576
Oppenheimer Securities	476,718	-
Pali Capital Inc.	130,000	-
Pershing Securities	105,969	-
PFPC Distributors	28,000	30,000
Putnam Lovell NBF Securities Inc.	-	2,823,897
Raymond James & Assoc Inc.	705,933	890,442
RBC Capital Markets Inc.	-	101,649
RBC Dain Rausher Inc.	21,428,082	12,062,291
RBC Dominion	620,553	1,554,225
RBS/Greenwich Capital Markets	256,250	2,916,153
Residential Funding Securities Corp.	-	5,575,000
Robert Van Securities	1,964,961	-
Robert W. Baird & Co.	921,584	-
Royal Bank of Canada	245,296	(274,268)**
Royal Bank of Scotland PLC	72,607,245	19,858,890
Salomon Smith Barney Inc.	-	33,226,703
Sandgrain Securities	104,947	-
Sandler O'Neill & Partner	170,194	-
Santander Centro Hispano Investment	-	525,308
Santander Investment	5,214,086	10,660
SBK Brooks Investment Corp.	501,392	-
Scotia Capital	-	712,474
SLM Corporation	316,960	-
Stephens	4,504,889	1,429,748
Sterne Agee	-	293,447
Stifel Nicolaus & Co.	12,217,363	394,392
SunTrust	517,156	1,047,228
TD Securities	-	2,006,250
Tejas Securities Group Inc.	198,892	-
Terwin Capital	3,062,500	-
Toronto Dominion	-	600,428
Toussaint Capital Partners LLC	5,756,008	4,261,659
U.S. Bancorp Piper Jaffray Inc.	-	1,295,799
UBS AG	7,461,726	150,721,486
UBS Financial Services	269,223	-
UBS Limited	-	838,283
UBS PaineWebber	3,790,884	19,991,351
UBS Securities LLC	297,738,671	857,284,431
UBS Warburg LLC	107,365,578	131,703,125
Utendahl	175,311,821	2,979,030
Wachovia Bank NA	69,408	435,578
Wachovia Capital Markets	312,413	1,000,000
Wachovia Securities Inc.	78,809,335	71,459,290

Supporting Schedules (continued)

Summary Schedule of Fixed Income Investment Brokerage
For the Years Ended June 30, 2008 and 2007

	2008	2007
	Market Value Traded	Market Value Traded
Washington Mutual Capital Corp.	\$ 5,997,411	\$ 29,103,205
Westpac Banking Corp.	6,904,190	5,077,822
Williams Capital	7,663,323	8,281,549
Young, Stoval & Company	-	1,499,950
Total	\$ 40,413,627,806	\$ 31,009,297,482

Actuarial Section

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



Letter of Certification



Gabriel Roeder Smith & Company
Consultants & Actuaries

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Chicago, IL 60602-5111

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November 21, 2008

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

Re: Certification of Actuarial Results

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the State Universities Retirement System of Illinois ("SURS") as of June 30, 2008. An actuarial valuation of the defined benefit plans of SURS is performed annually.

The actuarial valuation is based upon:

- a. *Data relative to the Members of SURS* – Data for all Members, including those participating in the Self Managed Plan, was provided by SURS staff. Such data is tested for reasonableness, but is used unaudited.
- b. *Assets of the Fund* – The values of SURS assets are provided by SURS staff. The market value of assets of the defined benefit plans is used to develop actuarial results.
- c. *Actuarial Method* – The actuarial method utilized by SURS is the Projected Unit Credit Cost Method. The objective of this method is to finance the benefits of SURS as such benefits accrue to each Member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d. *Actuarial Assumptions* – The actuarial assumptions used in this valuation are summarized in the next few pages. This set of assumptions was adopted by the Board first effective for the valuation as of June 30, 2007.

The actuarial assumptions and methods used are in accordance with paragraph 36 of GASB Statement Number 25.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by SURS staff with our guidance.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of SURS when due and to achieve an asset value equal to 90% of the Actuarial Accrued Liability by the end of fiscal year 2045. The financing objective of SURS and the funding process to reach that objective are set out in Section 15-155 of the SURS Article of the Illinois Pension Code.

The results of this valuation are based on the data and actuarial techniques described above and on the provisions of SURS at the valuation date. Based on these items, we certify these results to be true and correct.

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, FSA, EA, MAAA
Senior Consultant

Cathy Nagy, FSA, MAAA
Senior Consultant

Amy Williams, ASA, MAAA
Consultant

LLT/CN/AW:kb

Actuarial Report

Pension Financing

The State Universities Retirement System of Illinois (SURS) is financed by employee contributions, employer contributions (state appropriations and contributions from trust and federal funds), and investment earnings. Employee contributions are established by the Illinois Compiled Statutes at 8% of pay. Investment earnings and state funding are primary determinants of the System's financial status.

Employer (state) contributions are determined through annual actuarial valuations. Actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee turnover, mortality, and disability rates) in performing these valuations. The actuarial valuation process flows generally as follows:

- 1) Based on the demographic data and actuarial assumptions described above, the amount and timing of benefits payable in the future is estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the turnover, retirement age, and earnings progression for active members, and mortality for all participants.
- 2) The actuary then calculates the Actuarial Present Value of these benefits. This is the amount necessary to be invested at the valuation interest rate, at the valuation date, to provide benefit payments as they come due. Each year's estimated benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.
- 3) The final step is to apply a cost method assigning portions of the total value of benefits to past, present, and future periods of employee service. This allocation is accomplished by development of normal cost and accrued benefit cost.

There are several accepted actuarial cost methods. The one used by SURS is the projected unit credit cost method. Under this method, the Actuarial Present Value of the projected pension at retirement age is determined at the individual member's current or attained age. The normal cost for the member for the current year is equal to the portion of the value so determined assigned to this year. The normal cost for the plan for the year is the sum of the normal costs of all active members.

Accrued benefit cost is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation dates at the time the estimate is prepared. Although accrued during each member's employment, benefits are not paid until the member retires; thus the value changes as the member's salary and years of service change. Furthermore, membership continually changes as some members leave and are replaced by new members. The normal cost during FY 2008 was 18.75% of payroll, 8.0% of which is paid by the members' contributions. The remaining 10.75% is the employer's portion of the normal cost.

Actuarial funding of System benefits would require annual State appropriations which at least cover the employer's normal cost (10.75% of payroll) plus an amortization of the System's unfunded accrued benefit cost. The employer's normal cost plus amortization is called employer cost (see Schedule of Payroll Percentages). The State has not funded the System on this basis. Historically, the State funded the System by reimbursement (in full or in part) of benefit payments. In August 1989, then Governor James Thompson signed legislation that phased in, over seven years, a financing objective that would ultimately provide adequate funding of SURS.

On August 22, 1994, Governor Jim Edgar signed legislation which requires a 15-year phase-in to a 35-year funding plan which provides adequate annual funding of the employer's normal cost while amortizing the unfunded accrued actuarial liability. This law, Public Act 88-0593, went into effect on July 1, 1995. A significant difference between the 1989 and 1994 funding legislation is that the latter takes the form of a continuing appropriation. This removes the pension funding from the General Assembly's annual budget negotiations and requires that the actuarially determined annual funding become an automatic contribution (see Financing Objective). Ultimately, this funding plan will increase the State's pension funding from its current level of 58.5% to approximately 90%.

Actuarial Report

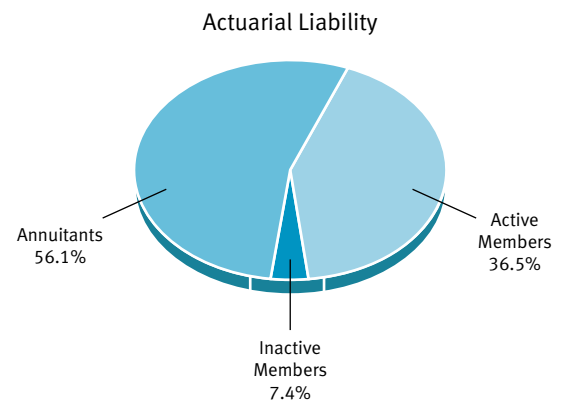
On April 7, 2003, Governor Blagojevich signed House Bill 2660 into law as Public Act 93-0002. This authorized the State of Illinois to issue \$10,000,000,000 of General Obligation Bonds for the purpose of making contributions to designated retirement systems. On June 12, 2003, the State of Illinois issued \$10,000,000,000 of General Obligation Bonds, Pension Funding Series of June 2003, and deposited the net bond proceeds of \$7,317,292,916 into the Pension Contribution Fund, to be allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in PA 93-0002. The allocation of the proceeds was based on the percentage distribution of the State's total actuarial reserve deficiency as of June 30, 2002. SURS received an allocation of bond proceeds equal to \$1,431,994,224 on July 1, 2003.

On June 1, 2005, Governor Blagojevich signed Public Act 94-0004 which had the effect of reducing the state contribution to SURS by approximately \$158 million in fiscal year 2006 and \$140 million in fiscal year 2007 from the amounts that would have been paid under the prior funding plan; these reductions represent SURS' proportionate share of debt service on the General Obligation Bonds issued in 2003.

From fiscal year 2008 and forward, the required state contributions are again determined according to Public Act 88-0593

Valuation Results (\$ millions)

Actuarial liability (reserves)	
For members receiving annuities	\$ 13,978.1
For inactive members	1,846.0
For active members	<u>9,093.6</u>
Total	24,917.7
Assets available for benefits	<u>14,586.3</u>
Unfunded accrued actuarial liability	<u>\$ 10,331.4</u>



Changes in the Unfunded Accrued Actuarial Liability (\$ millions)

Unfunded accrued actuarial liability at June 30, 2007	\$ 7,376.4
Expected decrease in unfunded accrued actuarial liability	590.9
Actuarial differences	
Investments other than 8.5%	2,004.4
Salary increases other than 5.0%	30.6
Age and service retirement differences	(34.7)
Termination differences	45.3
Mortality and disability incidence differences	1.0
Benefit recipient differences	105.5
New entrants	117.0
Other actuarial differences	<u>95.0</u>
Net actuarial loss	2,364.1
Unfunded accrued actuarial liability at June 30, 2008	<u>\$ 10,331.4</u>

Actuarial Report

Actuarial Cost Method

The projected unit credit cost method is used for retirement benefits. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs. For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the postretirement increases, the same procedure as outlined above is followed. Estimated annual administrative expenses are added to the normal cost. For valuation purposes, assets are valued at market.

Employee Data

Employee data are provided by the administrative staff of the State Universities Retirement System. Various tests are applied to check internal consistency as well as consistency from year to year. No calculations are made for employees not yet hired as of the valuation date.

Financing Objective

Beginning in fiscal year 1996 the required contribution rates were based upon Public Act 88-0593, which calls for a 15-year-phase-in to a 35-year funding plan which provides for adequate annual funding of the employer's normal cost while amortizing the unfunded accrued actuarial liability. Annual funding under this plan will occur as a continuing appropriation.

In fiscal year 2007 the required contribution rates were based upon Public Act 94-0004 which required a reduction in the state appropriation called for under the prior funding plan by the proportionate amount of debt service on the General Obligation Bonds issued in fiscal year 2004.

From fiscal year 2008 and forward, the required state contributions are again determined according to Public Act 88-0593

Defined Benefit Plan

Employer Contributions Received in Fiscal Year 2008

State appropriations (a)	\$ 119,915,555
State pension fund (a)	186,998,705
Federal and trust funds	38,017,364
Reciprocity and miscellaneous	<u>13,614</u>

Total	<u><u>\$ 344,945,238</u></u>
--------------	-------------------------------------

(a) Reconciliation to Total State Appropriations

Defined Benefit Plan—State	
Appropriations received	\$ 306,914,260
Defined Contribution Plan—State	
Appropriations received	<u>33,405,740</u>
Total State Appropriations Received	<u><u>\$ 340,320,000</u></u>

Actuarial Report

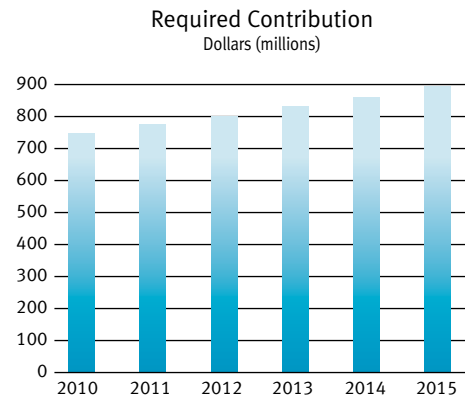
The projected required contribution rates and amounts are as follows:

Fiscal Year	Percentage of Payroll	Assumed Payroll (\$ billions)	Required Contribution
2010	18.6%	\$ 4.00	\$ 744,514,000
2011	18.8%	\$ 4.13	\$ 775,497,000
2012	18.8%	\$ 4.27	\$ 802,354,000
2013	18.8%	\$ 4.42	\$ 830,653,000
2014	18.8%	\$ 4.57	\$ 860,849,000
2015	18.8%	\$ 4.74	\$ 892,870,000

The net State appropriation requirements can be determined by adjusting for such items as State Pension Fund appropriations and contributions from federal and trust funds. The results are based on the projected unit credit actuarial cost method, and on the data provided, and assumptions used, for the June 30, 2008 actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions and estimates were used:

- 1) Covered payroll of \$3.88 billion for fiscal year 2009.
- 2) 5.0% per annum rate of increase in covered payroll.
- 3) Total employer contributions of \$491,216,000 for fiscal year 2009.

As of June 30, 2008, the Unfunded Accrued Actuarial Liability (UAAL) to be amortized was \$10,331,352,545.



Summary of Major Actuarial Assumptions

■ Mortality

Mortality rates are based upon the 1994 Group Annuitant Mortality Table, with male ages set back two years and female ages unadjusted. The assumed mortality rates for active members are 75% of those for retirees.

■ Interest

8.5% per annum, compounded annually.

■ Termination

Rates of withdrawal are based upon ages and years of service as developed from plan experience. Shown at right is a table of termination rates based upon experience in the 2001-2006 period. The assumption consists of a table of ultimate turnover rates by years of service credit.

Termination Rates

Years of Service	All Members
0	.295
1	.255
2	.190
3	.160
4	.140
5	.120
6	.100
7	.090
8	.075
9	.065
10	.055
15	.030
20-24	.021
25-29	.016
30 & over	0.0

Actuarial Report

■ Salary Increases

Each member's compensation is assumed to increase by 5.0% each year, except that rate is increased for members with less than 9 years of service as shown at right.

The payroll of the entire system is assumed to increase at 5.0% per year for purposes of calculating employer required contribution.

■ Retirement Age

Upon eligibility, active members are assumed to retire as shown at right.

■ Assets

Assets available for benefits are used at market value.

■ Expenses

As estimated and advised by the SURS staff, based on current expenses with an allowance for expected increases.

■ Spouse's Age

The female spouse is assumed to be three years younger than the male spouse.

In addition to the above, other assumptions used include disability incidence, recovery from disability, mortality of disabled lives, marriage, remarriage rates with ages, and number of children.

These assumptions were adopted effective with the June 30, 2007 actuarial valuation. They were developed based upon an experience study completed in December 2006.

Annual Compensation Increases

Service Year	Additional Increase	Service Year	Additional Increase
0	.0500	5	.0100
1	.0400	6	.0080
2	.0250	7	.0050
3	.0150	8	.0030
4	.0125	9 & over	.0000

Retirement Rates

Age	Members Eligible for Normal Retirement	Members Eligible for Early Retirement
Under 55	.350	.000
55	.300	.070
56	.300	.050
57	.270	.050
58	.270	.055
59	.260	.060
60	.120	
61	.120	
62	.150	
63	.150	
64	.150	
65	.200	
66	.170	
67	.170	
68	.170	
69	.170	
70 & over	1.000	

Analysis of Financial Experience

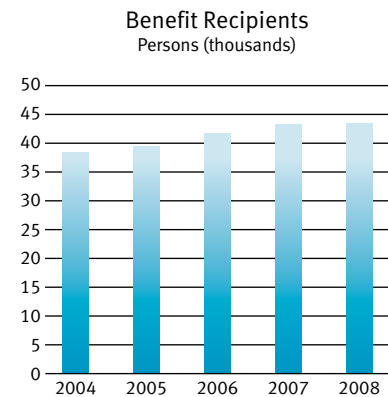
Gains & Losses in Accrued Actuarial Liability For Fiscal Year Ended June 30, 2008 (\$ millions)

Actuarial (gains) and losses	
Investments other than 8.5%	\$ 2,004.4
Salary increases other than 5.0%	30.6
Age and service retirement differences	(34.7)
Termination differences	45.3
Mortality and disability incidence differences	1.0
Benefit recipient differences	105.5
New entrants	117.0
Other actuarial differences	95.0
	<hr/>
Total actuarial loss	\$ 2,364.1
Expected increase in UAAL	<hr/> 590.9
	<hr/>
Total financial loss	\$ 2,955.0

Analysis of Funding

Schedule of Increases and Decreases of Benefit Recipients 10-Year Summary

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
1999	28,032	2,229	919	29,342
2000	29,342	2,725	1,277	30,790
2001	30,790	2,430	595	32,625
2002	32,625	2,941	1,307	34,259
2003	34,259	3,278	1,147	36,390
2004	36,390	3,498	1,401	38,487
2005	38,487	2,559	1,246	39,800
2006	39,800	3,140	1,302	41,638
2007	41,638	3,325	1,568	43,395
2008	43,395	3,498	1,547	45,346



Active Participant Statistics 10-Year Summary

Fiscal Year	Males	Females	Total Actives	Percent Change	Average Salary	Percent Change	Average Age	Average Service Credit
1999	34,588	40,080	74,668	(3.2%)	\$ 32,291	3.8%	44.2	9.1
2000	32,573	39,792	72,365	(3.1%)	33,400	3.4%	46.7	10.1
2001	31,897	38,985	70,882	(2.0%)	34,909	4.5%	47.3	10.8
2002	32,033	40,745	72,778	2.7%	35,795	2.5%	46.6	10.1
2003	31,356	40,100	71,456	(1.8%)	37,012	3.4%	46.9	10.1
2004	31,803	41,189	72,992	2.1%	36,880	(0.4%)	46.3	9.3
2005	31,207	40,455	71,662	(1.8%)	39,221	6.3%	46.8	9.7
2006	31,024	40,735	71,759	0.1%	40,696	3.8%	47.0	9.8
2007	31,019	41,073	72,092	0.5%	42,373	4.1%	47.0	9.8
2008	31,158	41,928	73,086	1.4%	43,460	2.6%	47.0	9.8

Analysis of Change in Membership 10-Year Summary

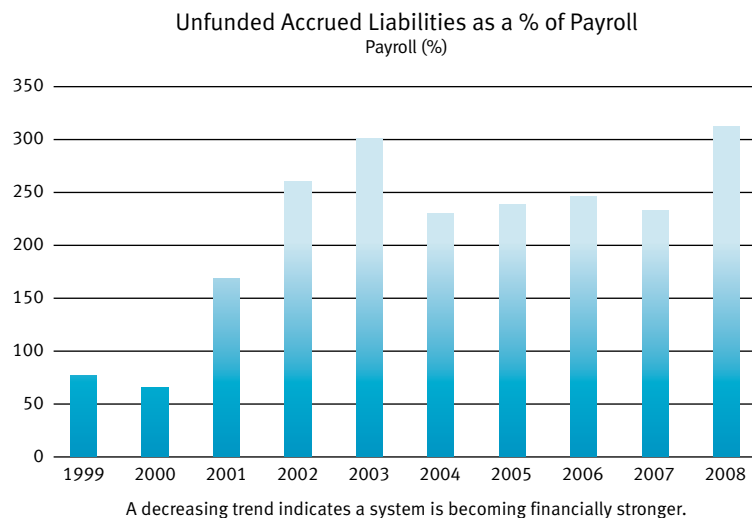
Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
1999	77,156	10,293	1,612	128	11,041	74,668
2000	74,668	10,776	1,752	82	11,245	72,365
2001	72,365	7,785	1,966	152	7,150	70,882
2002	70,882	9,704	1,675	79	6,054	72,778
2003	72,778	8,830	1,946	174	8,032	71,456
2004	71,456	13,073	2,001	172	9,364	72,992
2005	72,992	10,310	1,566	180	9,894	71,662
2006	71,662	10,199	1,864	160	8,078	71,759
2007	71,759	10,021	1,749	173	7,766	72,092
2008	72,092	10,548	1,903	88	7,563	73,086

Analysis of Funding

In an inflationary economy, the value of dollars is decreasing. This environment results in employee pay increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities dollars divided by active employee payroll dollars provides a helpful index which shows that the smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the System is becoming financially stronger or weaker.

Summary of Accrued and Unfunded Accrued Liabilities (\$ millions)

Fiscal Year	Accrued Liabilities	Net Assets	Assets as a % of Accrued Liabilities	Unfunded Accrued Liabilities (UAL)	Active Member Payroll	UAL as a % of Active Member Payroll
1999	\$ 12,617.5	\$ 10,761.7	85.3%	\$ 1,855.8	\$ 2,411.1	77.0%
2000	13,679.0	12,063.9	88.2%	1,615.1	2,424.2	66.6%
2001	14,915.3	10,753.3	72.1%	4,162.0	2,474.6	168.2%
2002	16,654.0	9,814.7	58.9%	6,839.3	2,607.2	262.3%
2003	18,025.0	9,714.5	53.9%	8,310.5	2,763.4	300.7%
2004	19,078.6	12,586.3	66.0%	6,492.3	2,814.1	230.7%
2005	20,349.9	13,350.3	65.6%	6,999.6	2,939.1	238.1%
2006	21,688.0	14,175.1	65.4%	7,513.8	3,054.1	246.0%
2007	23,362.1	15,985.7	68.4%	7,376.4	3,181.0	231.9%
2008	24,917.7	14,586.3	58.5%	10,331.4	3,303.2	312.8%



Tests of Financial Soundness

The following four exhibits illustrate different measures of the financial soundness of the System. The Schedule of Funding compares State appropriations to the actuarial funding requirements, statutory funding requirement, and System expense. The Funding Ratios exhibit shows the percentage of the System’s accrued benefit cost covered by net assets. This funding ratio is used to assess the System’s ability to make future benefit payments. The exhibit illustrates the ratio of net assets to the System’s accrued benefit cost over 10 years, with net assets valued both at cost and at market. The Percentage of Benefits Covered by Net Assets exhibit compares the plan’s net assets with the members’ accumulated contributions, the amount necessary to cover the present value of benefits currently being paid, and the employer’s portion of future benefits for active members. The final test, Payroll Percentages, compares member payroll to unfunded accrued benefit cost, normal cost, and total required contributions. These percentages should decrease over the years if SURS is growing stronger.

Schedule of Funding: Fiscal Year 1999-2008 (\$ millions)

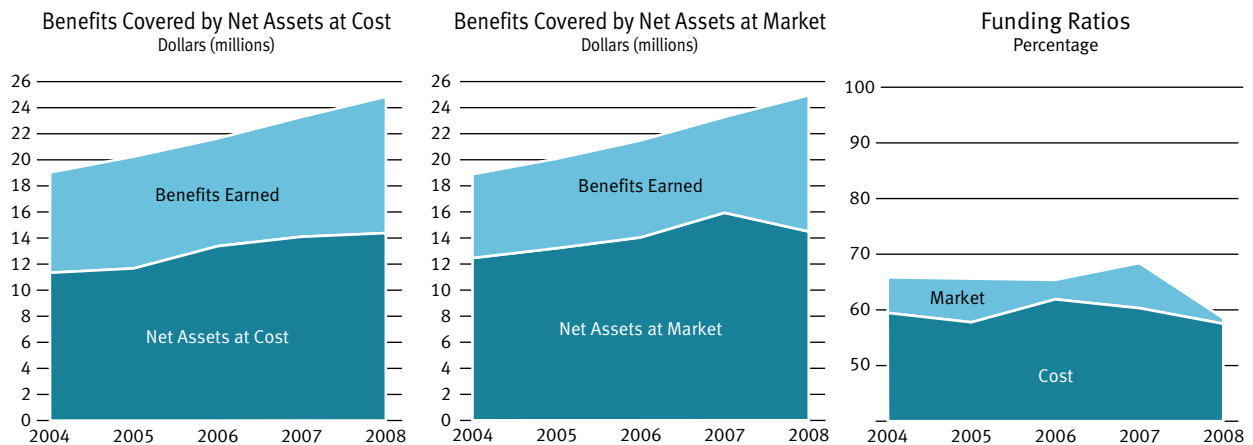
Fiscal Year	Funding Requirements				Covered Percentages		
	Gross ARC {1}(A)	Net ARC {2}(B)	System Expense {3}(C)	Employer Contribution {4}(D)	Gross ARC {5}(E)	Net ARC {6}(F)	System Expense {7}(G)
1999	\$ 509.2	\$ 296.2	\$ 536.0	\$ 237.9	46.7%	80.3%	44.4%
2000	547.8	325.3	601.1	241.1	44.0%	74.1%	40.1%
2001	548.1	326.5	676.0	247.1	45.1%	75.7%	36.6%
2002	686.9	436.9	755.1	256.1	37.3%	58.6%	33.9%
2003	843.8	597.5	848.6	285.3	41.5%	65.3%	33.6%
2004	934.8	691.0	926.7	1,757.5	188.0%	254.4%	189.6%
2005	859.7	607.8	1,016.5	285.4	33.2%	47.0%	28.1%
2006	914.9	662.0	1,097.4	180.0	19.7%	27.2%	16.4%
2007	968.3	705.9	1,189.1	261.1	27.0%	37.0%	22.0%
2008	971.6	707.5	1,287.8	344.9	35.5%	48.8%	26.8%

- (A) The annual required contribution as defined in GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.”
- (B) The annual required contribution per Note A, less member contributions.
- (C) Benefit and administrative expense.
- (D) Contributions from The State of Illinois employer units and Pension Fund, and employer contributions from trust and federal funds.
- (E) Employer contributions divided by the total required contribution (Column 4 divided by Column 1).
- (F) Employer contributions divided by the employer required contribution (Column 4 divided by Column 2).
- (G) Employer contributions divided by System expense (Column 4 divided by Column 3).

Tests of Financial Soundness

Funding Ratios
10-Year Summary (\$ millions)

Fiscal Year	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirement	Funding Ratio	
				Cost	Market
1999	\$ 8,863.7	\$ 10,761.7	\$ 12,617.5	70.2%	85.3%
2000	9,807.7	12,063.9	13,679.0	71.7%	88.2%
2001	10,195.2	10,753.3	14,915.3	68.4%	72.1%
2002	10,169.7	9,814.7	16,654.0	61.1%	58.9%
2003	9,715.2	9,714.5	18,025.0	53.9%	53.9%
2004	11,371.7	12,586.3	19,078.6	59.6%	66.0%
2005	11,736.0	13,350.3	20,349.9	57.7%	65.6%
2006	13,414.9	14,175.1	21,688.9	61.9%	65.4%
2007	14,089.0	15,985.7	23,362.1	60.3%	68.4%
2008	14,282.3	14,586.3	24,917.7	57.3%	58.5%



Percentage of Benefits Covered by Net Assets
10-Year Summary (\$ millions)

Fiscal Year	Member Accumulated Contributions {1}(A)	Members Currently Receiving Benefits {2}(A)	Active/Inactive Members/ Employers' Portion {3}(A)	Net Assets	% of Benefits Covered by Net Assets for		
					{1}	{2}	{3}
1999	\$ 3,459.7	\$ 5,462.7	\$ 3,695.1	\$ 10,761.7	100.0%	100.0%	49.8%
2000	3,680.7	6,226.2	3,772.1	12,063.9	100.0	100.0	57.2
2001	3,863.0	7,084.4	3,967.0	10,753.3	100.0	97.3	—
2002	4,145.0	8,115.4	4,393.6	9,814.7	100.0	69.9	—
2003	4,299.5	9,215.5	4,510.0	9,714.5	100.0	58.8	—
2004	4,529.6	10,145.8	4,402.9	12,586.3	100.0	79.4	—
2005	4,726.1	10,842.1	4,781.7	13,350.3	100.0	79.5	—
2006	4,957.3	11,701.3	5,030.4	14,175.1	100.0	78.8	—
2007	5,239.9	12,838.1	5,284.1	15,985.7	100.0	83.7	—
2008	5,426.8	13,978.1	5,512.8	14,586.3	100.0	65.5	—

(A) A test of financial soundness of a system is its ability to pay all promised benefits when due. Column 1 represents the value of members' accumulated contributions. Column 2 represents the amount necessary to pay participants currently receiving benefits. Column 3 represents the employer's portion of future benefits for active members. Section 5/15-156 of the Illinois Compiled Statutes provides an order of priority: that is, members' contributions would be covered first, then current benefit recipients and the employer portion of active and inactive employees. For a system receiving actuarially determined contribution amounts, the total of actuarial values in Columns 1 and 2 should generally be fully covered by assets, and the portion of the actuarial value of Column 3 covered by assets should increase over time.

Payroll Percentages: Fiscal Year 1999-2008 (\$ millions)

Fiscal Year	Member Payroll	Unfunded Accrued Benefit Cost		Employer Cost			Employer Contributions			
		Amount	% of Payroll	Normal Cost (A)	% of Payroll	Amortization of Unfunded Liability	Total (B)	% of Payroll	Emp Cont.	% of Payroll
1999	\$ 2,411.1	\$ 1,855.8	77.0%	\$ 221.3	10.2%	\$ 287.9	\$ 509.2	21.1%	\$ 237.9	9.9%
2000	2,424.2	1,615.1	66.6%	236.3	10.2%	311.5	547.8	22.6%	241.1	9.9%
2001	2,474.6	4,162.0	168.2%	247.9	10.0%	300.2	548.1	21.1%	247.1	10.0%
2002	2,607.2	6,839.3	262.3%	231.4	8.9%	455.5	686.9	26.3%	256.1	9.8%
2003	2,763.4	8,310.5	300.7%	254.5	9.6%	589.3	843.8	30.5%	285.3	10.3%
2004	2,814.1	6,492.3	230.7%	267.3	9.5%	667.5	934.8	33.2%	1,757.5	62.5%
2005	2,939.1	6,999.6	238.1%	271.0	9.2%	588.7	859.7	29.2%	285.4	9.7%
2006	3,054.1	7,513.8	246.0%	292.3	9.6%	622.6	914.9	30.0%	180.0	5.9%
2007	3,181.0	7,376.4	231.9%	301.4	9.5%	666.9	968.3	30.4%	261.1	8.2%
2008	3,303.2	10,331.4	312.8%	310.4	9.1%	671.9	971.6	29.4%	344.9	10.4%

(A) Actuarially determined normal cost less member contributions.

(B) Total annual required contribution as defined by GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls - Defined Benefit Plan 10-Year Summary

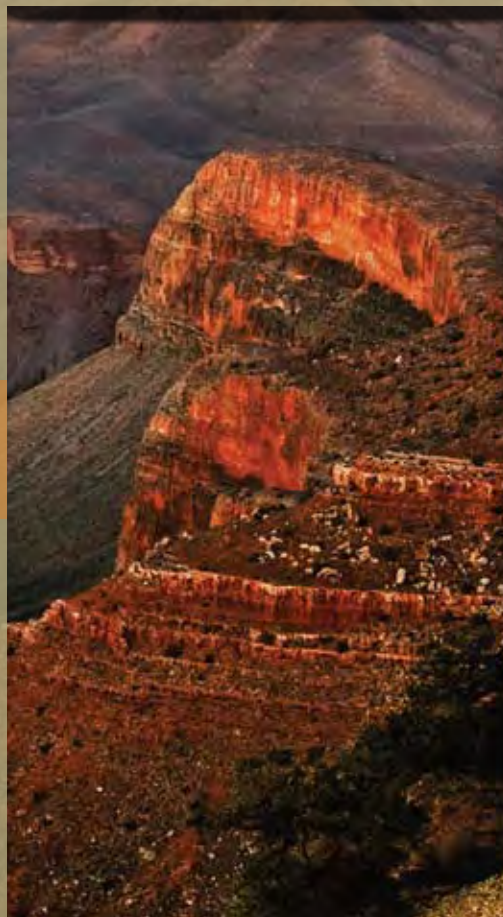
Fiscal Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Annual Pension Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
1999	28,032	2,229	919	29,342	\$ 516,315,409	\$ 17,596	8.4%
2000	29,342	2,725	1,277	30,790	578,440,213	18,787	6.8%
2001	30,790	2,430	595	32,625	654,039,442	20,047	6.7%
2002	32,625	2,941	1,307	34,259	727,495,026	21,235	5.9%
2003	34,259	3,278	1,147	36,390	820,418,360	22,545	6.2%
2004	36,390	3,498	1,401	38,487	899,587,841	23,374	3.7%
2005	38,487	2,559	1,246	39,800	983,321,902	24,707	5.7%
2006	39,800	3,140	1,302	41,638	1,067,075,275	25,627	3.7%
2007	41,638	3,325	1,568	43,395	1,155,124,989	26,619	3.9%
2008	43,395	3,498	1,547	45,346	1,254,030,795	27,655	3.9%

An aerial photograph of a desert canyon, showing layered rock formations and winding paths. A solid orange horizontal band is overlaid across the middle of the image, containing the text "Charting a path to the future".

Charting a path to the future

Statistical Section

The Comprehensive
Annual Financial Report
For Fiscal Year Ended June 30, 2008



Financial Schedules

Changes in Plan Net Assets - Defined Benefit Plan
10-Year Summary (\$ millions)

The historical trend information presented below is designed to provide information on the System's progress in accumulating assets to pay benefits when due.

Additions

Fiscal Year	Contributions by Members	Investment Income (Loss)	Contributions by Employers		Total
			Amount	% of Payroll	
1999	\$ 213.0	\$1,102.0	\$ 237.9	9.3	\$1,552.9
2000	222.5	1,494.3	241.1	9.9	1,957.9
2001	221.6	(1,053.6)	247.1	10.0	(584.9)
2002	250.0	(651.3)	256.1	9.8	(145.2)
2003	246.3	250.4	285.3	10.3	782.0
2004	243.8	1,832.4	1,757.5	96.9	3,833.7
2005	251.9	1,279.6	285.4	9.7	1,817.0
2006	252.9	1,532.1	180.0	5.9	1,965.0
2007	262.4	2,517.5	261.1	8.2	3,041.0
2008	264.1	(675.7)	345.0	10.4	(66.6)

Deductions

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in
					Plan Net Assets
1999	\$ 526.0	\$ 31.3	\$11.3	\$ 568.6	\$ 984.3
2000	590.2	46.8	12.3	649.3	1,308.6
2001	664.8	45.7	12.7	723.2	(1,308.1)
2002	743.3	37.0	13.2	793.5	938.7
2003	836.7	32.2	13.2	882.1	(100.1)
2004	915.2	34.5	12.3	962.0	2,871.7
2005	1,004.4	35.8	12.8	1,053.0	764.0
2006	1,085.4	42.6	12.2	1,140.2	824.8
2007	1,177.3	41.4	11.7	1,230.4	1,810.6
2008	1,275.7	45.0	12.1	1,332.8	(1,399.4)

Statistical Analysis

Schedule of Benefit Expenses - Defined Benefit Plan 10-Year Summary (\$ millions)

Fiscal Year	Survivor Annuities	Disability Benefits	Disability Retirement Allowance	Retirement Annuities	Lump Sum Death Benefits	Total
1999	\$ 38.8	\$ 13.7	\$ 2.5	\$ 461.3	\$ 9.7	\$ 526.0
2000	42.4	13.9	2.2	520.0	11.7	590.2
2001	46.5	14.0	2.2	593.7	8.4	664.8
2002	50.8	15.1	2.4	662.9	12.0	743.3
2003	56.6	15.7	2.4	749.9	12.1	836.7
2004	60.5	16.7	2.4	824.0	11.6	915.2
2005	65.2	17.5	2.8	904.9	14.0	1,004.4
2006	70.6	17.5	2.9	981.1	13.4	1,085.4
2007	76.7	17.6	3.0	1,067.3	12.6	1,177.2
2008	81.8	16.8	3.2	1,160.5	13.5	1,275.7

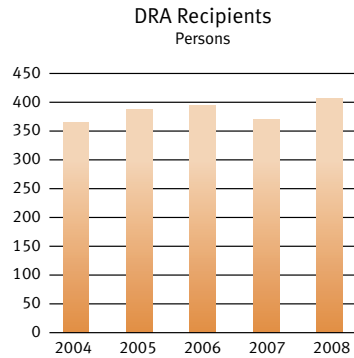
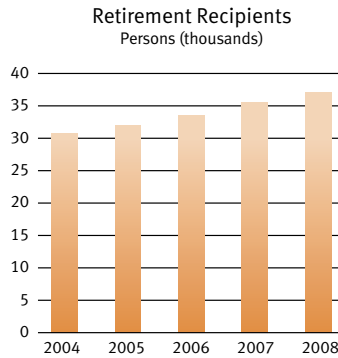
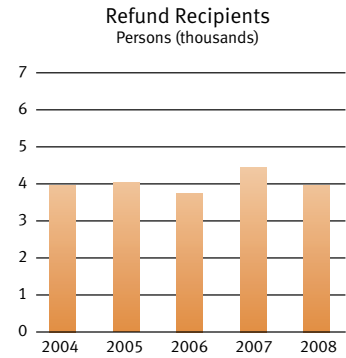
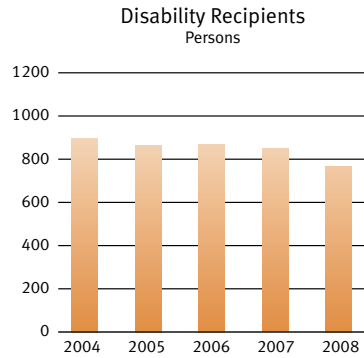
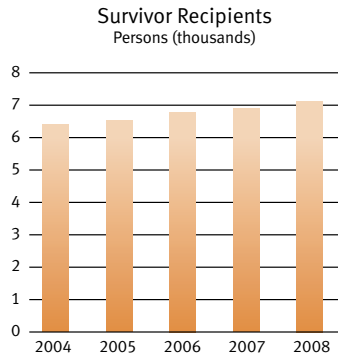
Number of SURS Employees (full-time equivalents) 10-Year Summary

Fiscal Year	Admin	Inv & Acctg	Member Svcs & Outreach	IS & Support Svcs	SMP	Total
1999	11.75	11.50	50.50	24.00	1.00	98.75
2000	13.00	11.50	49.50	26.00	2.50	102.50
2001	13.00	11.50	48.50	33.00	2.50	108.50
2002	13.00	10.00	53.50	36.00	3.50	116.00
2003	13.00	10.25	61.25	35.00	3.50	123.00
2004	11.75	10.35	62.75	33.00	4.40	122.25
2005	12.75	10.40	62.75	32.75	4.65	123.30
2006	11.75	10.55	62.75	32.75	3.50	121.30
2007	11.80	9.80	64.00	31.75	2.75	120.10
2008	10.55	10.05	61.50	33.75	3.25	119.10

Statistical Analysis

Schedule of Benefit Recipients - Defined Benefit Plan
10-Year Summary

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
1999	5,374	903	6,075	22,652	352
2000	5,500	833	5,851	23,829	370
2001	5,700	808	5,069	25,749	368
2002	5,905	781	4,589	27,202	371
2003	6,138	864	4,095	29,020	368
2004	6,427	902	3,988	30,795	363
2005	6,550	864	4,003	32,002	384
2006	6,807	864	3,750	33,574	393
2007	6,958	849	4,441	35,200	368
2008	7,122	762	3,975	37,055	407



Benefit Summary

Schedule of New Benefit Payments - Defined Benefit Plan
July 1, 2007 through June 30, 2008

Age	Retirement		Disability		Survivors	
	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	–	\$ –	–	\$ –	6	\$ 145
10-14	–	–	–	–	13	430
15-19	–	–	–	–	25	488
20-24	–	–	–	–	6	272
25-29	–	–	3	1,752	2	227
30-34	–	–	5	1,447	1	109
35-39	–	–	10	1,319	4	641
40-44	–	–	18	1,387	6	450
45-49	23	2,700	24	1,431	9	504
50-54	143	3,003	40	1,864	28	821
55-59	949	2,370	43	1,879	37	850
60-64	980	2,400	23	2,116	50	1,274
65-69	454	2,322	9	1,303	58	936
70-74	144	2,217	4	890	57	1,453
Over 74	74	1,890	2	722	248	1,113
Totals	2,767	\$ 2,328	181	\$ 1,689	550	\$ 1,022

Average Age - Retirement 61.9 Years

(A) Total average monthly benefit is calculated based on a weighted average.

Benefit Summary

Schedule of Average Benefit Payments - Defined Benefit Plan For Retirees as of June 30

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-30	30+	
Fiscal Year 1999							
Number of Retirees	2,900	3,095	3,107	3,244	3,226	7,080	22,652
Avg Monthly Annuity	\$ 747	627	920	1,405	2,084	3,044	1,757
Final Average Salary	\$ 27,210	23,614	26,318	31,090	37,088	43,969	33,798
Avg Credited Service							22.82
Fiscal Year 2000							
Number of Retirees	4,520	3,509	3,506	3,795	3,704	5,053	24,087
Avg Monthly Annuity	\$ 582	754	1,162	1,888	2,789	3,703	1,891
Final Average Salary	\$ 19,641	25,590	29,283	37,097	44,378	48,175	34,451
Avg Credited Service							20.2
Fiscal Year 2001							
Number of Retirees	5,372	3,587	3,745	3,900	4,032	5,113	25,749
Avg Monthly Annuity	\$ 693	828	1,279	2,073	3,027	3,928	2,014
Final Average Salary	\$ 22,753	27,025	31,036	38,977	45,934	50,125	36,395
Avg Credited Service							20.02
Fiscal Year 2002							
Number of Retirees	5,889	3,757	3,831	4,074	4,321	5,330	27,202
Avg Monthly Annuity	\$ 818	879	1,361	2,187	3,200	4,117	2,133
Final Average Salary	\$ 25,188	27,812	32,024	39,902	47,075	51,293	37,309
Avg Credited Service							19.83
Fiscal Year 2003							
Number of Retirees	6,787	3,944	4,113	4,357	4,104	5,716	29,021
Avg Monthly Annuity	\$ 709	1,001	1,573	2,495	3,447	4,349	2,243
Final Average Salary	\$ 28,064	31,634	36,199	45,474	54,080	59,001	42,088
Avg Credited Service							19.95
Fiscal Year 2004							
Number of Retirees	6,795	4,109	4,075	4,708	4,840	6,268	30,795
Avg Monthly Annuity	\$ 791	973	973	2,414	3,475	4,509	2,336
Final Average Salary	\$ 19,773	25,747	30,614	38,294	43,962	48,774	34,541
Avg Credited Service							19.69
Fiscal Year 2005							
Number of Retirees	7,713	4,422	4,478	4,839	5,376	5,174	32,002
Avg Monthly Annuity	\$ 738	1,104	1,762	2,766	3,847	4,831	2,422
Final Average Salary	\$ 18,117	26,792	32,591	40,051	45,307	49,793	34,346
Avg Credited Service							19.71
Fiscal Year 2006							
Number of Retirees	8,074	4,701	4,734	5,127	5,717	5,221	33,574
Avg Monthly Annuity	\$ 744	1,154	1,853	2,904	3,985	5,041	2,508
Final Average Salary	\$ 18,872	26,606	33,177	40,378	45,599	50,519	34,728
Avg Credited Service							19.65

Benefit Summary

Schedule of Average Benefit Payments - Defined Benefit Plan For Retirees as of June 30

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-30	30+	
Fiscal Year 2007							
Number of Retirees	8,796	4,910	4,881	5,390	6,004	5,219	35,200
Avg Monthly Annuity	\$ 797	1,198	1,959	3,040	4,147	5,252	2,589
Final Average Salary	\$ 28,039	33,561	38,831	46,681	53,661	57,948	43,068
Avg Credited Service							20.04
Fiscal Year 2008							
Number of Retirees	9,253	5,212	5,153	5,754	6,399	5,284	37,055
Avg Monthly Annuity	\$ 790	1,245	2,067	3,178	4,296	5,473	2,676
Final Average Salary	\$ 32,978	37,044	45,569	54,420	63,061	72,333	49,941
Avg Credited Service							19.92

Number of Covered Employees by Employer As of June 30, 2008

Employer	Number of Employees in DB plan	Number of Employees in SMP	Total Number of Covered Employees
University of Illinois- Chicago	11,888	1,795	13,683
University of Illinois- Urbana	10,888	2,004	12,892
City Colleges of Chicago	5,245	362	5,607
Southern Illinois University- Carbondale	4,572	652	5,224
Northern Illinois University	3,212	479	3,691
Illinois State University	2,792	455	3,247
College of DuPage	2,580	322	2,902
Southern Illinois University- Edwardsville	2,037	302	2,339
Western Illinois University	1,809	257	2,066
Eastern Illinois University	1,673	200	1,873
All other employers	26,390	3,160	29,550
Total	73,086	9,988	83,074

Benefit Summary


Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan
For the Year Ended June 30, 2008

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
\$0-200	2,598	955	843	—	136	2	5	657
201-400	4,376	1,195	1,830	—	259	14	5	1,073
401-600	3,757	828	1,295	—	103	81	15	1,435
601-800	3,176	759	1,290	—	33	156	25	913
801-1000	2,351	639	1,102	—	5	64	30	511
1001-1200	2,199	634	1,036	—	1	32	68	428
1201-1400	1,973	541	925	—	—	14	147	346
1401-1600	1,960	543	939	—	—	14	146	318
1601-1800	1,644	477	842	2	—	8	63	252
1801-2000	1,581	454	848	3	—	9	41	226
2001-2200	1,397	410	747	3	—	8	42	187
2201-2400	1,370	418	758	4	—	—	23	167
2401-2600	1,224	401	662	5	—	1	20	135
2601-2800	1,139	394	621	6	—	—	23	95
2801-3000	1,069	392	579	7	3	2	12	74
3001-3200	966	368	499	17	—	1	9	72
3201-3400	901	342	470	13	1	—	19	56
3401-3600	829	347	424	13	—	—	9	36
3601-3800	801	352	394	15	—	—	10	30
3801-4000	724	320	355	12	—	—	13	24
4001-4200	731	314	374	14	—	—	7	22
4201-4400	647	285	327	6	—	—	11	18
4401-4600	626	298	309	8	—	—	3	8
4601-4800	591	268	307	9	—	—	1	6
4801-5000	575	250	312	7	—	—	3	3
5001-5200	537	227	291	9	—	—	5	5
5201-5400	540	270	255	7	—	—	3	5
5401-5600	463	197	261	1	—	—	—	4
5601-5800	461	219	238	3	—	—	1	—
5801-6000	415	210	200	2	—	—	1	2
Over 6000	3,725	2,082	1,617	9	—	1	2	14
Totals	45,346	15,389	20,950	175	541	407	762	7,122

(A) Minimum annuity and retirements of participants who terminated prior to 1969.

Participating Employers

Black Hawk College	McHenry College
Carl Sandburg College	Moraine Valley Community College
Chicago State University	Morton College
City Colleges of Chicago	Northeastern Illinois University
College of DuPage	Northern Illinois University
College of Lake County	Oakton Community College
Danville Area Community College	Parkland College
Eastern Illinois University	Prairie State College
Elgin Community College	Rend Lake College
Governors State University	Richland Community College
Hazardous Waste Research and Information Center	Rock Valley College
Heartland Community College	Sauk Valley College
Highland Community College	Shawnee College
ILCS Section 15-107(I) Members	Southern Illinois University at Carbondale
ILCS Section 15-107(c) Members	Southern Illinois University at Edwardsville
Illinois Board of Examiners	Southern Illinois University Foundation
Illinois Board of Higher Education	South Suburban College
Illinois Central College	Southeastern Illinois College
Illinois Century Network	Southwestern Illinois College
Illinois Community College Board	Spoon River College
Illinois Community College Trustees Association	State Geological Survey
Illinois Eastern Community Colleges	State Natural History Survey
Illinois Mathematics and Science Academy	State Universities Civil Service System
Illinois State University	State Universities Retirement System
Illinois Valley Community College	State Water Survey
John A. Logan College	Triton College
John Wood Community College	University of Illinois — Alumni Association
Joliet Junior College	University of Illinois — Chicago
Kankakee Community College	University of Illinois — Foundation
Kaskaskia College	University of Illinois — Springfield
Kishwaukee College	University of Illinois — Urbana
Lake Land College	Waubensee Community College
Lewis & Clark Community College	Western Illinois University
Lincoln Land Community College	William Rainey Harper College



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