



THE COMPREHENSIVE
Annual Financial Report
FOR FISCAL YEAR ENDED JUNE 30, 2010



Giving You Our Best

2010

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THE COMPREHENSIVE Annual Financial Report For Fiscal Year Ended June 30, 2010

All financial information prepared by
SURS Financial Division.



For the 26th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded SURS a Certificate of Achievement for Excellence in Financial Reporting for its component unit financial report for the fiscal year ended June 30, 2009.

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Giving You Our Best

For almost 70 years, SURS has delivered on a promise of protecting the interests of our members. With more people than ever before relying on us, we are renewing our commitment to giving you our best.

Whether maximizing the performance of funds invested with SURS, raising the bar on the level of service we provide, strengthening the capabilities of our staff, protecting assets through integrated risk management, or achieving greater organizational efficiency and accuracy, our primary goal is to assure the utmost quality in every aspect of SURS.

To bring new focus to our vision of being a respected leader among public pension funds, we have entered a period of strategic planning. This process of introspection is crucial to identifying, evaluating, and aligning the scope of factors that drive SURS' ongoing success, and is a vital part of continually defining and delivering our best.



INTRODUCTORY SECTION

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010



Giving You Our Best

Maximizing staff potential through enhanced skills and new knowledge



A COMPONENT UNIT OF THE STATE OF ILLINOIS

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)

December 13, 2010

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

I am pleased to present the 69th 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 in System's plan net assets available for benefits between fiscal years 2010 and 2009.

(\$ millions)

	2010	2009	Increase/(Decrease)	
			Amount	%
Additions	\$ 2,788.6	(\$ 2,155.1)	\$ 4,943.7	229.4
Deductions	1,553.7	1,441.0	112.7	7.8
Change	\$ 1,234.9	(\$ 3,596.1)	\$ 4,831.0	134.3

The overall increase of \$1.2 billion in net assets available for benefits is primarily due to an increase in additions of \$4.9 billion, composed of an increase in net investment income of \$4.7 billion and an increase in employer contributions of \$0.25 billion. Deductions in the form of benefit payments showed a relatively small increase of \$0.10 billion over the prior year. 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 2010 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 2010 state contributions were set at \$702.5 million, an increase of \$250 million from the prior year. In fiscal year 2010, the majority of the appropriations paid to the state pension systems was funded with the proceeds of the January 7, 2010 sale of \$3.466 billion in pension obligation notes, as required by Public Act 96-0043.

The actuarial accrued liability for the defined benefit plan at June 30, 2010 was \$30.1 billion as calculated by the projected unit credit method. The actuarial value of assets available for benefits at June 30, 2010, equaled \$14.0 billion. The amount by which the liability exceeds the assets is called the unfunded accrued actuarial liability, and it equaled \$16.1 billion at the end of fiscal year 2010. The System Board of Trustees authorized a change in the assumed rate of investment return from 8.5% to 7.75%, effective at June 30, 2010. 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 utilize investment assets 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 65% of the fund to be invested in equities, 28% of which may be invested in non-U.S. common stock and global equities, and 6% in private equities; 18% in fixed income; 10% in real estate investment trusts and direct real estate; 4% in treasury inflation-protected securities, and 3% in the Opportunity Fund. 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 15%, net of fees, for the year ended June 30, 2010.

Subsequent to year end, the System has shown a positive return of 12.8% through October 31, 2010, bringing total investments to approximately \$13.3 billion.

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."

Letter of Transmittal

Work continued during the year on various internet-based system application improvements and general operational refinements. Included in these was the migration to a new, server-based imaging system; the revision of the benefit payment system programming to incorporate the expanded opportunities for lump sum distributions including partial rollovers, Roth IRA rollovers, and rollovers by non-spouse beneficiaries; and the replacement of current direct insurance billing for certain annuitants with a direct debit feature.

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 2010 financial statements has been included in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States 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, 2009. This is the twenty sixth 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.

Appointment of Trustees

As of June 30, 2010, the composition of the SURS eleven-member Board of Trustees is as follows. Serving as active member-elected trustees are Mr. Jeffrey Beaulieu and Ms. Dorinda Miller who concluded the first year of their three-year terms, and Dr. J. Fred Giertz and Mr. Antonio Vasquez who concluded the first year of their six-year terms. Serving as annuitant-elected trustees are Dr. John Engstrom who concluded the first year of his three-year term and Mr. Mitchell Vogel who concluded the first year of his six-year term. Serving upon appointment by the Governor are Ms. Patricia Cassidy and Mr. Steven Rogers who concluded the first year of their three-year terms, and Mr. Matthew Berns and Dr. Marva Williams who concluded the first year of their six-year terms. As called for by Public Act 96-0006, the chairperson of the System Board of Trustees will be the appointed Chair of the Illinois Board of Higher Education, Ms. Carrie Hightman.

Letter of Transmittal

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



Carrie J. Hightman
Chairwoman
Chicago



J. Fred Giertz
Champaign



Antonio Vasquez
Vice-Chairman
Chicago



Dorinda Miller
Urbana



Patricia Cassidy
Treasurer
Elmhurst



Steven Rogers
Chicago



Jeffrey Beaulieu
Carbondale



Mitchell Vogel
Evanston



Matthew Berns
Highland Park



Marva Williams
Chicago



John Engstrom
Sycamore

Administrative Staff



William Mabe
Executive Director



Steven L. Hayward
CPA
Internal Auditor



Judith A. Parker
Associate Executive Director



Angela Lieb
Director of
Member Services



Daniel L. Allen
Chief Investment Officer



M. Christopher Hansen
Director of Operations



Douglas Wesley
Deputy Chief
Investment Officer

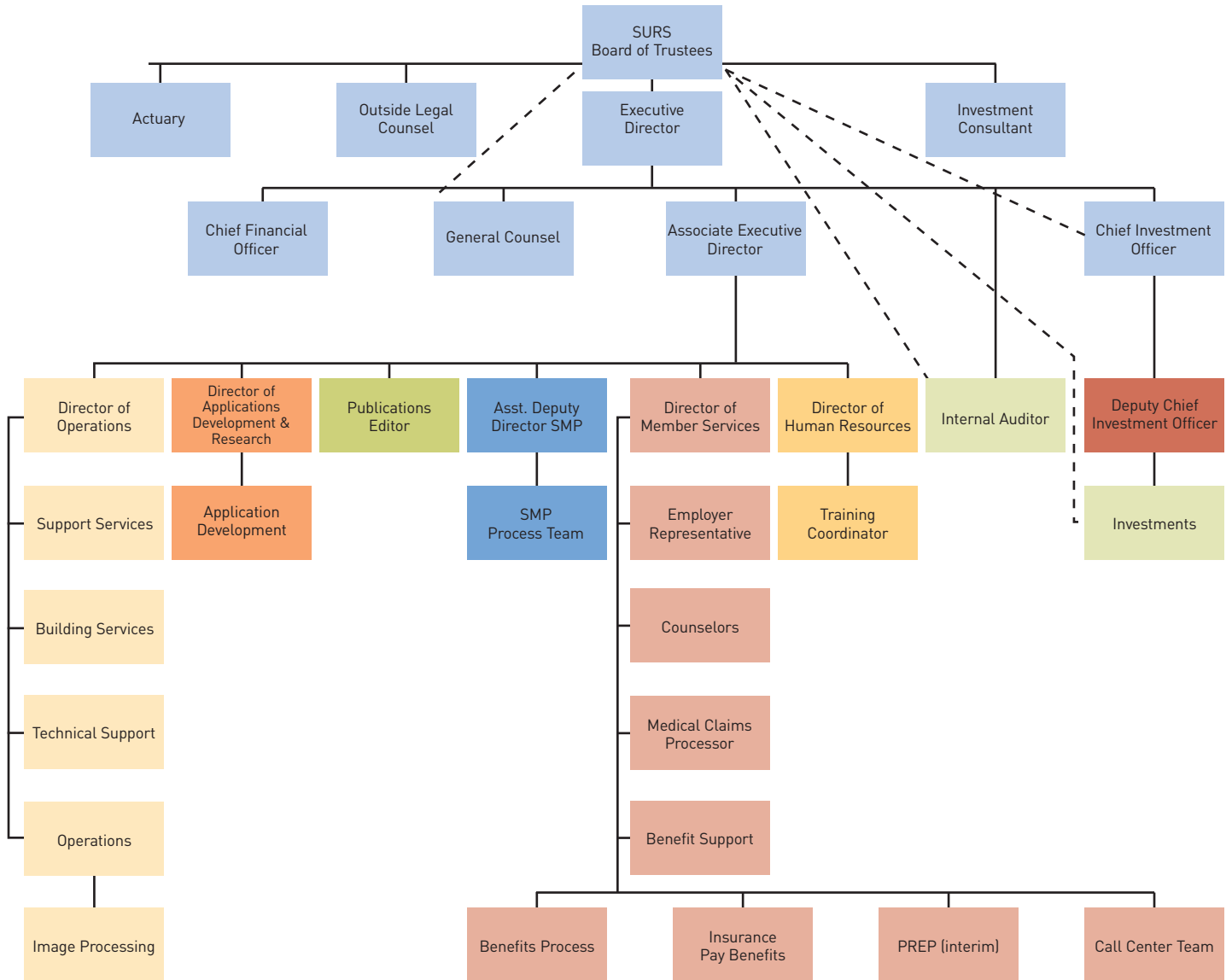


Douglas J. Steele
Director of Application
Development & Research



Shelley Porter
Chief Financial Officer

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
MRC Information Technology, Inc. - Omaha, Nebraska
MIS Systems Integrators - Omaha, Nebraska

Master Custodian & Performance Measurement

The Northern Trust Company - Chicago, Illinois

Investment Consultant

EnnisKnupp + Associates, Inc. - Chicago, Illinois

Investment Advisors

Aberdeen Asset Management - Edinburgh, Scotland
Adams Street Partners - Chicago, Illinois
Alinda Capital Partners - New York, New York
Angelo Gordon GECC - New York, New York
BlackRock Financial Management - New York, New York
Calamos Advisors - Naperville, Illinois
Dune Capital Management - New York, New York
GlobeFlex Capital, L.P. - San Diego, California
ING Clarion Real Estate Securities - Radnor, Pennsylvania
Jacobs Levy Equity Management - Florham Park,
New Jersey
Macquarie Capital - New York, New York
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
Oaktree Capital Management - Los Angeles, California
Pacific Investment Management Company - Newport Beach, California
Pantheon Ventures - San Francisco, California
Payden & Rygel - Los Angeles, California
Piedmont Investment Advisors - Durham, North Carolina
Progress Investment Management Company - San Francisco, California
Pyramis Global Advisors Trust Company - Smithfield, Rhode Island
RhumbLine Advisers - Boston, Massachusetts
RLJ Western Asset Management - Bethesda, Maryland
RREEF - Chicago, Illinois
T. Rowe Price - Baltimore, Maryland
Taplin, Canida & Habacht - Miami, Florida
UBS Realty Investors - Hartford, Connecticut
Wellington Management Company - Boston, Massachusetts
Western Asset Management - Pasadena, California

Manager Development Program Investment Advisors

Ativo Capital Management - Chicago, Illinois
Buford, Dickson, Harper & Sparrow - St. Louis, Missouri
Channing Capital Management - Chicago, Illinois
Davis Hamilton Jackson & Associates - Houston, Texas
Herndon Capital Management - Atlanta, Georgia
Holland Capital Management - Chicago, Illinois
Lombardia Capital Partners - Pasadena, California

Longfellow Investment Management - Boston, Massachusetts
NCM Capital Management - Durham, North Carolina
New Century Advisors - Bethesda, Maryland
Profit Investment Management - Silver Spring, Maryland
Pugh Capital Management - Seattle, Washington
Smith Graham & Company - Houston, Texas
Strategic Global Advisors - Newport Beach, California

Progress Investment Management Company

Emerging Manager Investment Advisors

AH Lisanti Capital Growth - New York, New York
Ambassador Capital Management - Detroit, Michigan
Brown Capital Management - Baltimore, Maryland
Cheswold Lane Asset Management - West Conshohocken,
Pennsylvania
Davis Hamilton Jackson & Associates - Houston, Texas
Fortaleza Asset Management - Chicago, Illinois
Graham and Dodd Fund - New York, New York
GW Capital - Bellevue, Washington
Herndon Capital Management - Atlanta, Georgia
High Pointe Capital Management- Chicago, Illinois

Holland Capital Management - Chicago, Illinois
John Hsu Capital Group - New York, New York
LM Capital Group - San Diego, California
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
Windsor Capital Management - Phoenix, Arizona

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, 2010



Giving You Our Best

Assuring financial soundness by utilizing Governmental Accounting Board Standards



A COMPONENT UNIT OF THE STATE OF ILLINOIS



Independent Auditors' Report



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, 2010, 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 comparative information has been derived from the System's financial statements as of June 30, 2009 and for the year then ended, on which we expressed an unqualified opinion in our report dated January 21, 2010.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 13, 2010 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 2010 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, 2010, taken as a whole. We have also previously audited, 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, the System's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated January 21, 2010, we expressed an unqualified opinion on those statements. In our opinion, the 2009 supporting schedules in the financial section are fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2009, 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
December 13, 2010

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, 2010, with comparative reporting entity totals for the year ended June 30, 2009.

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, 2010 and the Statement of Changes in Plan Net Assets for the year ended June 30, 2010. 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, 2010 and 2009. The Statement of Plan Net Assets presents the assets on hand as of June 30, 2010 and 2009 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 years ended June 30, 2010 and 2009.
- 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, and detailed presentations of major assets and liabilities.
- Required supplementary information presents 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.

Financial Analysis of the System

The State Universities Retirement System serves 193,769 members in its defined benefit plan and 18,467 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 increased from \$11.6 billion as of June 30, 2009 to \$12.8 billion as of June 30, 2010, chiefly due to investment income.

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)	2010	2009	Change	
			Amount	%
Cash and short-term investments	\$ 758.4	\$ 543.6	\$ 214.8	39.5
Receivables and prepaid expenses	57.0	57.0	-	-
Pending investment sales	729.2	606.5	122.7	20.2
Investments and securities lending collateral	14,104.6	12,615.1	1,489.5	11.8
Capital assets, net	6.4	6.6	(0.2)	(3.0)
Total assets	15,655.6	13,828.8	1,826.8	13.2
Payable to brokers-unsettled trades	851.9	878.1	(26.2)	(3.0)
Securities lending collateral	1,935.3	1,323.0	612.3	46.3
Other liabilities	26.9	21.1	5.8	27.5
Total liabilities	2,814.1	2,222.2	591.9	26.6
Total plan net assets	<u>\$ 12,841.5</u>	<u>\$ 11,606.6</u>	<u>\$ 1,234.9</u>	<u>10.6</u>

Management's Discussion and Analysis

Overall, plan net assets increased by \$1.2 billion, or 10.6%, chiefly due to an increase in investments attributable to the positive return on defined benefit plan investments of 15.0%. The investment allocation strategy for the plans making up the reporting entity as of June 30, 2010 and 2009 is as follows:

	2010	2009
Defined Benefit Plan		
Equities	65.0%	66.0%
Opportunity Fund	3.0	2.0
Fixed income	18.0	18.0
TIPS*	4.0	4.0
Real Estate Investment Trusts	4.0	4.0
Real Estate	6.0	6.0
Total	100.0%	100.0%
Self-Managed Plan		
Equities	65.0%	64.0%
Fixed income	34.0	36.0
Real Estate	1.0	0.0
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. 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 gains or losses over the past year.

Liabilities increased by \$0.6 billion or 26.6%. This was primarily due to an increase in the obligation for securities lending collateral.

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)	2010	2009	Change	
			Amount	%
Employer contributions	\$ 739.7	\$ 489.9	\$ 249.8	51.0
Participant contributions	323.6	322.1	1.5	0.5
Net investment income/(loss)	1,725.3	(2,967.1)	4,692.4	158.1
Total additions	2,788.6	(2,155.1)	4,943.7	229.4
Benefits	1,483.7	1,376.7	107.0	7.8
Refunds	57.5	51.4	6.1	11.9
Administrative expense	12.5	12.9	(0.4)	(3.1)
Total deductions	\$ 1,553.7	\$ 1,441.0	112.7	7.8
Net increase/(decrease) in plan net assets	\$ 1,234.9	\$ (3,596.1)	\$ 4,831.0	134.3

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 2010, employer contributions increased by \$249.8 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Participant contributions remained relatively unchanged from the prior year.

The investment net income for fiscal year 2010 was \$1.7 billion for the System, representing a \$4.7 billion increase from the prior year. For the defined benefit plan, the overall rate of return was 15.0% (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	1-year	3-year	5-year	10-year	22-year
Annualized Return	15.0%	(4.1%)	3.1%	2.9%	8.1%

The 22-year return corresponds to the average active service term of the System member. At 8.1%, it can be compared to the actuarial rate of return assumption, recently changed from 8.5% to 7.75% and effective as of the June 30, 2010 actuarial valuation. While this assumed rate is normally determined every five years as part of the experience study performed by the System actuaries, the rate can be changed outside of this timetable by the System Board of Trustees, should changes in market conditions or plan demographics call for such an adjustment.

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 2010 were \$1.55 billion, an increase of \$112.7 million or 7.8% over expenses for 2009. This increase is primarily due to the \$107 million increase in defined benefit plan retirement and survivor annuity payments, and a \$6 million increase in portable lump sum distributions and refunds. Administration expenses decreased by \$0.4 million or 3.1% from fiscal year 2009 to 2010.

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 for fiscal year 2011, mainly provided by the State of Illinois, will increase by approximately \$33 million or 3.9%. The employer contributions for fiscal years 2012 and beyond should reach and remain at a level percent of pay of approximately 24% as 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%. Of significant concern is the ability of the State of Illinois to overcome the current budget crisis and meet these funding requirements. In fiscal year 2010, the majority of the appropriations paid to the state pension systems was funded with the proceeds of the January 7, 2010 sale of \$3.466 billion in pension obligation notes, as required by Public Act 96-0043. The source for fiscal year 2011 appropriations has not been determined.

Benefit payments are expected to continue to grow at a rate of approximately 7-8% annually as a result of increasing numbers of retirees, the 3% annual increase, 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 by approximately \$500 to \$700 million annually 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.

Looking further into the future, projected benefits are expected to significantly decrease based on the provisions of Public Act 96-0889 which was signed into law on April 14, 2010. The resulting changes to the Illinois Pension Code will impact benefits for employees first certified as system participants on or after January 1, 2011 and who select the traditional or portable options of the defined benefit plan. Included in these changes are the following:

- Normal retirement age will change from age 62 to age 67 with 10 years
- Early retirement age with reduction will change from age 55 to age 62 with 10 years
- Minimum vesting will change from 5 years to 10 years
- Annual FRE average will be limited to \$106,800 (FY2011), increasing each year by the lesser of 3% or 1/2 of the CPI
- Automatic annual annuity increases will be limited to the lesser of 3% or 1/2 of the CPI
- Survivor benefits will change from 50% to 66 2/3% of earned retirement annuity

Financial Statements

Statement of Plan Net Assets as of June 30, 2010 With Comparative Reporting Entity Totals as of June 30, 2009

	2010			2009
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	\$ 758,435,840	\$ -	\$ 758,435,840	\$ 543,659,417
Receivables				
Participants	13,174,337	2,034,293	15,208,630	13,808,147
Federal, trust funds, and other	2,553,537	1,215,308	3,768,845	3,758,588
Pending investment sales	729,180,673	-	729,180,673	606,501,124
Interest and dividends	37,970,185	-	37,970,185	39,454,498
Total receivables	782,878,732	3,249,601	786,128,333	663,522,357
Prepaid expenses	22,480	-	22,480	-
Investments, at fair value				
Equity investments	7,601,044,062	33,315,130	7,634,359,192	6,967,844,154
Fixed income investments	3,580,179,337	16,167,307	3,596,346,644	3,565,341,020
Real estate investments	265,951,229	232,957	266,184,186	228,750,215
Mutual fund and variable annuities	-	667,015,195	667,015,195	530,092,101
Total investments	11,447,174,628	716,730,589	12,163,905,217	11,292,027,490
Securities lending collateral	1,940,729,837	-	1,940,729,837	1,323,035,827
Capital assets, at cost, net of accumulated depreciation \$17,729,535 and \$16,768,688 respectively	6,408,913	-	6,408,913	6,583,663
Total assets	14,935,650,430	719,980,190	15,655,630,620	13,828,828,754
Liabilities				
Benefits payable	6,577,950	-	6,577,950	5,441,147
Refunds payable	3,863,392	-	3,863,392	2,437,930
Securities lending collateral	1,935,311,903	-	1,935,311,903	1,323,035,827
Payable to brokers for unsettled trades	851,863,268	-	851,863,268	878,088,978
Administrative expenses payable	16,491,806	-	16,491,806	13,256,204
Total liabilities	2,814,108,319	-	2,814,108,319	2,222,260,086
Net assets held in trust for pension benefits	\$ 12,121,542,111	\$ 719,980,190	\$ 12,841,522,301	\$ 11,606,568,668

Financial Statements

Statement of Changes in Plan Net Assets For the Year Ended June 30, 2010 With Comparative Reporting Entity Totals For the Year Ended June 30, 2009

	2010			2009
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	\$ 696,595,341	\$ 43,116,502	\$ 739,711,843	\$ 489,881,392
Participant	<u>274,999,557</u>	<u>48,570,757</u>	<u>323,570,314</u>	<u>322,117,492</u>
Total Contributions	<u>971,594,898</u>	<u>91,687,259</u>	<u>1,063,282,157</u>	<u>811,998,884</u>
Investment Income				
Net appreciation/(depreciation) in fair value of investments	1,222,989,578	71,482,509	1,294,472,087	(3,290,131,425)
Interest	324,588,475	-	324,588,475	183,668,534
Dividends	153,916,871	-	153,916,871	153,789,636
Securities lending income	<u>6,534,929</u>	<u>-</u>	<u>6,534,929</u>	<u>16,649,099</u>
	<u>1,708,029,853</u>	<u>71,482,509</u>	<u>1,779,512,362</u>	<u>(2,936,024,156)</u>
Less investment expense				
Asset management expense	53,524,481	-	53,524,481	29,430,957
Securities lending expense	<u>652,536</u>	<u>-</u>	<u>652,536</u>	<u>1,664,780</u>
Net investment income/(loss)	<u>1,653,852,836</u>	<u>71,482,509</u>	<u>1,725,335,345</u>	<u>(2,967,119,893)</u>
Total additions	2,625,447,734	163,169,768	2,788,617,502	(2,155,121,009)
Deductions				
Benefits	1,477,486,374	6,254,132	1,483,740,506	1,376,726,389
Refunds of contributions	47,284,471	10,183,308	57,467,779	51,372,312
Administrative expense	<u>12,108,181</u>	<u>347,403</u>	<u>12,455,584</u>	<u>12,922,070</u>
Total deductions	<u>1,536,879,026</u>	<u>16,784,843</u>	<u>1,553,663,869</u>	<u>1,441,020,771</u>
Net increase/(decrease)	1,088,568,708	146,384,925	1,234,953,633	(3,596,141,780)
Net assets held in trust for pension benefits				
Beginning of year	<u>11,032,973,403</u>	<u>573,595,265</u>	<u>11,606,568,668</u>	<u>15,202,710,448</u>
End of Year	<u>\$ 12,121,542,111</u>	<u>\$ 719,980,190</u>	<u>\$ 12,841,522,301</u>	<u>\$ 11,606,568,668</u>

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

For both the defined benefit plan and the self-managed plan (SMP), 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, 2010, 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, 2010, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the Statutes for more complete information.

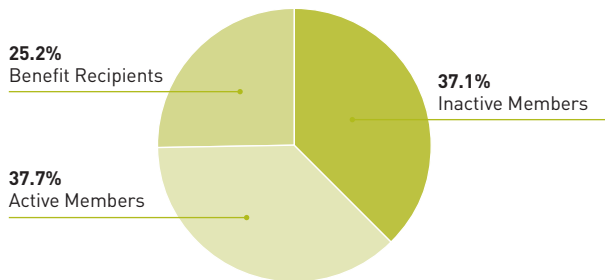
1. Defined Benefit Plan

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.*

Defined Benefit Plan



At June 30, 2010 and 2009, the number of participating employers was:

	2010	2009
Universities	9	9
Community Colleges	39	39
Allied Agencies	15	15
State of Illinois	2	2
	65	65

At June 30, 2010 and 2009, defined benefit plan membership consisted of:

	2010	2009
Benefit Recipients	48,903	46,810
Active Members	72,996	73,699
Inactive Members	71,870	71,280
	193,769	191,789

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.

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

Notes to the Financial Statements

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, 2010, the most recent actuarial valuation date, is as follows (in millions):

Actuarial Value of Assets	Accrued Actuarial Liabilities	Unfunded Accrued Actuarial Liabilities	Funding Ratio*	Covered Payroll	UAAL as % of Covered Payroll
\$13,966.6	\$30,120.4	\$16,153.8	46.4%	\$3,491.1	462.7%

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.

*If calculated using the market value of assets of \$12,121.5, the funding ratio would be 40.2%.

d. Actuarial Value of Assets

The actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year. The use of this actuarial method began with the valuation for the period ending June 30, 2009, as required by Public Act 96-0043, which was signed into law on July 15, 2009.

Calculation of Actuarial Value of Assets (in thousands)

Actuarial Value of Assets at July 1, 2009		\$ 14,281,998.1
Total investment income/(loss)	1,653,852.8	
Less: Projected investment income @ 8.5%	914,268.1	
Investment income/(loss) in excess of projected	739,584.7	
Less: Deferral to smooth asset values over 5 years	591,667.8	
Recognized investment income - current year		147,916.9
Projected investment income		914,268.1
Recognized investment loss - prior years		(812,256.2)
Excess of contributions over disbursements		(565,284.1)
Actuarial value of assets at June 30, 2010		\$ 13,966,642.8

Notes to the Financial Statements

e. Additional actuarial valuation information

Valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	30 years, open
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases**	5.0% - 10.0%
Postretirement benefits	3.0%

*Assumed investment rate of return change from 8.5% in FY2009 to 7.75% in FY2010 by action of the System Board of Trustees.

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

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, 2010 and 2009, the number of SMP participating employers was:

	2010	2009
Universities	9	9
Community Colleges	39	39
Allied Agencies	13	13
State of Illinois	1	1
	62	62

At June 30, 2010 and 2009, the SMP membership consisted of:

	2010	2009
Annuity Benefit Recipients	153	110
Active Members	9,746	9,846
Inactive Members	8,568	6,500
	18,467	16,456

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.

Notes to the Financial Statements

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.

F. Cash and Short-Term Investments

Included in the \$758,435,840 of cash and short-term investments presented in the Statement of Plan Net Assets is \$361,124,491 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. 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.

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 values are reported at the last reported sales price. Certain investments that do not have an established market value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the CFA Institute (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 values on the underlying investments are reported at the last reported sales price.

H. Capital Assets

Capital assets are recorded at historical cost and 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.

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, 2009, from which the summarized comparative information was derived.

Notes to the Financial Statements

K. Reclassification

Certain items in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

L. New Accounting Pronouncements

Effective for the year ending June 10, 2010, the System adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which established accounting and financial reporting for intangible assets. This Statement had no impact on the System's financial statements.

Effective for the year ending June 30, 2010, the System adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which established the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. 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. The System implemented this Statement for the year ended June 30 2010. These disclosures are in Note II.

The Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, has been issued and is effective for all reporting periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of the Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. SURS is required to implement this Statement for the year ending June 30, 2011. Management has currently not determined what impact, if any, this Statement may have on its financial statements.

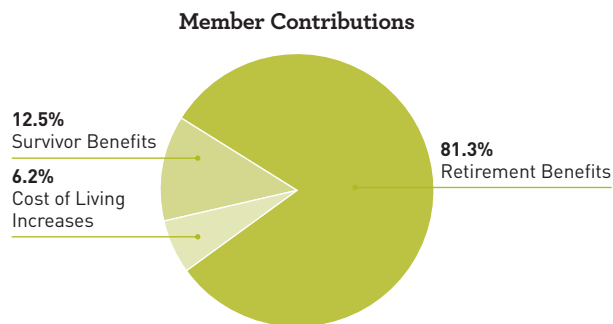
II. Contributions and Net Assets Designations

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.



Notes to the Financial Statements

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 8.0% for the year ended June 30, 2010. As of July 1, 2010, the rate will be 7.5%. 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, 8.0% for fiscal years 2007 and 2008, 8.5% for fiscal year 2009 and 7.5% for fiscal year 2010. As of July 1, 2010, the rate will be 7.0%. 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.

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 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.

As required by Public Act 96-0043 the State of Illinois issued \$3.466 billion in pension obligation notes on January 7, 2010 at an interest rate of 3.854%. The proceeds of these debt securities, taxable with a five-year maturity, were used to fund the state's contribution to the five retirement systems, including \$700.2 million paid to SURS.

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, 2010 are as follows:

Employee contributions	\$ 5,916,288.541
Benefits from employee and employer contributions	6,205,253,570
Total Net Assets	<u>\$ 12,121,542,111</u>

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

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

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.

Notes to the Financial Statements

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.

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 0.5%) 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 2010, the investment income credited to these balances was \$6,142,349.

Balances in these designated accounts as of June 30, 2010 are as follows:

Employee contributions	\$ 670,259,127
Disability benefits	44,490,986
Employer forfeitures	5,230,077
Total Net Assets	<u>\$ 719,980,190</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 \$250,000 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 an 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, 2010, the carrying amount of cash was \$397,311,349 and the bank balance was \$401,662,410, of which \$23,711,170 was foreign currency deposits and was exposed to custodial credit risk. The remaining \$361,124,491 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 an Investment Policy that contains general policies for investments. The Investment Section of this report contains a summary of these policies. Within the prudent expert framework, the SURS Board of Trustees establishes specific investment guidelines in the investment management agreement of each individual investment management firm.

Investment Commitments

Alternative investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to private equity limited partnerships of approximately \$498.0 million and \$534.2 million as of June 30, 2010 and 2009, respectively. The System had outstanding commitments to real estate partnerships of approximately \$134.4 million, to infrastructure partnerships of approximately \$52.8 million and to Public-Private Investment Program (PPIP) partnerships of approximately \$60.7 million at June 30, 2010.

Investments

The carrying values of investments by type at June 30, 2010 are summarized below:

Equity investments	
U.S. equities	\$ 4,711,502,237
Non-U.S. equities	1,932,289,164
U.S. private equity	1,150,802,647
Non-U.S. private equity	66,068,761
Equity futures	(226,303,617)
Fixed income investments	
U.S. government obligations	1,236,036,920
U.S. agency obligations	291,961,587
U.S. corporate fixed income	1,726,726,250
U.S. fixed income, other	-
Non-U.S. fixed income securities	313,659,375
U.S. fixed income derivatives	110,372,956
Non-U.S. fixed income derivatives	1,036,719
U.S. fixed income futures	(112,037,141)
Non-U.S. fixed income futures	(1,036,719)
U.S. short term investments	615,775,522
Non-U.S. short term investments	33,598,216
U.S. swaps and options	17,129,887
Non-U.S. swaps and options	3,145,042
Real estate investments	
Real estate	266,184,186
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	667,015,195
Total Investments	\$ 12,803,927,187

- (a) Fixed income investments presented in this table include \$361,124,491 of short-term investments with maturities of less than 90 days and \$278,897,479 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 \$57,986,970 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, 2010, 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, 2010, SURS had no investments in any one issuer that represented 5% or more of the System's total investments.

Credit Risk of Debt Securities

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill obligations. SURS has not adopted a formal policy specific to credit risk of debt securities. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. The quality ratings of investments in fixed income securities of the System as described by Standard & Poor's rating agency at June 30, 2010 are as follows:

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	\$ 948,612,705	\$ 139,324,920	\$ 1,087,937,625
AA+	87,488,922	34,710,369	122,199,291
AA	49,797,094	46,857,941	96,655,035
AA-	307,234,609	13,483,588	320,718,197
A+	132,609,142	41,505,140	174,114,282
A	232,763,550	29,641,488	262,405,038
A-	75,918,693	29,999,522	105,918,215
BBB+	86,941,980	17,905,047	104,847,027
BBB	95,221,288	18,934,047	114,155,335
BBB-	98,521,577	15,062,771	113,584,348
BB+	29,600,708	1,716,040	31,316,748
BB	44,955,073	1,090,640	46,045,713
BB-	30,597,367	2,534,150	33,131,517
B+	25,621,906	617,160	26,239,066
B	22,492,474	2,124,592	24,617,066
B-	30,728,964	-	30,728,964
CCC+	8,483,850	-	8,483,850
CCC	57,913,319	-	57,913,319
CCC-	250,871	-	250,871
CC	12,471,588	-	12,471,588
C	669,525	916,000	1,585,525
D	2,111,008	-	2,111,008
Not rated	46,151,536	3,128,278	49,279,814
Total credit risk: debt securities	2,427,157,749	399,551,693	2,826,709,442
U.S. government and agencies *	1,251,363,322	-	1,251,363,322
Total debt securities investments	\$ 3,678,521,071	\$ 399,551,693	\$ 4,078,072,764

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Includes \$15,326,402 from self-managed plan mutual fund.

** Includes \$75,250,769 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, 2010, the segmented time distribution of the various investment types of debt securities of the System are as follows:

Type	2010 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 *	\$ 1,903,378,705	\$ 371,262,743	\$ 291,041,053	\$ 548,575,384	\$ 289,858,986	\$ 402,640,539
U.S. corporate fixed income **	1,775,142,366	53,887,963	740,314,129	439,765,167	75,827,249	465,347,858
Non-U.S. fixed income	399,551,693	65,223,238	211,464,534	77,421,513	10,655,458	34,786,950
Total	<u>\$ 4,078,072,764</u>	<u>\$ 490,373,944</u>	<u>\$1,242,819,716</u>	<u>\$ 1,065,762,064</u>	<u>\$ 376,341,693</u>	<u>\$ 902,775,347</u>

* Includes \$15,326,402 from self-managed plan mutual fund.

** Includes \$75,250,769 from self-managed plan variable annuities and mutual funds.

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, 2010 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	\$ 83,059,805	\$ 10,032,996	\$ 93,092,801
Brazilian real	12,257,640	649,154	12,906,794
British pound sterling	249,571,226	8,262,186	257,833,412
Canadian dollar	51,057,280	16,256,732	67,314,012
Chinese yuan renminbi	-	22,049,770	22,049,770
Danish krone	9,512,263	514,326	10,026,589
Euro	350,452,337	7,986,613	358,438,950
Hong Kong dollar	82,636,598	1,572,538	84,209,136
Indonesian rupiah	339,076	1,018,300	1,357,376
Japanese yen	226,079,316	24,366,052	250,445,368
Malaysian ringgit	748,996	1,336,126	2,085,122
Mexican peso	2,036,718	340,216	2,376,934
New Israeli shekel	1,187,854	951	1,188,805
New Taiwan dollar	20,479,508	1,089,974	21,569,482
New Zealand dollar	1,225,640	80,681	1,306,321
Norwegian krone	9,801,400	1,179,620	10,981,020
Philippine peso	171,607	-	171,607
Polish zloty	354,961	-	354,961
Singapore dollar	39,023,715	931,082	39,954,797
South African rand	709,757	32,994	742,751
South Korean won	15,189,469	2,264,775	17,454,244
Swedish krona	12,599,440	2,902,502	15,501,942
Swiss franc	96,483,335	169,920	96,653,255
Thai baht	8,555,069	58,604	8,613,673
Turkish lira	262,297	-	262,297
Total securities subject to foreign currency risk	1,273,795,307	103,096,112	1,376,891,419
Foreign investments denominated in U.S. Dollars	672,116,639	274,141,173	946,257,812
Total foreign investment securities	\$ 1,945,911,946	\$ 377,237,285	\$ 2,323,149,231

* Includes Swaps, Options and Short-Term Investments

Notes to the Financial Statements

Derivative Securities

During the year ended June 30, 2010, the System implemented GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* with respect to investments held in derivative securities. A derivative security is an investment whose value is derived from other financial instruments such as commodity prices, bond and stock prices, or a market index. The System's derivatives are considered investments. The fair value of all derivative financial instruments is reported in the Statement of Plan Net Assets as either assets or liabilities, and the change in the fair value is recorded in the Statement of Changes in Plan Net Assets as net appreciation in fair value of investments.

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements. As of June 30, 2010, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions.

Foreign currency forward contracts are used to protect 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. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the investment income in the Statement of Changes in Plan Net Assets. At June 30, 2010, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2010	Fair Value 2009
Australian dollar	\$ 7,559,524	\$ (472,666)	\$ 7,086,858	\$ (19,890)
Brazilian real	-	(1,257,046)	(1,257,046)	(25,855)
British pound sterling	11,043,523	(19,070,701)	(8,027,178)	(675,636)
Canadian dollar	15,612,100	(9,497,630)	6,114,470	21
Chinese yuan renminbi	22,049,770	-	22,049,770	(281,300)
Danish krone	503,862	-	503,862	-
Euro	41,545,302	(123,185,564)	(81,640,262)	(666,356)
Hong Kong dollar	3,549,438	(270,577)	3,278,861	(2)
Indian rupee	783,329	(783,329)	-	-
Indonesian rupiah	1,831,034	(813,705)	1,017,329	-
Japanese yen	31,853,036	(17,120,157)	14,732,879	21,778
Malaysian ringgit	1,980,557	(644,895)	1,335,662	-
Mexican peso	2,744,823	(2,627,921)	116,902	(7,844)
New Taiwan dollar	459,826	(1,291,877)	(832,051)	-
New Zealand dollar	-	-	-	(89,896)
Norwegian krone	63,344	(3,504,417)	(3,441,073)	(8,638)
Philippine peso	1,757,191	(1,757,191)	-	-
Singapore dollar	5,051,930	(3,606,148)	1,445,782	(16,868)
South African rand	-	(83,607)	(83,607)	-
South Korean won	12,581,336	(10,505,095)	2,076,241	-
Swedish krona	2,040,519	(290,794)	1,749,725	-
Swiss franc	625,996	(472,303)	153,693	(6,397)
Total securities subject to foreign currency risk	\$ 163,636,440	\$ (197,255,623)	\$ (33,619,183)	\$ (1,776,881)
Foreign investments denominated in U.S. dollars	206,173,742	(165,673,647)	40,500,095	23,494
Total foreign investment securities	\$ 369,810,182	\$ (362,929,270)	\$ 6,880,912	\$ (1,753,387)

Notes to the Financial Statements

SURS investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, SURS investment managers use futures contracts to improve the yield or adjust the duration of the fixed income portfolio. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing the System's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. The cash or securities to fulfill these obligations are held in the investment portfolio. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Plan Net Assets. At June 30, 2010, the notional future balances of SURS' investments are as follows:

	Notional Value 2010	Notional Value 2009
Equity derivatives futures		
Long	\$ 226,303,617	\$ 161,570,015
Fixed income derivatives futures		
Long	478,109,025	750,702,359
Short	(75,863,453)	(43,459,969)
Total Futures	\$ 628,549,189	\$ 868,812,405

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. At June 30, 2010, SURS' investments had the following option balances:

	Fair Value 2010	Fair Value 2009
Equity options		
Call	\$ (5,288)	\$ -
Put	(364,250)	-
Fixed income options		
Call	(1,642,792)	(165,683)
Put	(56,748)	(114,189)
Cash and cash equivalent options		
Call	(7,950)	300,048
Put	(153,832)	(95,896)
Swaptions		
Call	(4,468,912)	7,438,226
Put	477,104	(2,179,938)
Total Options	\$ (6,222,668)	\$ 5,182,568

SURS fixed income managers invest in swaps and swaptions to manage exposure to credit, currency, inflation and interest rate risks. Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. At June 30, 2010, the fair value of swaptions was \$6.2 million. Swap agreements are privately negotiated agreements with a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. In connection with swap agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default, bankruptcy or insolvency. Swaps are marked to market daily based upon values from third party vendors or quotations from market makers to the extent available and any change in value is recorded as an unrealized gain or loss. SURS investment managers have entered into credit default, inflation-linked, total return and interest rate swap agreements.

	Fair Value 2010	Maturities in Years				
		Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years
Swaps						
Credit default	\$ 11,352,930	\$ 31,280	\$ 2,680,872	\$ 7,313,201	\$ -	\$ 1,327,577
Inflation-linked	90,758	71,561	-	19,197	-	-
Interest rate	(9,796,116)	448,681	3,577,963	(5,010,732)	(8,812,028)	-
Total return	(65,222,133)	(65,222,133)	-	-	-	-
Total swaps	<u>\$(63,574,561)</u>	<u>\$(64,670,611)</u>	<u>\$6,258,835</u>	<u>\$2,321,666</u>	<u>\$(8,812,028)</u>	<u>\$1,327,577</u>

Credit default swap agreements involve one party making a stream of payments (the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index. The seller of protection generally receives from the buyer of protection a fixed rate of income throughout the term of the swap provided there is no credit event. The seller effectively adds leverage to its portfolio as it is subject to investment exposure on the notional amount of the swap. At June 30, 2010, the total notional value of written credit default swaps (selling protection) was (\$386.1) million and the notional value of purchased credit default swaps (buying protection) was \$386.1 million. The fair value of credit default swaps at June 30, 2010, was \$11.3 million.

Inflation-linked swap agreements involve a stream of fixed payments in exchange for variable payments linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are utilized to transfer inflation risk from one counterparty to another. At June 30, 2010, the fair value of the inflation-linked swaps was \$0.1 million.

Total return swap agreements involve a stream of payments based on a set rate, either fixed or variable, by one party while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset (reference asset), usually an equity index, loans, or bonds, is owned by the party receiving the set rate payments. These swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without owning it. The fair value of total return swaps was (\$65.2) million at June 30, 2010.

Interest rate swap agreements involve the exchange of a set of variable and fixed-rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. These agreements are used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would be available without the swap. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Assets. The fair value of swaps at June 30, 2010, is as follows:

Counterparty	Notional Amount	SURS Rate	Counterparty Rate	Fair Value 2010	Fair Value 2009	Pay Fixed / Receive Fixed
Credit Suisse First Boston	\$ 6,400,000	3.6000%	LIBOR (a)	\$ (361,158)	\$ -	pay fixed
Credit Suisse International	1,700,000	3.8275%	LIBOR (a)	(136,302)	-	pay fixed
Credit Suisse International	5,600,000	1.2425%	LIBOR (a)	(40,316)	-	pay fixed
Credit Suisse International	6,800,000	2.4622%	LIBOR (a)	(186,616)	-	pay fixed
Credit Suisse First Boston	14,500,000	4.5850%	LIBOR (a)	(2,241,831)	(1,334,914)	pay fixed
Deutsche Bank	11,900,000	3.9630%	LIBOR (a)	(1,102,756)	-	pay fixed
Deutsche Bank	3,300,000	4.6800%	LIBOR (a)	(540,885)	(530,233)	pay fixed
Deutsche Bank	3,600,000	3.5000%	LIBOR (a)	(173,158)	-	pay fixed
Deutsche Bank	4,300,000	4.3500%	LIBOR (a)	(516,216)	-	pay fixed
Goldman Sachs & Company	2,400,000	4.4575%	LIBOR (a)	(348,067)	-	pay fixed
Goldman Sachs Bank	6,300,000	2.4875%	LIBOR (a)	(157,955)	-	pay fixed
Goldman Sachs Bank	13,500,000	1.2275%	LIBOR (a)	(92,197)	-	pay fixed
Goldman Sachs Bank	2,700,000	3.8813%	LIBOR (a)	(230,873)	-	pay fixed
Goldman Sachs Bank	3,000,000	3.9450%	LIBOR (a)	(273,201)	-	pay fixed
Bank of America	1,800,000	5.0000%	LIBOR (a)	(364,452)	-	pay fixed
Bank of America	800,000	5.0000%	LIBOR (a)	(161,979)	-	pay fixed
Bank of America	12,000,000	5.0000%	LIBOR (a)	(2,429,681)	-	pay fixed
Bank of America	13,000,000	5.0000%	LIBOR (a)	(2,632,154)	-	pay fixed
Bank of America	6,700,000	5.0000%	LIBOR (a)	(1,356,572)	-	pay fixed
Bank of America	1,200,000	5.0000%	LIBOR (a)	(242,968)	-	pay fixed
Bank of America	2,100,000	5.0000%	LIBOR (a)	(425,194)	-	pay fixed
Barclays Capital Securities	10,100,000	5.0000%	LIBOR (a)	(2,044,981)	(1,071,673)	pay fixed
Barclays Capital Securities	300,000	5.0000%	LIBOR (a)	(60,742)	-	pay fixed
Goldman Sachs Bank	2,700,000	4.0000%	LIBOR (a)	(242,183)	-	pay fixed
Morgan Stanley Capital Services	5,100,000	4.0000%	LIBOR (a)	(457,457)	-	pay fixed
Royal Bank of Scotland	7,600,000	4.0000%	LIBOR (a)	(670,249)	-	pay fixed
Royal Bank of Scotland	3,200,000	4.0000%	LIBOR (a)	(287,032)	-	pay fixed
Royal Bank of Scotland	18,300,000	4.0000%	LIBOR (a)	(1,641,462)	-	pay fixed
Credit Suisse International	5,100,000	LIBOR (a)	2.5700%	157,579	-	receive fixed
Deutsche Bank	10,300,000	LIBOR (a)	3.7530%	731,897	-	receive fixed
Deutsche Bank	3,000,000	LIBOR (a)	3.6690%	183,387	-	receive fixed
Deutsche Bank	12,300,000	LIBOR (a)	3.7530%	874,022	-	receive fixed
Deutsche Bank	6,300,000	LIBOR (a)	2.5031%	148,841	-	receive fixed
Deutsche Bank	12,300,000	LIBOR (a)	1.3650%	119,140	-	receive fixed
Deutsche Bank	1,300,000	LIBOR (a)	3.6730%	79,798	-	receive fixed
Deutsche Bank	2,800,000	LIBOR (a)	3.9350%	281,132	-	receive fixed
Deutsche Bank	3,600,000	LIBOR (a)	2.0000%	105,762	-	receive fixed
Deutsche Bank	9,100,000	LIBOR (a)	3.7530%	646,634	-	receive fixed
Deutsche Bank	8,300,000	LIBOR (a)	2.3450%	122,907	-	receive fixed
Goldman Sachs & Company	12,400,000	LIBOR (a)	5.1580%	289,168	746,319	receive fixed
Goldman Sachs & Company	5,900,000	LIBOR (a)	3.7775%	447,202	294,121	receive fixed
Goldman Sachs & Company	15,600,000	LIBOR (a)	2.3300%	219,773	-	receive fixed
Goldman Sachs & Company	14,500,000	LIBOR (a)	3.5975%	1,100,043	762,802	receive fixed
Goldman Sachs Bank	9,800,000	LIBOR (a)	1.1563%	49,674	-	receive fixed
Goldman Sachs Bank	2,400,000	LIBOR (a)	3.5100%	132,953	-	receive fixed
Goldman Sachs Bank	2,700,000	LIBOR (a)	2.7925%	143,291	-	receive fixed
Bank of America	4,800,000	LIBOR (a)	3.0000%	148,540	-	receive fixed
Barclays Capital Securities	2,600,000	CDI (b)	12.2850%	22,300	-	receive fixed
Barclays Capital Securities	600,000	CDI (b)	10.8350%	1,147	-	receive fixed
Barclays Capital Securities	8,000,000	TIIE (e)	7.3400%	24,134	-	receive fixed
Barclays Capital Securities	1,300,000	LIBOR (a)	3.0000%	40,230	-	receive fixed
Barclays Capital Securities	400,000	LIBOR (a)	4.0000%	37,900	-	receive fixed
Barclays Capital Securities	2,600,000	LIBOR (a)	3.0000%	80,459	-	receive fixed
Barclays Capital Securities	2,000,000	LIBOR (a)	2.1000%	66,829	-	receive fixed
Barclays Capital Securities	3,000,000	CDI (b)	12.5400%	106,905	-	receive fixed
Barclays Capital Securities	1,000,000	LIBOR (a)	2.0900%	32,585	-	receive fixed

Counterparty	Notional Amount	SURS Rate	Counterparty Rate	Fair Value 2010	Fair Value 2009	Pay Fixed / Receive Fixed
Barclays Capital Securities	\$ 3,900,000	LIBOR (a)	3.0000%	\$ 130,317	\$ -	receive fixed
BNP	1,400,000	CDI (b)	11.8800%	2,107	-	receive fixed
Citibank N.A.	27,000,000	TIIE (e)	7.3300%	80,576	-	receive fixed
Citibank N.A.	1,300,000	LIBOR (a)	3.0000%	40,230	-	receive fixed
Citibank N.A.	300,000	LIBOR (a)	4.0000%	28,425	-	receive fixed
Credit Suisse First Boston	7,800,000	CDI (b)	12.4800%	45,884	-	receive fixed
Credit Suisse International	1,100,000	LIBOR (a)	3.0000%	34,040	-	receive fixed
Credit Suisse	200,000	CDI (b)	11.7600%	1,039	-	receive fixed
Deutsche Bank	3,500,000	LIBOR (a)	4.0000%	243,874	-	receive fixed
Deutsche Bank	700,000	LIBOR (a)	4.0000%	48,775	-	receive fixed
Deutsche Bank	24,800,000	BB (d)	4.5000%	(70,218)	(81,794)	receive fixed
Deutsche Bank	1,300,000	LIBOR (a)	3.0000%	40,230	-	receive fixed
Goldman Sachs & Company	1,400,000	CDI (b)	11.6700%	20,800	-	receive fixed
Goldman Sachs & Company	2,200,000	CDI (b)	11.9300%	5,078	-	receive fixed
Goldman Sachs Bank	5,600,000	CDI (b)	11.8900%	11,544	-	receive fixed
Goldman Sachs Bank	3,000,000	CDI (b)	12.6500%	50,591	-	receive fixed
Goldman Sachs Bank	600,000	CDI (b)	10.9900%	954	-	receive fixed
HSBC Bank	300,000	CDI (b)	14.7650%	23,436	11,304	receive fixed
HSBC Bank	1,500,000	CDI (b)	11.8900%	3,092	-	receive fixed
HSBC Bank	6,900,000	CDI (b)	11.3600%	32,818	-	receive fixed
HSBC Bank	1,200,000	CDI (b)	11.6700%	17,829	-	receive fixed
HSBC Bank	200,000	CDI (b)	11.1400%	1,282	-	receive fixed
HSBC Bank	2,800,000	CDI (b)	11.8900%	5,772	-	receive fixed
HSBC Bank	1,800,000	CDI (b)	11.3600%	8,561	-	receive fixed
HSBC Bank	1,200,000	CDI (b)	11.1400%	7,691	-	receive fixed
HSBC Bank	1,000,000	CDI (b)	11.8800%	226	-	receive fixed
HSBC Bank	700,000	CDI (b)	12.3000%	6,275	-	receive fixed
JP Morgan Chase Bank/HSBCSI	500,000	CDI (b)	12.1700%	3,342	-	receive fixed
JP Morgan Chase Bank/HSBCSI	2,900,000	CDI (b)	12.1700%	19,381	-	receive fixed
JP Morgan Chase Bank/HSBCSI	23,000,000	TIIE (e)	7.3300%	68,639	-	receive fixed
JP Morgan Chase Bank/HSBCSI	700,000	LIBOR (a)	3.0000%	21,662	-	receive fixed
JP Morgan Chase Bank/HSBCSI	37,700,000	CDI (b)	11.5700%	184,917	-	receive fixed
JP Morgan Chase Bank/HSBCSI	11,600,000	CBK (c)	5.8000%	147,667	(43,925)	receive fixed
JP Morgan Chase Bank/HSBCSI	4,000,000	CBK (c)	5.8000%	50,919	-	receive fixed
JP Morgan Chase Bank/HSBCSI	5,500,000	CBK (c)	5.8000%	70,014	-	receive fixed
Merrill Lynch Capital Services	8,300,000	CDI (b)	11.9000%	10,408	-	receive fixed
Merrill Lynch Capital Services	2,200,000	CBK (c)	5.8000%	28,006	-	receive fixed
Merrill Lynch International	1,200,000	CDI (b)	10.9900%	1,908	-	receive fixed
Merrill Lynch Pierce Fenner & Smith	5,300,000	CDI (b)	11.9800%	119,580	-	receive fixed
Merrill Lynch Pierce Fenner & Smith	1,000,000	CDI (b)	14.7650%	78,119	37,681	receive fixed
Morgan Stanley Capital Services	1,400,000	CDI (b)	11.9800%	4,460	-	receive fixed
Morgan Stanley Capital Services	7,400,000	CDI (b)	11.6000%	101,524	-	receive fixed
Morgan Stanley Capital Services	4,200,000	CDI (b)	12.5900%	31,151	-	receive fixed
Morgan Stanley Capital Services	3,000,000	CDI (b)	12.5100%	41,673	-	receive fixed
Morgan Stanley Capital Services	1,100,000	CDI (b)	11.6300%	(5,029)	-	receive fixed
Morgan Stanley Capital Services	10,500,000	LIBOR (a)	2.0000%	152,767	-	receive fixed
Morgan Stanley Capital Services	500,000	LIBOR (a)	4.0000%	47,161	-	receive fixed
Morgan Stanley Capital Services	700,000	LIBOR (a)	3.0000%	21,662	-	receive fixed
Morgan Stanley Capital Services	1,300,000	CDI (b)	11.9800%	4,141	-	receive fixed
Morgan Stanley Capital Services	8,000,000	LIBOR (a)	3.0000%	247,567	-	receive fixed
Royal Bank of Canada	9,400,000	CBK (c)	5.8000%	119,661	(75,072)	receive fixed
Royal Bank of Canada	3,000,000	CDI (b)	12.1800%	20,501	-	receive fixed
Royal Bank of Scotland	1,800,000	LIBOR (a)	4.0000%	125,421	-	receive fixed
Royal Bank of Scotland	600,000	LIBOR (a)	4.0000%	41,807	-	receive fixed
Royal Bank of Scotland	1,300,000	CDI (b)	12.0800%	3,386	-	receive fixed

Counterparty	Notional Amount	SURS Rate	Counterparty Rate	Fair Value 2010	Fair Value 2009	Pay Fixed / Receive Fixed
Royal Bank of Scotland	\$ 400,000	LIBOR (a)	4.0000%	\$ 37,027	\$ 89,158	receive fixed
Royal Bank of Scotland	400,000	LIBOR (a)	4.0000%	37,729	-	receive fixed
Royal Bank of Scotland	12,900,000	LIBOR (a)	3.0000%	399,202	-	receive fixed
Royal Bank of Scotland	1,400,000	LIBOR (a)	4.0000%	132,650	-	receive fixed
Royal Bank of Scotland	100,000	LIBOR (a)	4.0000%	9,475	-	receive fixed
Royal Bank of Scotland	2,400,000	CBK (c)	5.8000%	30,552	-	receive fixed
UBS AG	3,100,000	CDI (b)	12.5400%	110,469	-	receive fixed
UBS AG	6,200,000	CDI (b)	10.5750%	(119,893)	-	receive fixed
UBS/Warburg Securities	1,500,000	CDI (b)	12.0700%	7,435	-	receive fixed
Total interest rate swaps	\$ 625,100,000	-	-	\$ (9,796,116)	\$ (1,196,227)	-

- (a) Three month London Interbank Offered Rate (LIBOR)
(b) Cetip Interbank Deposit (CDI)
(c) Three month Canadian Offered Dealer Rate (CBK)
(d) Three month Bank Bill Swap Rate (BB)
(e) Three month Tasa de Interes Interbandcaria de Equilibrio (TIIE)

Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. The maximum loss that would be recognized at June 30, 2010, if all counterparties fail to perform as contracted is \$36,760,324. This maximum exposure is reduced by \$46,412,371 in collateral held and \$97,436,762 of liabilities, resulting in no net exposure to credit risk. At June 30, 2010, the counterparties' credit ratings for currency forwards, swaptions and swaps subject to credit risk are as follows:

Quality Rating: Standard & Poor's	Forwards*	Swaptions	Swaps	Total
AA	\$ -	\$ (596,532)	\$ 153,882	\$ (442,650)
AA-	1,889,112	-	393,343	2,282,455
A+	4,105,449	(2,850,582)	(55,577,335)	(54,322,468)
A	895,370	(544,694)	(8,544,451)	(8,193,775)
Total subject to credit risk	\$ 6,889,931	\$(3,991,808)	\$(63,574,561)	\$ (60,676,438)

* Spot currency contracts settle within two days, are equivalent assets that have no counterparty credit ratings, and are not included with forwards on the Quality Ratings table.

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 AG, 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 as a result of its securities lending program as the collateral received exceeded the fair value of the securities loaned. 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 1.08 days. Cash collateral is invested in the System's short-term investment pool, which at year end has a weighted average final maturity of 136 days and a weighted average reset of 27.48 days, and with a fair value of \$1,940.7 million.

Collateral as of June 30, 2010 (\$ millions)

Fair value of cash collateral invested	\$ 1,940.7
Fair value of collateral received	\$ 1,935.3
Change in fair value*	\$ 5.4

*Included in net appreciation in fair value of investments in Statement of Changes in Plan Net Assets.

Notes to the Financial Statements

Self-Managed Plan

The SMP participants have the ability to invest their account balances in 51 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, 2010, the SMP had investments of \$716,730,589. A detailed schedule (unaudited) of the funds and balances at June 30, 2010 is located in the Investment Section of The Comprehensive Annual Financial Report.

IV. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 531,834	\$ -	\$ -	\$ 531,834
Office building	6,362,571	534,219	-	6,896,790
Information system equipment & software	14,336,578	263,205	11,327	14,588,456
Furniture and fixtures	2,121,368	-	-	2,121,368
	<u>23,352,351</u>	<u>797,424</u>	<u>11,327</u>	<u>24,138,448</u>
Less accumulated depreciation:				
Office building	2,016,290	126,000	-	2,142,290
Information system equipment and software	12,834,588	736,171	11,327	13,559,432
Furniture and fixtures	1,917,810	110,003	-	2,027,813
	<u>16,768,688</u>	<u>972,174</u>	<u>11,327</u>	<u>17,729,535</u>
	<u>\$ 6,583,663</u>	<u>\$ (174,750)</u>	<u>\$ -</u>	<u>\$ 6,408,913</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, 2010, the System had a liability of \$1,099,057 for compensated absences, based upon the vesting method used for calculation of sick leave payable. The liability is included in the administrative expenses payable on the Statement of Plan Net Assets, and the annual increase or decrease in liability is reflected in the financial statements as an increase or decrease in salary expense.

Compensated absences payable for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	<u>\$ 1,084,979</u>	<u>\$ 71,304</u>	<u>\$ 57,226</u>	<u>\$ 1,099,057</u>	<u>\$ 115,000</u>

Notes to the Financial Statements

VI. Insurance Coverage

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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 five 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.

VIII. Subsequent Event

On April 14, 2010, Governor Quinn signed Senate Bill 1946 (now Public Act 96-0889) into law. The resulting changes to the Illinois Pension Code made no change to pension benefits for current employees or annuitants, who would be considered Tier 1 members. Any member who elects the self-managed plan is Tier 1, regardless of their date of first employment. Code changes modify SURS benefits for new employees electing to participate in the defined benefit plan on or after January 1, 2011 only, who would be considered Tier 2 members. SURS, in conjunction with other Illinois Reciprocal Retirement Systems, continues to analyze this legislation to ensure consistent interpretation.

SURS has evaluated subsequent events for potential recognition and/or disclosure through December 13, 2010, the date the financial statements were available to be issued.

Required Supplementary Information

Defined Benefit Plan

Schedule of Funding Progress (\$ millions)

Fiscal Year**	Actuarial Value of Assets (A)	Accrued Actuarial Liabilities	Unfunded Accrued Actuarial Liabilities	Funding Ratio	Payroll	UAAL as % of Payroll
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%
2009	14,282.0	26,316.2	12,034.2	54.3%	3,463.9	347.4%
2010	13,966.6	30,120.4	16,153.8	46.4%	3,491.1	462.7%

(A) Per public Act 96-0043, beginning fiscal year 2009, measures of financial soundness will be calculated using an actuarial value of assets based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

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
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%
2009	1,147.3	273.3	874.0	451.6	51.7%	63.2%
2010	1,278.3	275.0	1,003.3	696.6	69.4%	76.0%

*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, 2010 and 2009

	2010	2009
Personnel services		
Salary and wages	\$ 6,343,007	\$ 6,267,121
Retirement contributions	598,565	607,784
Insurance and payroll taxes	1,573,896	1,570,313
	<u>8,515,468</u>	<u>8,445,218</u>
Professional Services		
Computer services	527,460	547,346
Medical consultation	17,706	23,484
Technical and actuarial	477,612	517,885
Legal services	324,778	483,615
	<u>1,347,556</u>	<u>1,572,330</u>
Communications		
Postage	260,939	416,877
Printing and copying	84,785	122,000
Telephone	94,599	88,921
	<u>440,323</u>	<u>627,798</u>
Other Services		
Equipment repairs, rental and maintenance	76,788	71,760
Building operations and maintenance	228,966	284,790
Surety bonds and insurance	203,873	396,654
Memberships and subscriptions	37,532	47,006
Transportation and travel	147,142	127,768
Education	30,804	18,138
Supplies	107,580	89,834
	<u>832,685</u>	<u>1,035,950</u>
Depreciation and amortization	<u>972,149</u>	<u>877,550</u>
Total administrative expenses - DB Plan	<u>\$ 12,108,181</u>	<u>\$ 12,558,846</u>
Self Managed Plan		
Salary and wages	229,824	240,178
Retirement contributions	21,904	23,538
Insurance and payroll taxes	55,705	56,120
Technical and actuarial	8,000	8,000
Postage	20,564	20,869
Transportation and travel	2,438	1,634
Printing	8,968	12,885
	<u>347,403</u>	<u>363,224</u>
Total administrative expenses - SMP	<u>\$ 347,403</u>	<u>\$ 363,224</u>
Total administrative expenses	<u>\$ 12,455,584</u>	<u>\$ 12,922,070</u>

Supporting Schedules

Defined Benefit Plan

Summary Schedule of Consultant Payments

For the Years Ended June 30, 2010 and 2009

	2010	2009
Defined benefit plan		
Technical and actuarial services:		
Berwyn Group	\$ 4,025	\$ 3,951
Careerbuilders	-	1,400
Centurion	869	33,000
Corley Photography	865	-
Economic Research	4,989	4,578
EFL Associates	80,283	78,392
Alice Faron	-	790
Gabriel, Roeder, Smith & Co.	147,161	166,189
GII of Illinois	19,500	15,000
Governmental Consulting Solutions	36,000	36,000
ICS/Merrill	920	9,394
INFRE	900	1,937
JP Morgan Chase	-	106
McLagan	2,500	2,500
Meador Investigations	1,745	1,915
Miscellaneous	1,140	3,642
Morrill and Associates	48,000	48,000
Open position advertising	4,918	3,613
Recruitment/Relocation	15,893	-
Reed Group	1,185	1,470
Smith Investigations	225	-
SUAA	-	2,043
The Northern Trust	86,150	85,959
University of Illinois	4,500	1,100
Woolard Marketing Consultants	15,844	16,906
	<u>477,612</u>	<u>517,885</u>
Legal services		
Areawide Reporting Services	3,195	1,521
Burke, Burns & Pinelli	151,998	72,746
Investors Responsibility Support Services	25,000	25,000
Mayer Brown LLP	99,141	331,852
Thomas, Mamer & Haughey	22,331	36,936
Winters, Featherstun, et al	23,113	15,560
	<u>324,778</u>	<u>483,615</u>
Self-managed plan		
Technical and actuarial services:		
Ennis, Knupp Investment Consulting	8,000	8,000
	<u>8,000</u>	<u>8,000</u>
Total consultant payments	<u>\$ 810,390</u>	<u>\$ 1,009,500</u>

Supporting Schedules

Defined Benefit Plan

Summary Schedule of Investment Fees, Commissions, and Administrative Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Master trustee & custodian		
The Northern Trust Company	\$ 1,058,006	\$ 996,475
Investment manager		
Aberdeen Asset Management	1,238,663	742,318
Adams Street Partners	4,479,557	3,773,464
Alinda Capital Partners	1,385,616	-
Angelo Gordon GECC	803,056	-
Ariel Capital Management	-	24,802
Barclays Global Investors	387,638	2,442,227
BlackRock Financial Management	4,192,526	732,796
Calamos Advisors	729,877	431,923
Capital Guardian Trust Company	488,562	1,025,284
Dune Capital Management	1,309,574	-
GlobeFlex Capital, L.P.	243,182	226,671
ING Clarion Real Estate Securities	929,511	755,899
Jacobs Levy Equity Management	771,844	579,368
Longfellow Investment Management	12,526	-
Macquarie Capital	1,351,788	-
Manager Development Program	1,619,015	874,703
Martin Currie, Inc.	1,520,079	1,343,404
Metropolitan West Asset Management	1,180,690	205,254
Mondrian Investment Partners	480,394	507,530
Muller and Monroe	405,806	625,000
New Century Advisors	28,648	-
Northern Trust Investments	152,702	133,215
Oaktree Capital Management	2,149	-
Pacific Investment Management Company	14,708,190	2,298,995
Pantheon Ventures	2,575,329	2,798,834
Paradigm Asset Management	58,268	62,088
Payden & Rygel	628,276	451,353
Piedmont Investment Advisors	114,496	169,737
Progress Investment Management Company	1,279,161	753,556
Pyramis Global Advisors Trust Company	344,946	628,798
RhumbLine Advisers	162,732	156,885
RLJ Western Asset Management	162,971	-
RREEF	1,676,528	1,936,953
T. Rowe Price	1,687,422	825,286
Taplin, Canida & Habacht	65,511	58,888
UBS Realty Investors	1,193,020	1,181,688
Wellington Management Company	800,604	820,528
Western Asset Management	1,508,041	408,225
	<u>50,678,898</u>	<u>26,975,672</u>
Investment consultant, measurement & counsel		
EnnisKnupp + Associates, Inc.	383,500	343,668
Mayer, Brown, Rowe & Maw	248,751	135,549
Bryan Cave	25,000	-
	<u>657,251</u>	<u>479,217</u>
Investment administrative expenses		
Personnel	903,288	774,149
Resources, board and travel	131,688	107,894
Performance measurement and database	95,350	97,550
	<u>1,130,326</u>	<u>979,593</u>
Total investment expenses	<u>\$ 53,524,481</u>	<u>\$ 29,430,957</u>

Supporting Schedules

Defined Benefit Plan Summary Schedule of Cash Receipts and Disbursements For the Year Ended June 30, 2010 (\$ millions)

Beginning cash and short-term investments balance	\$ 543.7
Receipts	
Member contributions	\$ 275.8
Employer contributions	695.8
Investment income (loss)	1,693.7
Investments redeemed	65,121.4
Total receipts	<u>\$ 67,786.7</u>
Disbursements	
Benefit payments	\$ 1,474.9
Administrative expenses	12.2
Investment expenses	51.1
Fixed asset purchases	.8
Refunds	46.4
SMP balance transfers	.9
Investments purchased	65,985.7
Total disbursements	<u>\$ 67,572.0</u>
Ending cash and short-term investments balance	<u>\$ 758.4</u>

INVESTMENTSECTION

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010



Giving You Our Best

Growing and protecting System assets through sound investment and risk management



A COMPONENT UNIT OF THE STATE OF ILLINOIS

Letter of Certification

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



Northern Trust

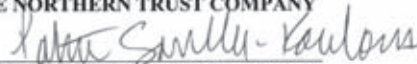
To the Board of Trustees and the Executive Director:

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, 2009 through June 30, 2010.

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 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 transaction in accordance with the instructions of appointed Investment Managers.
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. Transfer securities to a lending agent appointed by the Board of Trustees pursuant to directions from such lending agent.
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; 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.

THE NORTHERN TRUST COMPANY

By: 
 Patricia Somerville-Koulouris, 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

November 1, 2010

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

Following is discussion of the Investment Section of the State Universities Retirement System (SURS) Comprehensive Annual Financial Report for fiscal year 2010. SURS remains a large and mature defined benefit investment program with a portfolio value of over \$12.1 billion for the fiscal year ending June 30, 2010. In addition, the Self-Managed Plan (SMP), a defined contribution structure, continues to increase in size with assets in excess of \$700 million.

Over the past year, while continuing to experience volatile market conditions, the investment program performed favorably. The SURS Investment Portfolio returned 15.0%, net of investment management fees, for the fiscal year ended June 30, 2010. The portfolio trailed its benchmark goal for the fiscal year by 1.0% primarily as a result of private equity investment performance. That said, benchmarking private market investments is imperfect, and although the private equity program lagged its public market benchmark, absolute investment performance in all asset classes for the fiscal year was strong.

In fiscal year 2010, the System's funding ratio level increased from 41.9% to 43.7% on a market value basis. Utilizing the asset smoothing valuation concept adopted per legislation in 2009, the funding ratio of the plan declined from 54.3% to 50.4%. Of note, the current funding ratio levels are the result of inadequate funding received from the State over many years, and not due to investment performance.

Longer-term investment performance remains favorable. As of June 30, 2010, annualized investment performance for the 22-year period is 8.1%, net of investment management fees. As of June 30, 2010, five- and ten-year investment performance is at or above benchmark, returning 3.1% and 2.9%, respectively.

A critical duty of the SURS Board of Trustees is to approve and implement the asset allocation strategy. These decisions provide a guide to assist in achieving stable long-term investment returns and cash flow streams used for benefit payments while maintaining a desired level of risk. The current investment strategy is guided by a comprehensive asset/liability study, which was last prepared by the investment consultant with the assistance of SURS staff and approved by the SURS Board of Trustees during fiscal year 2008.

The current asset allocation strategy is designed to manage portfolio risk by transitioning a segment of the investment program from public market securities into private market or alternative investment mandates. Implementation of these changes will take several years to accomplish, and will likely include an increased exposure to real estate, infrastructure and potentially commodities. In addition, an increased exposure to global equity strategies has been achieved, reducing exposure to domestic equity strategies and home country bias within the portfolio. As a result of the financial market volatility experienced recently and liquidity concerns due to potential funding shortfalls, it is anticipated an asset/liability study will again be considered during fiscal year 2011.

As always, a number of significant accomplishments were achieved during the fiscal year, several of which are referenced below. The Investment Section of this Report provides a more detailed review of these items.

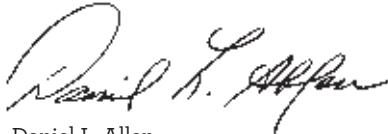
- The portfolio produced strong absolute investment performance in the past year, providing a return of 15.0%, net of investment management fees.

Letter of Transmittal (continued)

- Total combined fund assets in the defined benefit and defined contribution plans are in excess of \$12.8 billion, with the SURS investment program continuing to rank as one of the largest 100 pension plans in the U.S.
- As initially noted in last year's letter, a search for infrastructure asset class investment managers was completed with the commitment of \$80 million to the asset class. This strategy is a component of the SURS Opportunity Fund.
- During the year, SURS elected to invest in the Public Private Investment Program (PPIP). This resulted in a commitment of \$160 million to the opportunistic strategy and is a component of the SURS Opportunity Fund.
- Continued expansion of the Manager Development Program (MDP) was accomplished with the selection of two minority-, female-, or persons with a disability-owned investment management firms to each manage a Treasury Inflation-Protected Securities (TIPS) mandate.
- A comprehensive search to evaluate the fixed income program was initiated in February 2010. The resulting program restructuring is designed to provide added liquidity while minimizing disruption of the investment portfolio.
- A search is currently in progress to review and identify the most appropriate investment consulting firm to assist the Board and staff in developing and implementing the proper strategic direction of the organization and investment program.
- The Self-Managed Plan (SMP) completed its twelfth year of existence, currently exceeding \$700 million in assets.

The SURS investment program continues to operate effectively and efficiently during these volatile and challenging market conditions. The Board of Trustees is committed to the SURS membership to deliver a quality, risk-controlled investment program with the objective of providing favorable long-term results.

Sincerely,



Daniel L. Allen
Chief Investment Officer

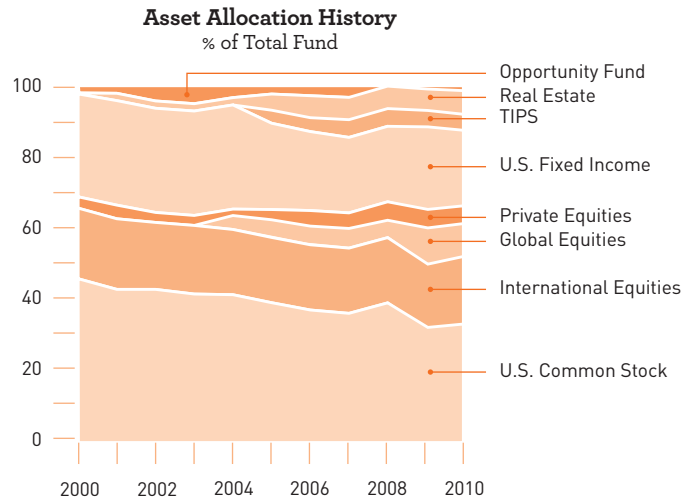
Investment Summary

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 like character with like aims.” In carrying out their fiduciary duties, the Trustees have set forth a clearly defined investment policy, objectives, and strategies.

Investment Policy

During fiscal year 2010, modifications to the SURS equity asset allocation targets were implemented. The allocation was decreased in the U.S. equities asset class from 35.0% to 33.0%. Offsetting allocation increases were made to the global equities asset class from 9.0% to 10.0% and to the Opportunity Fund asset class from 0.0% to 1.0%.

As of June 30, 2010, SURS current investment policy targets are: 31.0% of the total fund invested in U.S. equities, 18.0% in non-U.S. equities, 10.0% in global equities, 6.0% in private equities, 18.0% in fixed income, 4.0% in treasury inflation-protected securities (TIPS), 10.0% in real estate investment trust securities (REITs) and direct real estate (through fund of funds), and 3.0% in the Opportunity Fund. The graph titled Asset Allocation History details the various investment policy changes during the past 10 years.

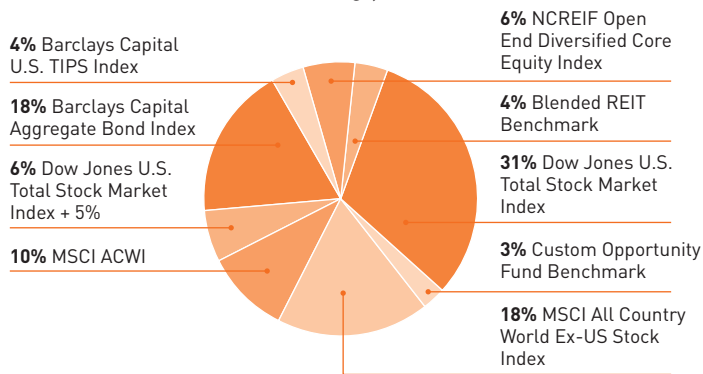


Investment Objectives

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 31.0% of the Dow Jones U.S. Total Stock Market Index, 18.0% of the Morgan Stanley All Country World Ex-US Index, 10.0%

of the Morgan Stanley All Country World Index, 6.0% of the Dow Jones U.S. Total Stock Market Index + 5.0%, 18.0% of the Barclays Capital Aggregate Bond Index, 4.0% of the Barclays Capital U.S. TIPS Index, 4.0% of a blend of the Dow Jones U.S. Select Real Estate Securities Index, the FTSE European Public Real Estate Association/National Association of Real Estate Investment Trusts (EPRA/NAREIT) Developed Ex-US Index and the FTSE EPRA/NAREIT Developed Index, 6.0% of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index, and 3.0% of the combined benchmarks of the investments in the Opportunity Fund.

Policy Portfolio
as of June 30, 2010



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

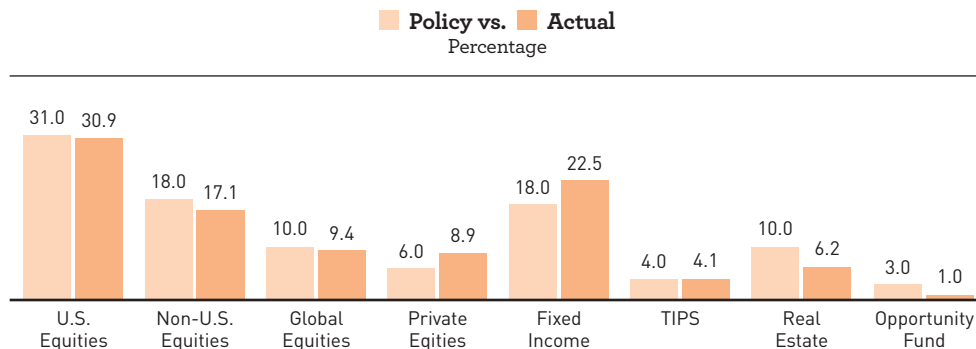
■ The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Periodically, asset allocation studies are conducted and the results of these studies guide the setting of investment policy. A more comprehensive asset/liability study was last conducted in fiscal year 2008. The outcome of the study resulted 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 and strategies as a method to ensure overall fund diversification. As of June 30, 2010, the System had retained the services of 45 investment management firms, several of which manage multiple mandates, and an additional 20 managers through the Progress Emerging Managers program, of which six have a direct relationship with SURS. Each investment management firm is afforded full discretion to diversify its portfolio(s) in a manner it deems appropriate. The Trustees have developed 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 conducted to ensure conformance with policy target levels. Such rebalancing is necessary to reflect 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. At year end, the fund was invested 71% in equities, 27% in fixed income, and 2% in direct real estate, as compared with the target allocations of 72%, 22%, and 6%, respectively. Staff is gradually implementing the policy target allocations that were approved as of July 1, 2008, through the strategic transition of assets among investment managers.



Investment Results

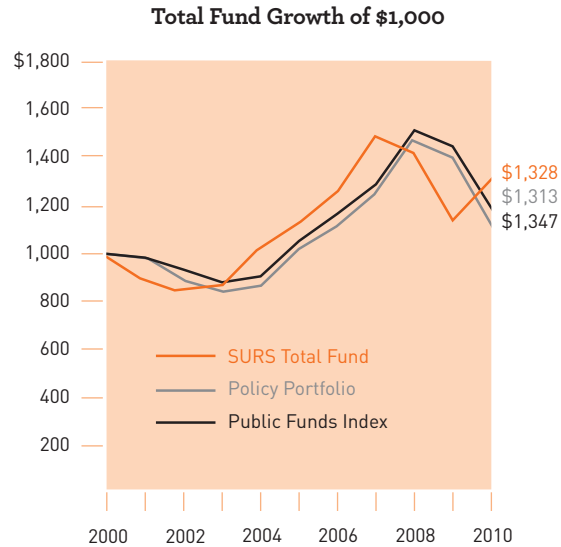
Long-Term Investment Results

The 10-year period ended June 30, 2010, provided returns that exceeded its benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 2.9%. As shown in the investment results table, over the long term, SURS total fund returns are consistent with its market goal (policy portfolio) and the median public pension funds benchmark.

This consistent 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 \$1,328, while the same \$1,000 invested in the policy portfolio and median public funds index would have grown to \$1,313 and \$1,347, respectively.

Fiscal Year 2010 Results

For the fiscal year ended June 30, 2010, SURS total fund returned 15.0%, lagging the market goal, or policy portfolio by 1.0%. SURS' one-year return exceeded that of the median public pension fund return, as measured by the Russell/Mellon Public Pension Funds Index, by 3.2%. Six of the nine asset class portfolios, including U.S. equities, global equities, fixed income, TIPS, direct real estate, and the Opportunity Fund, met or exceeded the returns of their respective benchmarks. The primary reason for trailing the market goal was the result of private equity, although achieving strong absolute performance in the asset class.



Investment Results

	Fiscal Year Ended June 30					Annualized		
	2006	2007	2008	2009	2010	3 yr	5 yr	10 yr
Total Fund								
SURS	11.7%	18.3%	(4.5)%	(19.7)%	15.0%	(4.1)%	3.1%	2.9%
Policy Portfolio	11.7	17.6	(5.0)	(20.1)	16.0	(4.2)	3.0	2.8
Public Funds Index	10.7	17.2	(4.1)	(17.8)	11.8	(4.1)	2.7	3.0
CPI	4.3	2.7	5.0	(1.4)	1.0	1.5	2.3	2.4
US Stock Returns								
SURS	9.4	19.8	(13.4)	(27.3)	17.8	(9.5)	(0.6)	(0.8)
Dow Jones U.S. Total Stock Market	9.9	20.5	(12.5)	(26.4)	16.1	(9.2)	(0.2)	(0.7)
Non-U.S. Stock Returns								
SURS	28.2	29.2	(7.9)	(32.2)	7.8	(12.3)	2.2	0.9
MSCI All Country World Index Ex-U.S.	27.9	29.6	(6.6)	(30.9)	10.4	(10.7)	3.4	1.8
Global Stock Returns								
SURS	17.0	20.5	(8.7)	(29.0)	12.6	(10.0)	0.6	3.4
Performance Benchmark	16.9	23.6	(10.7)	(27.9)	11.8	(10.4)	0.8	3.3
Private Equity Returns (1)								
SURS	22.2	25.7	16.4	(21.3)	18.5	2.6	10.1	4.7
Dow Jones U.S. Total Stock Market + 5%	19.7	16.3	(0.8)	(33.0)	57.6	1.3	7.7	5.0
Fixed Income Returns								
SURS	0.3	6.0	7.4	5.5	14.5	9.1	6.6	7.4
Performance Benchmark	(0.2)	6.1	7.1	6.0	9.5	7.5	5.7	6.7
TIPS Returns								
SURS	(1.2)	3.9	16.3	0.0	11.6	9.1	5.9	7.7
Performance Benchmark	(1.6)	4.0	15.1	(1.1)	9.5	7.6	5.0	6.9
Direct Real Estate Returns (2)								
SURS	3.6	18.5	10.6	(28.4)	(6.4)	(9.5)		
Performance Benchmark	13.0	15.6	12.0	(23.8)	(18.8)	(11.5)		
Real Estate Returns (REITs)								
SURS	22.0	13.3	(15.7)	(40.1)	41.5	(10.6)	(0.2)	11.5
Performance Benchmark	21.9	12.6	(17.2)	(41.3)	42.7	(12.1)	(1.4)	10.3
Opportunity Fund Returns								
SURS	11.9	16.4	10.7	(27.1)	44.7	5.3	8.6	9.6
Performance Benchmark	14.7	15.2	(6.8)	(34.4)	33.5	(6.5)	1.5	6.1

Return calculations (except for private equities and direct real estate) were prepared using a time-weighted rate of return methodology in accordance with the Performance Presentation Standards of the CFA Institute.

(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.

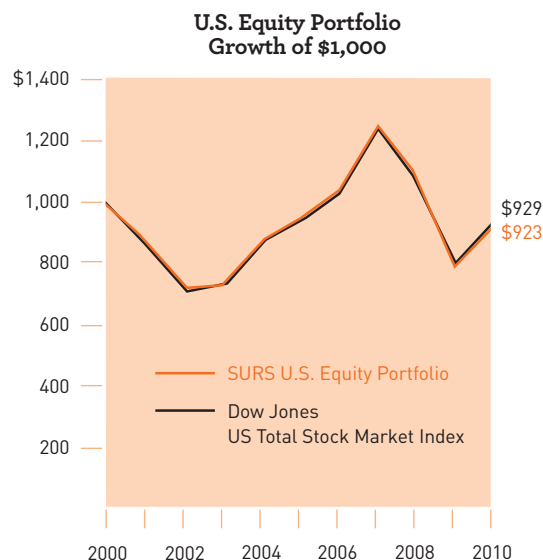
Investment Results

U.S. Equities

For the fiscal year 2010, SURS U.S. equity portfolio returned 17.8%. SURS portfolio outperformed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 1.7%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 16.1%. All segments of the U.S. equity market posted positive returns. Value outperformed growth stocks, while small cap outpaced large cap stocks. The SURS U.S. equity portfolio is by design both size and style neutral relative to the Dow Jones U.S. Total Stock Market Index. Consequently, the returns from this portfolio are expected to 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 decreased to \$923 (net of investment management expenses), while the same \$1,000 invested in the Dow Jones U.S. Total Stock Market Index would have decreased to \$929.

	FY 2010	3 YR	5 YR	10 YR
SURS	17.8%	(9.5%)	(0.6%)	(0.8%)
DJ U.S. TSM	16.1	(9.2)	(0.2)	(0.7)
DJ U.S. Large Cap TSM	14.8	(9.4)	(0.4)	(1.4)
DJ U.S. Large Cap Growth TSM	13.4	(7.1)	0.5	(4.6)
DJ U.S. Large Cap Value TSM	14.6	(12.3)	(1.8)	1.9
DJ U.S. Small Cap TSM	26.9	(6.7)	2.2	4.3
DJ U.S. Small Cap Growth TSM	23.6	(6.4)	2.6	0.1
DJ U.S. Small Cap Value TSM	30.3	(7.1)	1.7	8.3
S&P 500	14.4	(9.8)	(0.8)	(1.6)
Russell 3000	15.7	(9.5)	(0.5)	(0.9)
Russell 2000	21.5	(8.6)	0.4	3.0



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

	Shares	Carrying Value
Exxon Mobil Corp	1,233,108	\$ 70,373,468
Apple Inc	254,790	64,087,329
Johnson & Johnson	792,468	46,803,160
JP Morgan Chase & Co	1,215,909	44,514,428
Microsoft Corp	1,924,375	44,279,869
Procter & Gamble Co	722,287	43,322,774
International Business Machines Corp	330,962	40,867,188
Bank of America Corp	2,790,131	40,094,182
Google Inc	80,833	35,966,643
General Electric Co	2,324,621	33,521,035

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

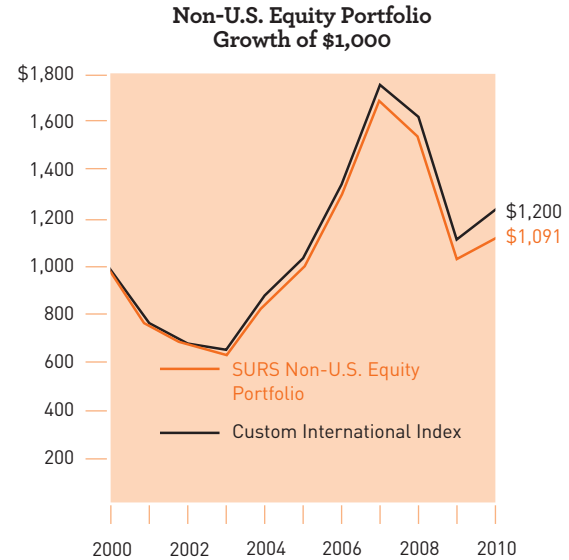
Investment Results

Non-U.S. Equities

For fiscal year 2010, SURS non-U.S. equity portfolio returned 7.8%, lagging its benchmark return by 2.6%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, rose 10.4% 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.

The non-U.S. equity asset class was last restructured in FY2004, to include a layer of structured active (enhanced) strategies. These changes, which are consistent with those implemented in the U.S. equity portfolio, were made in an attempt to assist in reducing 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 \$1,091 (net of investment management expenses), while the same \$1,000 invested in the performance benchmark would have grown to \$1,200.



	FY 2010	3 YR	5 YR	10 YR
SURS	7.8%	(12.3)%	2.2%	0.9%
Performance Benchmark	10.4	(10.7)	3.4	1.8
MSCI ACWI Ex-US	10.4	(10.7)	3.4	1.8
MSCI EAFE	5.9	(13.4)	0.9	0.2
MSCI Emerging Markets	23.2	(2.5)	12.7	10.0
CGE BMI Ex-US	9.5	(11.9)	2.4	3.4

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

	Shares	Carrying Value
Roche Holdings AG (Switzerland)	203,558	\$ 28,145,313
Vodafone Group (United Kingdom)	12,248,277	25,498,747
British American Tobacco (United Kingdom)	750,935	24,003,020
Standard Chartered (United Kingdom)	684,985	16,817,068
Zurich Financial Services AG (Switzerland)	71,469	15,873,163
Philips Electronics (Netherlands)	472,587	14,309,711
Novartis AG (Switzerland)	290,136	14,152,319
Sanofi-Aventis (France)	233,115	14,142,923
Adidas AG (Germany)	286,109	13,974,389
Telefonica SA (Spain)	746,095	13,941,418

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

Investment Results

Global Equities

SURS initially invested in global equities through its Opportunity Fund in 2002 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. During fiscal year 2009, the asset class was expanded from the original two managers to a total of six managers. One manager termination occurred in FY2010, reducing the total number of managers to five. As the table indicates, SURS global equity portfolio outperformed its benchmark by 0.8% for the fiscal year, returning 12.6%. The benchmark for this portfolio was modified in November of 2008 from the MSCI World Index to the MSCI All Country World Index (ACWI), to include emerging markets as well as developed markets in the benchmark.

	FY 2010	3 YR	5YR
SURS	12.6%	(10.0)%	0.6%
Performance Benchmark	11.8	(10.4)	0.8
MSCI ACWI	11.8	(10.5)	1.2
MSCI World	10.2	(11.5)	0.1
Dow Jones	16.1	(9.2)	(0.2)
U.S. Total Stock Market			
MSCI EAFE	5.9	(13.4)	0.9
MSCI ACWI Ex US	10.4	(10.7)	3.4

Private Equities

SURS private equity portfolio posted a positive return of 18.5% during fiscal year 2010. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +5% returned 57.6%. As of June 30, 2010, the valuation of SURS private equity portfolio was \$1.077 billion, representing 8.9% of total plan assets. Since inception, the asset class has added significant value to the SURS investment program. Private equity is a challenging, and sometimes difficult asset class to benchmark.

	FY 2010	3 YR	5 YR	10 YR	Since Inception
SURS	18.5%	2.6%	10.1%	4.7%	23.6%
Performance Benchmark	57.6	1.3	7.7	5.0	14.7%
(Dow Jones U.S. Total Stock Market + 500 Basis Points)					

SURS private equity portfolio is highly diversified. Since its inception in 1990, the SURS private equity portfolio has made commitments to numerous partnership funds. The private equity portfolio has been diversified by a number of different measures which include vintage year, general partner groups and sub-asset class types. This diversification effort has benefited the portfolio as different sub-classes perform better under different economic and market conditions. Since its inception, a total of \$2.260 billion has been committed to these funds, and of this amount approximately \$1.762 billion has been invested. During this same period, SURS has received more than \$1.910 billion in distributions, which, when combined with the current value of the portfolio, indicates that the portfolio has generated a significant return over the approximately 19-year period. The table above indicates that since inception SURS private equity portfolio has significantly exceeded its benchmark return.

Fixed Income

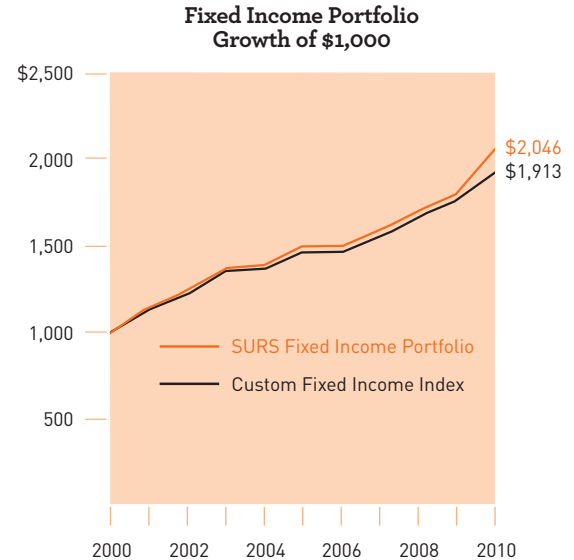
The SURS fixed income portfolio returned 14.5% for the year, surpassing the 9.5% return of the portfolio's benchmark. The fixed income portfolio's benchmark is the Barclays Capital Aggregate Bond Index, which reflects the manner in which the assets are invested. SURS investment managers typically employ a Core/Core Plus approach that utilizes securities which include government, corporate, mortgage, high yield and non-U.S. bonds. This asset class has been the most consistent of all the portfolios, generating above benchmark returns in 20 of the past 22 fiscal years.

	FY 2010	3 YR	5 YR	10 YR
SURS	14.5%	9.1%	6.6%	7.4%
Performance Benchmark	9.5	7.5	5.7	6.7
Barclays Capital Aggregate	9.5	7.5	5.5	6.5
Barclays Capital Universal	10.6	7.2	5.6	6.6
Long Term Govt.	12.2	10.4	6.0	8.1
Intermediate Govt.	5.7	7.1	5.3	5.7
Long Term Corp.	21.2	8.3	5.0	7.9
Intermediate Corp.	14.2	7.2	5.4	6.6
Mortgage-Backed	7.5	8.2	6.2	6.5

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 (Barclays Capital Aggregate Bond Index) over longer periods of time. As the table above indicates, SURS portfolio has consistently 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 \$2,046 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,913.



TEN LARGEST FIXED INCOME HOLDINGS (excludes commingled funds)

Asset Description	S & P Rating	Interest Rate	Maturity Date	Par Value	Carrying Value
U.S. Treasury Notes	AAA	2.625	May 31, 2017	\$ 54,451,000	\$ 55,599,589
U.S. Treasury Inflation Index Notes	AAA	2.375	January 15, 2025	41,470,000	53,201,945
U.S. Treasury Notes	AAA	3.500	May 15, 2020	50,061,000	52,391,840
Federal National Mortgage Association	AAA	4.500	August 15, 2040	44,900,000	46,366,254
U.S. Treasury Notes	AAA	3.125	May 15, 2019	44,500,000	45,428,226
U.S. Treasury Inflation Index Bonds	AAA	1.875	July 15, 2013	29,980,000	37,638,577
U.S. Treasury Notes	AAA	2.500	June 30, 2017	29,460,000	29,588,888
U.S. Treasury Notes	AAA	3.125	January 31, 2017	26,970,000	28,206,817
U.S. Treasury Inflation Index Bonds	AAA	1.875	July 15, 2015	22,875,000	27,469,803
Societe de Financement de l Economie	AAA	3.375	May 5, 2014	25,400,000	26,533,602

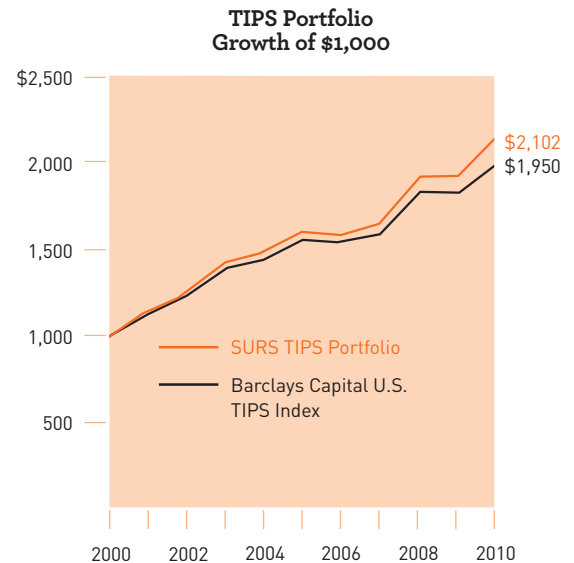
Note: A complete list of the portfolio holdings is available upon request.

Treasury Inflation-Protected Securities (TIPS)

During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2010, TIPS accounted for 4.1% of the total fund. The SURS passively managed U.S. TIPS portfolio, liquidated during April of 2009 as a component of the rebalancing strategy approved by the Board of Trustees, was temporarily funded with a portion of the proceeds received during January 2010 from the pension obligation note financing. This allocation was liquidated in April 2010 with the proceeds being utilized to fund an actively managed TIPS mandate in the Manager Development Program. The TIPS portfolio returned 11.6% for fiscal year 2010, exceeding its Barclays Capital U.S. TIPS benchmark by 2.1%. The portfolio's three- and five-year returns outpaced the annualized benchmark returns by 1.5% and 0.9%, respectively.

	FY 2010	3YR	5 YR
SURS	11.6%	9.1%	5.9%
Performance Benchmark	9.5	7.6	5.0

The accompanying chart indicates the growth of \$1,000 invested in the U.S. TIPS market during the past 10 years. The ending points indicate that \$1,000 invested in SURS U.S. TIPS portfolio would have grown to \$2,102 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,950.



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 began 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 real estate asset class target allocation was increased to 10% during fiscal year 2009, comprised of 4% REITs and 6% direct real estate.

Since its inception, a total of \$410 million has been committed to direct real estate in funds, and of this amount approximately \$276 million has been invested. The direct real estate portfolio returned -6.4% for the fiscal year, outperforming its benchmark by 12.4%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned -18.8% 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 REITs portfolio increased 41.5% during the fiscal year, underperforming its benchmark, a blend of the Dow Jones U.S. Select Real Estate Securities Index, the FTSE EPRA/NAREIT Developed Ex-US Index and the FTSE EPRA/NAREIT Developed Index, by 1.2%. The portfolio's three- and five-year returns exceeded the benchmark returns by a margin of 1.5% and 1.2% (annualized), respectively.

	FY 2010	3YR	5 YR
SURS	41.5%	(10.6)%	(0.2)%
Performance Benchmark	42.7	(12.1)	(1.4)
Dow Jones U.S. Select Real Estate Securities	56.1	(10.5)	(0.5)
FTSE EPRA/NAREIT Developed	24.2	(14.3)	(14.9)
FTSE EPRA/NAREIT Developed Ex-U.S.	10.2	(16.0)	(16.6)

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, 2010, there were three types of investments in the portfolio: a public-private investment program (PPIP), an infrastructure portfolio and a specialty private equity fund. SURS has committed \$160 million to the PPIP program and \$80 million to the infrastructure portfolio.

The Opportunity Fund returned 44.7% during the year, outpacing its custom benchmark return by 11.2%. 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 2010	3YR	5 YR
SURS	44.7%	5.3%	8.6%
Performance Benchmark	33.5	(6.5)	1.5

Self-Managed Plan

Fiscal year 2010 marks the twelfth complete year of the Self-Managed Plan (SMP). As of June 30, 2010, the SMP had accumulated plan assets of approximately \$720 million. This represents an increase of approximately \$146 million since the end of fiscal year 2009. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of approximately \$71 million. During the past several years, SMP participants have continued to maintain a balanced exposure to equities. In aggregate, the total funds invested by SMP participants have an allocation of 65% equity, 34% fixed income, and 1% real estate. The equity allocation increased 1% from last year's position and is a more conservative asset allocation than the defined benefit plan portfolio.

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, 2010

	U.S. Stocks	Non-U.S. Stocks	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio	\$ -	\$ -	\$ 12,461,591	\$ -	\$ -	\$ 12,461,591
Fidelity U.S. Bond Index	-	-	14,520,364	-	-	14,520,364
PIMCO Total Return Institutional	-	-	20,064,462	-	-	20,064,462
Fidelity Four In One Index	-	-	-	5,184,656	-	5,184,656
Fidelity Puritan	-	-	-	93,970,342	-	93,970,342
Ariel Fund	10,798,977	-	-	-	-	10,798,977
American Beacon Large Cap Value Inst.	1,385,741	-	-	-	-	1,385,741
Buffalo Small Cap	4,385,826	-	-	-	-	4,385,826
Hartford Capital Appreciation Y Fund	16,493,154	-	-	-	-	16,493,154
Fidelity Growth Company	25,343,461	-	-	-	-	25,343,461
Spartan Extended Market Index	9,098,505	-	-	-	-	9,098,505
Fidelity Contrafund	34,292,246	-	-	-	-	34,292,246
Fidelity Low Priced Stock Fund	17,107,528	-	-	-	-	17,107,528
Spartan Total Market Index	5,714,207	-	-	-	-	5,714,207
Spartan 500 Index	31,183,530	-	-	-	-	31,183,530
Fidelity Diversified International	-	20,425,349	-	-	-	20,425,349
Spartan International Index	-	5,418,123	-	-	-	5,418,123
Fidelity Worldwide	-	9,704,721	-	-	-	9,704,721
Fidelity Real Estate Investment	-	-	-	-	2,683,799	2,683,799
Fidelity Freedom K 2000 (1)	-	-	-	108,941	-	108,941
Fidelity Freedom K 2005 (1)	-	-	-	141,375	-	141,375
Fidelity Freedom K 2010 (1)	-	-	-	956,505	-	956,505
Fidelity Freedom K 2015 (1)	-	-	-	2,125,802	-	2,125,802
Fidelity Freedom K 2020 (1)	-	-	-	4,102,565	-	4,102,565
Fidelity Freedom K 2025 (1)	-	-	-	4,878,643	-	4,878,643
Fidelity Freedom K 2030 (1)	-	-	-	5,662,182	-	5,662,182
Fidelity Freedom K 2035 (1)	-	-	-	4,622,516	-	4,622,516
Fidelity Freedom K 2040 (1)	-	-	-	4,338,213	-	4,338,213
Fidelity Freedom K 2045 (1)	-	-	-	1,688,273	-	1,688,273
Fidelity Freedom K 2050 (1)	-	-	-	1,331,423	-	1,331,423
Fidelity Freedom K Income	-	-	-	766,021	-	766,021
Fidelity Total	155,803,175	35,548,193	47,046,417	129,877,457	2,683,799	370,959,041
						55.6%
TIAA-CREF Funds						
CREF Money Market Account	-	-	15,748,616	-	-	15,748,616
TIAA Traditional Annuity	-	-	56,215,178	-	-	56,215,178
CREF Bond Market Account	-	-	28,204,353	-	-	28,204,353
CREF Inflation Linked Bond Account	-	-	15,326,402	-	-	15,326,402
CREF Social Choice Account	-	-	-	24,540,771	-	24,540,771
CREF Equity Index Account	27,546,421	-	-	-	-	27,546,421
CREF Growth Account (2)	190,487	-	-	-	-	190,487
CREF Stock Account	65,122,536	-	-	-	-	65,122,536
CREF Global Equities Account	-	22,241,883	-	-	-	22,241,883
TIAA Real Estate Account	-	-	-	-	1,006,016	1,006,016
TIAA-CREF Large-Cap Growth Index	30,862,969	-	-	-	-	30,862,969
TIAA-CREF Lifecycle Fund 2010	-	-	-	301,427	-	301,427
TIAA-CREF Lifecycle Fund 2015	-	-	-	670,577	-	670,577
TIAA-CREF Lifecycle Fund 2020	-	-	-	857,141	-	857,141
TIAA-CREF Lifecycle Fund 2025	-	-	-	1,240,328	-	1,240,328
TIAA-CREF Lifecycle Fund 2030	-	-	-	1,472,337	-	1,472,337
TIAA-CREF Lifecycle Fund 2035	-	-	-	1,538,426	-	1,538,426
TIAA-CREF Lifecycle Fund 2040	-	-	-	2,487,886	-	2,487,886
TIAA-CREF Lifecycle Fund 2045	-	-	-	304,190	-	304,190
TIAA-CREF Lifecycle Fund 2050	-	-	-	145,517	-	145,517
TIAA-CREF Lifecycle Retirement Income	-	-	-	32,693	-	32,693
TIAA-CREF Total	123,722,413	22,241,883	115,494,549	33,591,293	1,006,016	296,056,154
						44.4%
GRAND TOTALS	\$279,525,588	\$57,790,076	\$162,540,966	\$163,468,750	\$3,689,815	\$667,015,195
	41.9%	8.7%	24.4%	24.5%	0.5%	100.0%
SMP Forfeiture Reserve (3)						5,230,077
SMP Disability Reserve (3)						44,485,317
Total SMP Investments						\$716,730,589

1. As of June 30, 2010, 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, 2010 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
U.S. Stock Managers - Passive					
Northern Trust Investments	\$1,226,043	\$ -	\$ -	\$1,226,043	10%
RhumbLine Advisers	825,987	-	-	825,987	7%
Subtotal	2,052,030	-	-	2,052,030	17%
Non-U.S. Stock Managers - Passive					
BTC Custom International Fund	623,290	-	-	623,290	5%
BTC Emerging Markets Fund	144,717	-	-	144,717	1%
Subtotal	768,007	-	-	768,007	6%
U.S. Stock Managers - Active					
BlackRock Equity Plus	300,638	-	-	300,638	2%
Buford Dickson Harper & Sparrow	15,630	-	-	15,630	-
Channing Capital Management	33,589	-	-	33,589	-
Holland Capital Management	27,775	-	-	27,775	-
Jacobs Levy Equity Management	240,499	-	-	240,499	2%
Lombardia Capital Partners	47,584	-	-	47,584	-
NCM Capital Management	36,423	-	-	36,423	-
Pacific Investment - StocksPlus	589,859	-	-	589,859	5%
Piedmont Investment Advisors	54,097	-	-	54,097	-
Profit Investment Management	26,154	-	-	26,154	-
Progress Emerging Managers	157,477	-	-	157,477	1%
T. Rowe Price	175,220	-	-	175,220	1%
Subtotal	1,704,945	-	-	1,704,945	14%
Non-U.S. Stock Managers - Active					
Ativo Capital Management	6,396	-	-	6,396	-
BTC Alpha Tilt	454,296	-	-	454,296	4%
GlobeFlex Capital	74,387	-	-	74,387	1%
Herndon Capital Management	25,728	-	-	25,728	-
Martin Currie	367,137	-	-	367,137	3%
Mondrian Investment Partners	180,787	-	-	180,787	1%
Progress Emerging Managers	54,528	-	-	54,528	-
Pyramis Global Advisors	127,579	-	-	127,579	1%
Strategic Global Advisors	16,800	-	-	16,800	-
Subtotal	1,307,638	-	-	1,307,638	11%
Global Stock Managers - Active					
Aberdeen Asset Management	286,460	-	-	286,460	2%
Calamos Investments	127,262	-	-	127,262	1%
Payden & Rygel	139,124	-	-	139,124	1%
T. Rowe Price	277,423	-	-	277,423	2%
Wellington Management	308,767	-	-	308,767	3%
Subtotal	1,139,036	-	-	1,139,036	9%
Private Equity Managers					
Adams Street Acquisition Fund II	27	-	-	27	-
Adams Street Partnerships	360,243	-	-	360,243	3%
Adams Street 2009 Offering	9,401	-	-	9,401	-
Adams Street 2008 Offering	29,948	-	-	29,948	-
Adams Street 2007 Global Oppor Ptf	44,364	-	-	44,364	-
Adams Street Global Secondary Fund	16,197	-	-	16,197	-
Adams Street Non-U.S. Partnerships	48,239	-	-	48,239	-
Muller and Monroe ILPEFF	12,523	-	-	12,523	-
Muller and Monroe MPEFF	10,415	-	-	10,415	-
Pantheon Europe Fund III	55,163	-	-	55,163	-
Pantheon Europe Fund VI	10,662	-	-	10,662	-
Pantheon Global	3,092	-	-	3,092	-
Pantheon Global Secondary Fund II	12,446	-	-	12,446	-
Pantheon USA 8	14,849	-	-	14,849	-
Pantheon Ventures, Inc.	461,395	-	-	461,395	4%
Progress Investment	2,835	-	-	2,835	-
Subtotal	1,091,799	-	-	1,091,799	9%

Asset Allocation

Defined Benefit Plan Asset Allocation June 30, 2010 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
Bond Managers - Active					
BTC Core Active Bond	-	269,579	-	269,579	2%
BlackRock Core Plus	-	153,544	-	153,544	1%
BlackRock Enhanced	-	281,659	-	281,659	2%
Cash	-	181,941	-	181,941	2%
Davis Hamilton Jackson & Associates	-	29,209	-	29,209	-
Metropolitan West Asset Mgmt.	-	356,262	-	356,262	3%
Pacific Investment	-	843,560	-	843,560	7%
Progress Emerging Managers	-	76,859	-	76,859	1%
Pugh Capital Management	-	49,599	-	49,599	-
Smith Graham & Company	-	48,038	-	48,038	-
Taplin Canida & Habacht	-	33,379	-	33,379	-
Western Asset Mgmt	-	409,429	-	409,429	3%
Subtotal	-	2,733,058	-	2,733,058	23%
Treasury Inflation-Protected Securities - Active					
Longfellow Investment Management	-	103,456	-	103,456	1%
New Century Advisors	-	77,579	-	77,579	1%
Pacific Investment - U.S. TIPS	-	313,116	-	313,116	3%
Subtotal	-	494,151	-	494,151	4%
Direct Real Estate					
Dune Real Estate Parallel Fund II	-	-	4,439	4,439	-
RREEF America II Fund	-	-	96,237	96,237	1%
RREEF America III Fund	-	-	7,451	7,451	-
RREEF West Funds	-	-	158	158	-
UBS Trumbull Property Fund	-	-	159,327	159,327	1%
Subtotal	-	-	267,612	267,612	2%
Real Estate Investment Securities: U.S. - Passive					
BTC	104,245	-	-	104,245	1%
	104,245	-	-	104,245	1%
Real Estate Investment Securities: U.S. - Active					
ING Clarion Real Estate Securities	106,919	-	-	106,919	1%
RREEF America	96,373	-	-	96,373	1%
Subtotal	203,292	-	-	203,292	2%
Real Estate Investment Securities: Non-U.S. and Global					
BTC	64,912	-	-	64,912	1%
ING Clarion Real Estate Securities	58,507	-	-	58,507	-
RREEF	55,517	-	-	55,517	-
Subtotal	178,936	-	-	178,936	1%
Opportunity Fund					
Alinda Capital Partners	7,543	-	-	7,543	-
Angelo Gordon GECC	40,025	-	-	40,025	-
Macquarie Capital	20,652	-	-	20,652	-
Oaktree Capital Management	5,751	-	-	5,751	-
RLJ Western Asset	48,797	-	-	48,797	-
Private Opportunities Fund	3,096	-	-	3,096	-
Subtotal	125,864	-	-	125,864	1%
SMP Forfeiture/Disability Reserves (B)	(33,315)	(16,167)	(233)	(49,715)	-
TOTAL FUND	\$8,642,477	\$3,211,042	\$267,379	\$12,120,898 (A)	100%
% of TOTAL FUND (C)	71%	27%	2%	100%	

(A) Amount includes accrued investment income receivable of \$37,970 at June 30, 2010 and includes net pending transactions of (\$122,683).

(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, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
508 Securities, Inc.	\$ -	-	\$ -	\$ 159	3,180	\$ 0.05
Abel Noser Corporation	2,746	129,050	\$0.02	200	4,000	0.05
Access Securities	111	9,000	0.01	-	-	-
Adams Harkness & Hill	-	-	-	5,657	127,219	0.04
ADP Clearing & Outsourcing, Inc.	-	-	-	28,184	1,877,069	0.02
Alaris Trading Partners	808	64,600	0.01	14	1,100	0.01
Allen & Company	275	9,200	0.03	191	5,500	0.03
American Portfolios Financial Services	951	19,710	0.05	-	-	-
American Technology Research Inc.	500	10,000	0.05	72	2,400	0.03
Andes Capital	4,494	113,891	0.04	-	-	-
Arnhold & S. Bleichroeder Inc.	-	-	-	78	2,600	0.03
Autranet Inc.	-	-	-	201	6,700	0.03
Avian Securities, Inc.	-	-	-	116	2,900	0.04
Avondale Partners	859	21,961	0.04	801	33,270	0.02
Banc of America Securities	6,699	393,068	0.02	7,439	204,350	0.04
Banc of America Securities (ECN)	-	-	-	14	1,400	0.01
Bank of New York	-	-	-	3,398	102,430	0.03
Bank of New York ConverEx Execution	2,458	70,230	0.03	36	1,800	0.02
Barclays Capital LE	33,867	2,144,941	0.02	39,341	1,637,106	0.02
Barclays Capital Algorithmic	1,211	121,050	0.01	81	8,100	0.01
Barrington Research Associates	179	3,578	0.05	-	-	-
Bass Trading	294	9,800	0.03	327	22,900	0.01
Baypoint Trading	996	21,566	0.05	3,242	107,925	0.03
Bear Stearns Securities Corp.	19,430	1,714,821	0.01	1,138	38,390	0.03
Benchmark Company	1,297	25,933	0.05	84	2,600	0.03
Benchmark Securities	-	-	-	174	3,472	0.05
Berean Capital Inc.	-	-	-	40	1,000	0.04
Bernstein, Sanford C. & Co.	3,364	174,410	0.02	7,144	388,599	0.02
Bernstein, Sanford C. & Co (ECN)	-	-	-	754	75,448	0.01
Blair, William & Co.	5,751	126,233	0.05	4,319	97,839	0.04
Blaylock & Partners	4,314	130,669	0.03	1,715	61,152	0.03
Bloomberg Tradebook	4,688	81,533	0.06	4,269	179,776	0.02
BMO Capital Markets	2,154	56,600	0.04	2,989	98,500	0.03
BNY Clearing Services, Inc.	-	-	-	17,337	410,309	0.04
Boenning & Scattergood	1,454	145,400	0.01	599	51,290	0.01
BNY Clearing Services, Inc.	40	2,000	0.02	-	-	-
BNY ConverEx	424	11,903	0.04	-	-	-
BNY ESI Securities Co.	44,487	1,178,364	0.04	45,418	1,418,457	0.03
BOE Securities	4,744	130,624	0.04	3,053	83,035	0.04
Brean Murray, Foster	650	15,550	0.04	-	-	-
Broadpoint AmTech	504	16,200	0.03	72	2,000	0.04
BTIG LLC	770	25,650	0.03	-	-	-
Buckingham Research Group	2,163	44,714	0.05	2,671	67,202	0.04
Burnham Securities In.	-	-	-	36	1,200	0.03
C.L. King & Associates	3,898	90,007	0.04	2,428	69,335	0.04
Cabrera Capital Markets	111,696	4,823,567	0.02	89,260	3,177,137	0.03
Calyon Securities	27	900	0.03	-	-	-
Canaccord Adams	9,038	206,359	0.04	187	5,900	0.03
Cantor Fitzgerald & Co.	12,800	541,915	0.02	16,716	656,565	0.03
Capital Institutional Services	39,983	961,116	0.04	33,418	831,403	0.04
Caris and Company Inc.	1,691	36,465	0.05	181	3,610	0.05
Carlin Equities	-	-	-	370	18,524	0.02
CastleOak Securities	2,727	114,578	0.02	1,849	51,450	0.04
Cheevers & Co	279,802	8,764,782	0.03	111,708	2,811,055	0.04
CIBC World Markets Corp.	309	9,900	0.03	-	-	-
Citation Group	3,004	63,400	0.05	425	8,505	0.05
Citigroup Global Markets Inc.	19,144	643,507	0.03	59,937	3,078,647	0.02
Citigroup Global Markets Inc. (ECN)	1,776	177,550	0.01	474	47,900	0.01
CJS Securities	-	-	-	195	6,500	0.03
Coker & Palmer	-	-	-	27	900	0.03
Collins Stewart Inc.	364	8,425	0.04	-	-	-
Cowen & Co.	1,560	36,344	0.04	3,690	106,873	0.03
Craig Hallum	993	22,204	0.04	149	3,275	0.05
Credit Suisse First Boston Corp.	46,892	4,366,854	0.01	25,259	1,138,295	0.02
Credit Suisse First Boston Corp. (ECN)	1,682	169,100	0.01	2,600	269,500	0.01
CRT Capital Group	135	4,500	0.03	-	-	-
CSI U.S. Institutional Desk	-	-	-	695	23,150	0.03

Supporting Schedules (continued)

Summary Schedule of Domestic Investment Commissions
For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
DA Davidson & Co.	\$ 481	12,575	\$ 0.04	\$ 417	12,500	\$ 0.03
Dahlman Rose & Company	28	700	0.04	-	-	-
Davenport & Company of Virginia Inc.	565	14,113	0.04	-	-	-
Davis Mendel & Regenstein Inc.	-	-	-	72	2,400	0.03
Dermott Clancy	44	2,200	0.02	78	3,900	0.02
Deutsche Bank Securities, Inc.	10,372	316,637	0.03	19,206	673,189	0.03
Deutsche Bank Securities, Inc. [ECN]	182	18,200	0.01	-	-	-
Direct Access Partners	1,416	35,401	0.04	548	13,695	0.04
Direct Trading Institutional, Inc.	-	-	-	24	3,200	0.01
Direct Trading Institutional Inc. [ECN]	3,820	460,915	0.01	107	12,020	0.01
Divine Capital Markets	-	-	-	422	28,120	0.02
Donaldson Lufkin & Jenrette Securities	341	22,700	0.02	-	-	-
Dougherty & Company	-	-	-	45	1,500	0.03
Dowling Partners	-	-	-	363	15,000	0.02
Drexel Hamilton	48	1,200	0.04	-	-	-
East & West	174	5,800	0.03	1,133	33,689	0.03
Emerging Growth Equities Ltd.	1,519	151,900	0.01	-	-	-
FBR Capital Markets	120	3,300	0.04	15	500	0.03
Fidelity Capital Markets	-	-	-	398	32,200	0.01
First Analysis Securities Corp.	597	14,080	0.04	42	1,400	0.03
First Honolulu Securities	-	-	-	465	15,200	0.03
Fox Pitt & Kelton	278	6,960	0.04	240	6,000	0.04
Friedman Billings & Ramsey	2,216	47,623	0.05	4,707	130,014	0.04
FTN Financial Capital Markets	88	2,200	0.04	498	19,900	0.03
FTN Midwest Securities	426	14,200	0.03	2,346	78,200	0.03
Futuretrade Securities LLC	-	-	-	205	10,274	0.02
Garban Corporates	-	-	-	138	6,900	0.02
Gardner Rich & Co.	14,717	524,260	0.03	2,876	96,601	0.03
Gerson Lehrman Group Brokerage	-	-	-	334	10,900	0.03
Gleacher & Company	92	2,400	0.04	-	-	-
Global Crown Capital	-	-	-	69	2,300	0.03
GMP Securities	414	13,800	0.03	-	-	-
Goldman Sachs & Company	18,712	643,674	0.03	23,707	1,481,888	0.02
Goldman Sachs Executing & Clearing	697	67,823	0.01	4,112	351,769	0.01
Gordon Haskett Capital Corp.	18	900	0.02	32	800	0.04
Green Street Advisors Inc.	3,468	77,600	0.04	4,923	116,726	0.04
Greentree Brokerage	8,186	253,116	0.03	3,917	120,142	0.03
GRW Capital Corp.	-	-	-	1,148	57,400	0.02
Guzman & Company	16,408	1,564,609	0.01	3,690	240,056	0.02
Harris Nesbitt	115	2,300	0.05	2,476	63,850	0.04
Hibernia Southcoast Capital	452	10,605	0.04	555	11,095	0.05
Howard, Weil, Legg Mason	2,825	57,078	0.05	2,436	49,327	0.05
ICAP Securities LLC	-	-	-	18	900	0.02
Instinet	10,985	254,307	0.04	43,371	1,744,728	0.02
Interstate Group	11,570	231,400	0.05	41,970	839,883	0.05
Investment Technology Group Inc. [ECN]	104,754	23,290,965	0.00	90,608	20,851,003	0.00
ISI Group Inc.	3,098	82,575	0.04	15,078	432,635	0.03
J.P. Morgan Securities Inc.	20,828	1,119,231	0.02	33,396	1,040,765	0.03
J.P. Morgan Securities Inc. [ECN]	2,221	257,000	0.01	2,548	254,800	0.01
Jackson Partners & Assoc.	2,700	67,500	0.04	2,560	64,000	0.04
Jackson Securities Inc.	220	11,000	0.02	64	1,600	0.04
Janney Montgomery Scott	591	14,785	0.04	948	31,600	0.03
Jefferies & Company	28,477	650,383	0.04	21,104	696,662	0.03
JMP Securities	1,140	26,485	0.04	420	15,500	0.03
Johnson Rice & Co.	9,417	223,469	0.04	3,278	84,990	0.04
Jonestrading Institutional Services	2,815	94,185	0.03	4,751	147,168	0.03
JP Morgan	-	-	-	264	34,700	0.01
Kaufman Brothers	431	13,675	0.03	-	-	-
Keefe Bruyette Woods Inc.	3,932	99,847	0.04	5,935	144,415	0.04
Keybank	1,511	36,950	0.04	3,682	89,900	0.04
Keybank [ECN]	-	-	-	3,624	181,200	0.02
King, CL & Associates Inc.	1,454	29,480	0.05	2,661	61,188	0.04
Knight Direct [ECN]	129	12,850	0.01	-	-	-
Knight Securities	6,541	291,691	0.02	7,174	248,066	0.03
La Branche Financial	12	400	0.03	109	3,395	0.03
Ladenburg, Thalmann & Co.	-	-	-	53	2,100	0.03
Lam Securities Investment	-	-	-	120	4,000	0.03

Supporting Schedules (continued)

Summary Schedule of Domestic Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
LAVA Trading	\$ -		\$ -	\$ 2,692	269,172	\$ 0.01
Lazard Asset Management	205	5,500	0.04	-	-	-
Leerink Swan Securities	1,433	29,485	0.05	3,974	99,043	0.04
Legent Clearing Corp.	89	1,775	0.05	-	-	-
Lehman Brothers, Inc.	-	-	-	79,852	7,463,330	0.01
Lehman Brothers, Inc. (ECN)	-	-	-	188	18,780	0.01
Lighthouse Financial Group	763	26,491	0.03	-	-	-
Liquidnet Inc.	11,559	872,754	0.01	228	11,400	0.02
Liquidnet, Inc. (ECN)	-	-	-	56,090	2,605,666	0.02
Longbow Securities	493	13,600	0.04	-	-	-
Loop Capital Markets/Broadcort Capital	150,676	8,770,058	0.02	157,499	6,932,117	0.02
Lynch Jones & Ryan	895	25,112	0.04	1,117	30,415	0.04
M. Ramsey King Securities	4,395	262,164	0.02	10,210	393,766	0.03
Macquarie	588	20,000	0.03	504	12,600	0.04
Magna Securities Corporation	26,585	975,146	0.03	26,529	891,610	0.03
McDonald and Company	278	6,950	0.04	3,180	79,900	0.04
Melvin Securities	4,145	240,513	0.02	5,618	153,512	0.04
Merrill Lynch Direct Access	110	2,200	0.05	3,295	65,900	0.05
Merrill Lynch (ECN)	1,512	151,200	0.01	1,527	159,589	0.01
Merrill Lynch Pierce Fenner & Smith	55,660	4,214,053	0.01	51,290	2,351,156	0.02
Merrill Professional Clearing Corp.	473	12,130	0.04	167	4,800	0.03
Merriman Curhan Ford & Co.	520	11,450	0.05	496	10,470	0.05
Midwest Research Securities	-	-	-	1,855	56,260	0.03
Miller Tabock	-	-	-	70	7,001	0.01
Mischler Financial Group	6,099	164,238	0.04	1,324	39,659	0.03
MKM Partners	1,044	32,625	0.03	4,025	134,153	0.03
MKM Partners (ECN)	121	12,100	0.01	-	-	-
Montecito Advisors	120	3,002	0.04	275	6,881	0.04
Montrose Securities	11,970	266,000	0.05	41,408	920,300	0.04
Morgan Keegan & Co.	17,853	365,031	0.05	19,776	409,573	0.05
Morgan Stanley & Co. Inc.	49,817	2,453,186	0.02	26,341	899,903	0.03
Morgan Stanley & Co. Inc. (ECN)	687	68,674	0.01	1,513	151,332	0.01
M R Beal & Co.	54,127	2,471,083	0.02	56,368	2,146,709	0.03
MultiTrade	1,594	43,163	0.04	8,018	206,921	0.04
Muriel Siebert Co.	634	31,700	0.02	6,711	331,700	0.02
National Financial Services	2,687	89,757	0.03	322	9,555	0.03
Needham and Co., Inc.	4,952	133,174	0.04	2,816	63,798	0.04
Noble International Investments Inc.	84	2,105	0.04	-	-	-
North South Capital	191	5,450	0.04	-	-	-
Nova Capital Markets	42	830	0.05	-	-	-
Nutmeg Securities	-	-	-	284	6,484	0.04
O'Neil Williams	5,219	130,694	0.04	2,146	44,720	0.05
Oppenheimer & Co., Inc.	2,492	56,077	0.04	4,828	132,135	0.04
OTA Limited Partnership	24	600	0.04	-	-	-
OTR Global Trading	136	3,400	0.04	-	-	-
Pacific American Securities	15,352	446,997	0.03	17,305	469,892	0.04
Pacific Crest Securities	2,199	58,812	0.04	1,435	37,400	0.04
Pacific Growth Equities	-	-	-	421	9,295	0.05
Pali Capital Inc.	2,464	66,400	0.04	-	-	-
Pellinor Securities Corp.	176	4,400	0.04	52	1,300	0.04
Penserra Securities LLC	383	18,200	0.02	-	-	-
Percival Financial Partners	-	-	-	45	1,500	0.03
Pershing LLC	16,182	566,834	0.03	1,964	56,465	0.03
Pickering Energy Partners Inc.	158	3,150	0.05	-	-	-
Pipeline Trading	1,111	84,900	0.01	2,785	196,766	0.01
Piper Jaffray	1,729	51,280	0.03	5,927	165,035	0.04
Podesta and Co.	191	3,825	0.05	88	1,750	0.05
Portales Partners	-	-	-	28	700	0.04
Pritchard Capital Partners	1,316	26,321	0.05	125	2,494	0.05
Ramirez & Co.	722	29,400	0.02	1,291	46,900	0.03
Raymond James	6,031	188,875	0.03	14,074	339,331	0.04
RBC Capital Markets Inc.	5,757	159,500	0.04	831	23,600	0.04
RBC Capital Markets Inc. (ECN)	135	13,500	0.01	-	-	-
RBC Dain Rauscher	2,981	127,657	0.02	11,611	290,682	0.04
Robbins & Henderson	-	-	-	158	5,800	0.03
Robert Van Securities Inc.	-	-	-	500	12,500	0.04
Robert W. Baird & Co.	11,640	277,460	0.04	12,155	311,985	0.04

Supporting Schedules (continued)

Summary Schedule of Domestic Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Roberts & Ryan	\$ 2,484	62,285	\$ 0.04	\$ 2,704	77,948	\$ 0.03
Rochdale Securities Corp.	292	8,800	0.03	276	9,200	0.03
Rosenblatt Securities	-	-	-	1	100	0.01
Roth Capital Partners	1,401	34,755	0.04	279	5,585	0.05
Sand Grain Securities Inc.	-	-	-	79	1,589	0.05
Sanders Morris	8,904	254,800	0.03	-	-	-
Sandler O'neill & Partner	-	-	-	150	6,000	0.03
Sanford Bernstein	6,910	236,929	0.03	1,037	25,724	0.04
Sanford Bernstein (ECN)	545	54,500	0.01	-	-	-
Saxony Securities, Inc.	16,215	324,300	0.05	22,615	452,300	0.05
SBK Brooks	-	-	-	39	1,306	0.03
Score Asset Management	-	-	-	40	1,000	0.04
Score Securities	-	-	-	100	2,500	0.04
Scott & Stringfellow Investment	-	-	-	44	2,205	0.02
Seaport Securities Corp.	-	-	-	968	32,250	0.03
Security Capital Broker	-	-	-	1,205	30,507	0.04
SG Americas Securities	2,823	196,260	0.01	-	-	-
SG Cowen & Co.	1,173	87,700	0.01	412	36,160	0.01
Sidoti & Co.	8,559	185,671	0.05	20,774	418,562	0.05
Signal Hill Capital Group	64	1,600	0.04	102	3,400	0.03
Simmons & Company	32	800	0.04	-	-	-
SL Hare Capital Inc.	-	-	-	106	3,500	0.03
Soleil Securities Corp.	1,166	28,865	0.04	803	24,077	0.03
Stanford Group Company	-	-	-	407	12,800	0.03
State Street Bank & Trust	172	8,582	0.02	-	-	-
State Street Brokerage Services	4,509	356,144	0.01	2,095	78,700	0.03
Stephens Inc.	339	6,771	0.05	94	2,903	0.03
Sterne Agge & Leeds	1,507	37,007	0.04	1,626	34,393	0.05
Stifel Nicolaus & Co.	21,317	589,534	0.04	29,063	778,217	0.04
Sun Trust	2,877	58,190	0.05	5,370	123,218	0.04
Susquehanna Brokerage Services	5,059	113,210	0.04	3,599	142,900	0.03
Susquehanna Brokerage Services (ECN)	-	-	-	1,722	86,100	0.02
The Benchmark Co. Inc.	-	-	-	15	500	0.03
ThinkEquity Partners	1,671	34,180	0.05	1,750	42,205	0.04
Thomas Weisel Partners	4,352	136,635	0.03	4,413	120,277	0.04
U.S. Bancorp Piper Jaffray Inc.	5,974	221,647	0.03	-	-	-
UBS AG	1,559	120,983	0.01	-	-	-
UBS Financial Services Inc.	-	-	-	23,917	492,120	0.05
UBS Securities LLC	1,581	74,900	0.02	232	6,400	0.04
UBS Securities LLC (ECN)	612	58,151	0.01	1,821	183,760	0.01
UBS Warburg Dillon Read	1,474	32,730	0.05	47,923	2,057,952	0.02
Utendahl Capital Partners	44	1,100	0.04	78	2,600	0.03
Wachovia Capital Markets	636	22,500	0.03	19,414	507,807	0.04
Wachovia Capital Markets (ECN)	382	19,100	0.02	-	-	-
Wachovia Securities	2,979	66,200	0.05	387	12,900	0.03
Wall Street Access	-	-	-	144	3,600	0.04
Wedbush Morgan Securities	2,786	64,480	0.04	1,008	20,765	0.05
Weeden & Co.	3,452	172,120	0.02	7,192	332,788	0.02
Wells Fargo Securities	4,304	120,194	0.04	-	-	-
Williams Capital Group	91,503	3,887,096	0.02	33,892	1,583,195	0.02
Yamner and Company Inc.	6,926	337,495	0.02	-	-	-
Total	\$ 1,697,230	91,337,964	\$ 0.02	\$ 1,787,638	86,972,313	\$ 0.02

Supporting Schedules

Summary Schedule of International Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
ABG Securities	\$ 490	29,636	\$ 0.02	\$ 644	46,900	\$ 0.01
ABN Amro	25,401	1,399,275	0.02	15,783	1,434,880	0.01
Akros Securities	-	-	-	1,600	169,626	0.01
Altium Capital Limited	-	-	-	36	3,000	0.01
Arden Partners Limited	3,562	47,546	0.07	2,320	219,225	0.01
Aros Securities	-	-	-	12	200	0.06
Auerbach Grayson Company	140	1,139	0.12	-	-	-
Banco Bilbao Vizcaya	-	-	-	1,462	69,200	0.02
Banco Espirito	9	600	0.02	336	13,600	0.02
Banco Portug de Invest	214	20,339	0.01	1,007	46,800	0.02
Banco Santander	133	5,900	0.02	5,053	64,500	0.08
Banesto Madrid	3,056	140,804	0.02	-	-	-
Bank Am Bellevue	98	3,669	0.03	468	11,257	0.04
Bank of China International	548	27,000	0.02	-	-	-
Bank Sal Oppenheim	44	754	0.06	402	7,606	0.05
Bank Vontobel Ag	37	635	0.06	106	2,295	0.05
Banque Paribas	408	20,600	0.02	23,083	1,803,460	0.01
Barclays	5,503	634,239	0.01	3,215	462,985	0.01
BBVA Bolsa S.V.S.A. Bilbao	305	8,617	0.04	376	38,200	0.01
Bear Stearns	1,058	62,858	0.02	33,579	2,550,506	0.01
Berenberg Joh Gossler & Co.	336	6,362	0.05	1,992	31,850	0.06
BHF Bank Frankfurt	-	-	-	228	1,600	0.14
BNP Paribas Peregrine Securities	8,982	6,289,330	-	3,189	1,029,360	-
BNY ConvergeX	3,863	1,131,848	-	588	100,903	0.01
BPI Porto Lisbon	-	-	-	462	53,600	0.01
Brockhouse & Cooper	4,711	244,800	0.02	96	6,200	0.02
BTIG Ltd.	646	36,493	0.02	-	-	-
Bunting Warburg	-	-	-	2,194	265,009	0.01
C.I. Nordic Securities	-	-	-	3,621	318,148	0.01
Cabrera Capital Markets	25,662	3,783,230	0.01	41,976	3,308,405	0.01
Calyon Capital	403	28,854	0.01	475	20,300	0.02
Cannacord Adams Ltd.	4	1,239	0.00	-	-	-
Cantor Fitzgerald & Co.	13,641	678,536	0.02	2,498	163,465	0.02
Carnegie	1,467	25,150	0.06	148	17,600	0.01
CastleOak Securities	-	-	-	745	38,526	0.02
Cazenove & Co	6,571	85,944	0.08	17,098	1,422,888	0.01
Cedel	-	-	-	129	5,200	0.02
Chase Manhattan Bank	-	-	-	317	14,250	0.02
Cheuvreux De Virieu	13,166	472,794	0.03	19,611	294,575	0.07
Chicago Analytic Trading Co.	25,220	1,668,200	0.02	-	-	-
China International Capital Corp.	6,557	477,700	0.01	343	47,000	0.01
CIMB-GK GOH Securities Ltd.	327	53,500	0.01	96	16,000	0.01
Citibank	-	-	-	749	92,951	0.01
Citigroup Global	67,161	19,781,174	-	32,883	5,138,225	0.01
Citigroup Global (ECN)	613	71,833	0.01	251	39,300	0.01
CLSA	4,439	386,360	0.01	6,477	80,961	0.08
Collins Stewart	208	17,813	0.01	2,568	413,891	0.01
Commerzbank	404	5,611	0.07	233	5,700	0.04
Credit Agricole	5,279	250,124	0.02	3,613	137,810	0.03
Credit Lyonnais	31,427	8,263,908	-	7,550	559,041	0.01
Credit Suisse First Boston	46,187	5,781,156	0.01	43,871	8,907,508	-
Credit Suisse First Boston (ECN)	43,129	12,900,989	-	16,125	5,444,747	-
Creditanstalt AG	-	-	-	8	300	0.03
D Carnegie AB	984	21,461	0.05	1,071	74,625	0.01
Daiwa	6,163	522,868	0.01	18,209	563,365	0.03
Danske Bank	91	7,200	0.01	-	-	-
Davy Stockbrokers	-	-	-	474	91,800	0.01

Supporting Schedules (continued)

Summary Schedule of International Investment Commissions For the Years Ended June 30, 2010 and 2009

	2010			2009		
DBS Bank	\$ 8	3,000	\$ -	\$ -	-	\$ -
DBS Vickers Limited	908	250,000	-	1,582	199,000	0.01
Deutsche Alex Brown	981	20,630	0.05	-	-	-
Deutsche Bank Securities Inc.	50,735	2,542,953	0.02	43,958	2,701,827	0.02
Deutsche Bank Securities Inc. (ECN)	341	48,349	0.01	-	-	-
Deutsche Securities	2,337	215,495	0.01	1,760	166,818	0.01
Divine Capital Markets	2,854	126,130	0.02	-	-	-
DLJ	-	-	-	401	10,019	0.04
DnB NOR Markets	13	100	0.13	-	-	-
Donaldson Lufkin and Jenrette Securities	-	-	-	217	5,415	0.04
Dresdner Kleinwort Wasserstein Securities	-	-	-	1,203	80,100	0.02
E. Ohman J:or Fondkommission AB	56	1,400	0.04	-	-	-
East & West	-	-	-	32	859	0.04
Eden Group	-	-	-	896	20,000	0.04
Euromobiliare	-	-	-	1,609	169,626	0.01
Evolution Securities Ltd.	16,604	1,673,213	0.01	106	18,800	0.01
Exane	4,482	180,636	0.02	17,223	559,617	0.03
Execution Ltd.	375	167,988	-	120	1,900	0.06
Fidentis	-	-	-	9,454	999,847	0.01
Finacorp Securities	165	5,500	0.03	141	4,426	0.03
Fox Pitt & Kelton	13	100	0.13	7,082	786,911	0.01
Gardner Rich	6,180	1,568,606	-	1,014	419,772	-
GFI Securities	2,465	1,699,688	-	-	-	-
Goldman Sachs & Co	15,496	1,484,435	0.01	7,343	791,150	0.01
Goldman Sachs & Co (ECN)	758	84,815	0.01	294	93,758	-
Goldman Sachs International	12,314	821,487	0.01	35,946	4,630,555	0.01
Goldman Sachs International (ECN)	2,462	311,714	0.01	885	156,991	0.01
Goodbody	649	102,800	0.01	1,185	350,186	-
Handelsbanken	3,732	379,500	0.01	-	-	-
HELVEA	-	-	-	2,896	11,433	0.25
Hong Kong & Shanghai Bank	-	-	-	42	3,500	0.01
HSBC Investment Bank	5,698	64,060	0.09	437	923	0.47
HSBC Securities	-	-	-	10	-	-
ICAP Securities Limited	985	65,064	0.02	497	4,400	0.11
Independent Minds	-	-	-	1,103	27,397	0.04
ING Bank	1,503	17,306	0.09	8,614	244,403	0.04
ING Baring Securities	5,526	80,225	0.07	-	-	-
Instinet	3,964	449,469	0.01	1,966	43,492	0.05
Intermonte Securities	-	-	-	1,620	169,626	0.01
Investec Securities	458	45,018	0.01	1,877	175,169	0.01
Investment Tech Group Inc	20,546	5,248,154	0.00	8,115	620,561	0.01
ITG	26,392	609,792	0.04	2,683	206,700	0.01
IXIS Securities	-	-	-	592	8,300	0.07
Jefferies & Co Inc	43,291	2,947,159	0.01	30,892	2,379,765	0.01
JP Morgan Securities	62,680	5,947,958	0.01	74,775	5,689,597	0.01
JP Morgan Securities	17	3,907	-	76	13,000	0.01
KAS Associates	-	-	-	227	10,100	0.02
KBC Bank	74	10	7.40	-	-	-
KBC Financial Products	55	3,867	0.01	11,912	539,065	0.02
KB-Securities	-	-	-	187	33,000	0.01
Keefe Bruyette Woods Inc.	18,136	1,024,266	0.02	14,014	855,048	0.02
Kelper Capital Markets	58	2,140	0.03	280	6,700	0.04
Kempen & Co.	5,100	111,922	0.05	571	13,800	0.04
Kepler Equities	3,736	166,308	0.02	3,460	28,716	0.12
Knight Securities	528	103,800	0.01	1,845	48,612	0.04
Landesbank	45	461	0.10	274	1,150	0.24
Landsbanki	-	-	-	817	23,500	0.03

Supporting Schedules (continued)

Summary Schedule of International Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Lazard Asset Management	\$ -	-	\$ -	\$ 230	25,300	\$ 0.01
Lehman Brothers	-	-	-	2,635	364,663	0.01
Lehman Brothers International	-	-	-	4,482	497,947	0.01
Lehman Brothers International (ECN)	-	-	-	2,526	153,910	0.02
Liberum Capital	3,811	532,740	0.01	2,330	114,919	0.02
Liquidnet (ECN)	13,161	3,765,552	-	2,759	541,697	0.01
Loop Capital	134,644	8,423,735	0.02	9,305	1,009,561	0.01
M R Beal & Co.	25,348	1,469,700	0.02	26,324	2,288,068	0.01
M. Ramsey King Securities	25,837	1,246,196	0.02	68,832	8,435,154	0.01
Macquarie Bank	8,081	132,600	0.06	-	-	-
Macquarie Equities	21,319	361,846	0.06	14,347	488,043	0.03
Macquarie Securities	28,113	3,245,612	0.01	18,660	1,552,361	0.01
Macquarie Securities (ECN)	1,362	499,994	-	1,983	397,477	-
Magna Securities	10,673	2,288,211	-	5,887	759,064	0.01
Mainfirst	3,770	45,940	0.08	-	-	-
Mainfirst Bank	-	-	-	6,527	41,960	0.16
Man Financial Ltd.	-	-	-	629	11,525	0.05
Mediobanca	-	-	-	274	14,700	0.02
Melvin Securities	11,982	487,170	0.02	18,769	1,279,356	0.01
Merrill Lynch & Co.	28,528	1,042,515	0.03	2,576	210,073	0.01
Merrill Lynch (ECN)	18,239	3,551,614	0.01	28,334	2,940,009	0.01
Merrill Lynch Capital Markets	-	-	-	12	600	0.02
Merrill Lynch Fenner & Smith	1,037	163,853	0.01	5,374	336,389	0.02
Merrill Lynch International	11,579	1,769,488	0.01	35,716	3,050,376	0.01
Merrill Lynch Pierce Fenner & Smith	6,870	359,362	0.02	-	-	-
Merrion Stockbrokers Ltd.	1,434	282,505	0.01	323	147,639	-
MF Global	1,631	92,048	0.02	165	10,000	0.02
Mitsubishi Securities	2,817	26,129	0.11	625	28,432	0.02
Mizuho Securities	12,569	535,694	0.02	655	29,596	0.02
MM Warburg & Company	43	439	0.10	552	4,850	0.11
Montrose Securities	190,773	12,393,628	0.02	190,500	6,519,447	0.03
Monument Securities	54	27,889	-	-	-	-
Monument Securities	-	-	-	132	1,200	0.11
Morgan Guaranty Euroclear Op Center	-	-	-	20	260	0.08
Morgan Stanley and Co.	17,631	2,413,625	0.01	28,975	20,690,355	-
Morgan Stanley and Co. (ECN)	591	104,376	0.01	25	2,396	0.01
Morgan Stanley International	23,097	1,189,165	0.02	-	-	-
Morgan Stanley International	-	-	-	25,214	1,895,604	0.01
Natixis Securities	32	405	0.08	203	7,000	0.03
NCB Stockbrokers	-	-	-	326	28,500	0.01
Nesbitt Burns	9,383	84,100	0.11	-	-	-
Nikko Securities	403	24,614	0.02	845	61,489	0.01
Nomura International	36,014	1,094,441	0.03	29,779	977,730	0.03
Nomura Securities	36,984	4,825,166	0.01	11,919	1,121,658	0.01
Nomura Securities (ECN)	387	80,000	-	-	-	-
Numis Corp	7,001	1,086,470	0.01	5,710	671,357	0.01
NZB Neue Zürcher Bank	494	2,830	0.17	691	21,233	0.03
Oddo	2,315	30,924	0.07	17,883	168,085	0.11
OKOBANK	-	-	-	14	522	0.03
Oppenheim Sal Jr Und Cie Col	-	-	-	124	4,650	0.03
Oppenheimer & Co.	-	-	-	560	11,200	0.05
Oriel Securities Ltd.	837	103,004	0.01	1,002	101,203	0.01
Panmure Gordon & Co., Ltd.	1,826	111,127	0.02	7,977	1,013,238	0.01
Pareto Fonds	-	-	-	747	110,021	0.01
Patersons Securities Ltd.	-	-	-	101	3,619	0.03
Percival Financial Partners	24	600	0.04	-	-	-
Pershing & Co.	522	427,275	-	1,838	161,030	0.01

Supporting Schedules (continued)

Summary Schedule of International Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Peter Cam	\$ -	-	\$ -	\$ 25	300	\$ 0.08
Raymond James	-	-	-	8,425	64,773	0.13
RBC Dominion Securities	3,012	48,917	0.06	-	-	-
RBS Equities	-	-	-	842	48,391	0.02
Redburn Partners	30,668	1,311,647	0.02	4,847	450,961	0.01
Ridge Clearing & Outsourcing Solutions Inc.	-	-	-	26	2,800	0.01
Royal Bank of Canada	2,396	36,600	0.07	151	6,120	0.02
Royal Bank of Scotland	2,523	146,164	0.02	-	-	-
Sanford Bernstein	13,728	1,631,852	0.01	4,487	314,630	0.01
Santander Central Hispano Bolsa	-	-	-	2,451	218,959	0.01
SG Securities	-	-	-	202	123,000	-
Skandinaviska Enskilda Banken	280	3,353	0.08	5,206	360,706	0.01
Societe Generale Securities Corp	15,343	521,677	0.03	25,344	901,449	0.03
State Street Bank & Trust	8,607	185,590	0.05	-	-	-
Svenska Handelsbanken Equities	5,452	82,732	0.07	13,337	1,101,275	0.01
Swedbank	-	-	-	22	1,760	0.01
Takasbank	-	-	-	137	2,998	0.05
TD Securities	234	6,142	0.04	-	-	-
Tokyo-Mitsubishi International	-	-	-	1,719	37,500	0.05
UBS AG	5,653	339,445	0.02	5,465	1,098,138	-
UBS Securities	21,144	1,610,300	0.01	493	114,000	-
UBS Securities (ECN)	43,570	9,985,219	-	15,458	3,539,549	-
UBS Warburg	26,587	946,662	0.03	5,404	89,500	0.06
Unicredit Banca Mobiliare S.P.A	131	1,700	0.08	-	-	-
Union Bank of Switzerland	2,450	431,300	0.01	-	-	-
Viewpoint Securities	18,845	1,029,500	0.02	7,038	1,866,908	-
Warburg Dillon Read	600	33,200	0.02	-	-	-
West Deutsche Landesbank	-	-	-	59	250	0.24
Westminster Securities	-	-	-	8,093	157,900	0.05
Yuanta Securities	-	4,500	-	-	-	-
Total	\$ 1,583,806	166,656,595	\$ 0.01	\$ 1,316,250	127,782,210	\$ 0.01

Supporting Schedules

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
ABG Securities	\$ 4,607	369,351	\$ 0.01	\$ 2,273	195,210	\$ 0.01
ABG Sundal Collier Norge Asa	1,957	120,085	0.02	133	15,746	0.01
ABN Amro	7,502	1,196,350	0.01	11,413	1,191,811	0.01
ACF International	-	-	-	205	7,017	0.03
ADP Clearing & Outsourcing Inc.	-	-	-	326	10,857	0.03
A G Edwards	-	-	-	308	8,800	0.04
Albert Fried & Co.	-	-	-	56	2,800	0.02
Alex Brown & Sons	-	-	-	5,469	190,300	0.03
Allen & Company	652	20,400	0.03	177	5,900	0.03
Asia Pacific Markets Program	1,511	2,975,337	-	-	-	-
B Trade Services	8,464	1,082,824	0.01	1,813	145,107	0.01
B. Riley & Co.	618	30,900	0.02	-	-	-
Banco Bilbao Vizcaya	74	3,841	0.02	-	-	-
Banco Inbursa	-	-	-	2,747	509,200	0.01
Banco Itau	1,905	94,650	0.02	759	48,550	0.02
Banco Pactual	39	850	0.05	-	-	-
Banco Santander	629	142,512	-	2,317	396,059	0.01
Bank of America	51,399	3,749,218	0.01	38,302	1,176,871	0.03
Bank of America Securities	5,650	1,459,107	-	5,729	1,539,666	-
Bank of New York	1,281	64,004	0.02	-	-	-
Bank of New York (ECN)	1,205	113,715	0.01	306	47,000	0.01
Banque Paribas	757	13,921	0.05	815	64,042	0.01
Barclays Capital	25,901	2,353,965	0.01	27,021	1,478,783	0.02
Barclays Capital (ECN)	6,770	683,770	0.01	273	27,300	0.01
Barnard Jacobs Mellett	-	-	-	79	15,451	0.01
Bass Trading	35	1,150	0.03	5,621	141,500	0.04
Baypoint Trading	-	-	-	85	2,836	0.03
Baypoint Trading (ECN)	-	-	-	322	34,194	0.01
BB&T Investment Services	292	7,300	0.04	-	-	-
Bear Stearns	1,015	50,240	0.02	-	-	-
Bear Stearns Securities Corp	-	-	-	1,180	117,578	0.01
Bear Stearns Algorithmic Strategy Trading (ECN)	-	-	-	113	125,000	-
Bear Stearns International	-	-	-	8,156	287,194	0.03
Bell Securities Ltd.	422	44,708	0.01	-	-	-
Berenberg Joh Gossler & Co.	-	-	-	144	2,900	0.05
Blair, William & Co.	2,490	69,400	0.04	1,006	26,200	0.04
Blaylock & Partners	116	2,900	0.04	72	1,800	0.04
Bley Investments	5,910	205,094	0.03	12,595	333,170	0.04
Bloomberg Tradebook	-	-	-	25	5,760	-
Bloomberg Tradebook (ECN)	303	27,807	0.01	-	-	-
BMO Capital Markets	3,767	97,000	0.04	5,732	150,650	0.04
BNP Paribas Peregrine Securities	8,747	749,246	0.01	5,907	1,507,762	-
BOE Securities	450	13,600	0.03	162	5,400	0.03
Boenning & Scattergood (ECN)	47	2,100	0.02	8,354	371,310	0.02
Broadpoint Amtech	930	31,000	0.03	-	-	-
BTIG LLC	3,050	81,950	0.04	3,978	101,800	0.04
Buckingham Research Group	429	12,800	0.03	-	-	-
Bunting Warburg	-	-	-	1,277	30,007	0.04
Burdett Buckeridge & Young	-	-	-	13	7,142	-
C.I. Nordic Securities	1,135	52,102	0.02	400	36,900	0.01
C.L. King & Associates	-	-	-	5,712	146,700	0.04
CA IB International Markets Limited	38	584	0.07	819	101,659	0.01
Cabrera Capital Markets	6,488	402,855	0.02	5,099	429,540	0.01
Calyon Capital	3,804	279,241	0.01	3,288	1,962,088	-
Canaccord Capital Corp.	512	12,800	0.04	101	2,500	0.04
Canadian Imperial Bank of Commerce	759	18,000	0.04	306	7,729	0.04
Cantor Fitzgerald & Co.	4,700	184,339	0.03	2,668	459,531	0.01
Carnegie	1,858	70,270	0.03	1,101	50,487	0.02
CastleOak Securities	5,006	491,000	0.01	-	-	-
Cazenove & Co	4,694	1,143,704	-	15,154	2,514,438	0.01
CCB International Securities Ltd.	384	238,000	-	-	-	-
CF Global	4,077	200,308	0.02	1,012	87,000	0.01
Chase Manhattan Bank	-	-	-	1,250	19,300	0.06
Cheevers	63,193	2,827,375	0.02	22,716	703,099	0.03

Supporting Schedules (continued)

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Cheuvreux De Virieu	\$ 2,255	58,962	\$ 0.04	\$ 3,309	201,778	\$ 0.02
China International Capital Corp.	123	8,500	0.01	364	86,000	-
CIBC	792	20,800	0.04	5,090	124,300	0.04
CIE, division of Tullett Liberty	-	-	-	368	9,200	0.04
Citibank	2,434	386,338	0.01	583	20,950	0.03
Citigroup Global	206,666	36,684,461	0.01	-	-	-
Citigroup Global (ECN)	14,261	2,546,329	0.01	-	-	-
Citigroup Global Markets Inc.	-	-	-	60,502	21,062,519	-
Citigroup Global Markets Inc. (ECN)	-	-	-	1,878	360,097	0.01
CLSA	53	28	1.89	1,528	7,740	0.20
CLSA Electronic Execution Algorithm (ECN)	2,999	381,700	0.01	-	-	-
Collins Stewart	525	77,775	0.01	1,116	40,606	0.03
Commonwealth Securities Ltd.	307	127,697	-	-	-	-
Cowen & Co.	1,024	26,400	0.04	384	9,600	0.04
Credit Agricole	13,805	1,235,820	0.01	11,531	1,247,933	0.01
Credit Lyonnais	36,084	4,477,595	0.01	3,055	1,343,254	-
Credit Research & Trading	-	-	-	3,319	229,500	0.01
Credit Suisse First Boston	38,156	10,246,675	-	78,043	24,074,216	-
Credit Suisse First Boston (ECN)	16,612	3,691,727	-	11,574	1,450,823	0.01
Credit Suisse First Boston Global	3,197	307,509	0.01	6,382	467,558	0.01
Credit Suisse Securities	60,799	4,902,681	0.01	25,193	1,293,848	0.02
Credit Suisse Securities (ECN)	8,283	4,283,537	-	8,009	802,090	0.01
Credit USA	-	-	-	118	11,800	0.01
Creditanstalt Ag	-	-	-	29	2,783	0.01
Crowell Weedon & Co.	166	4,150	0.04	613	15,314	0.04
Cuttone & Co.	313	13,900	0.02	86	3,800	0.02
D Carnegie AB	87	4,485	0.02	-	-	-
Daewoo Securities Co.	651	1,991	0.33	-	-	-
Dahlman Rose Weiss	972	40,300	0.02	-	-	-
Dain Rauscher	-	-	-	534	11,000	0.05
Daiwa	16,085	989,698	0.02	8,050	578,635	0.01
Davy Stockbrokers	-	-	-	151	5,500	0.03
DBS Vickers Limited	1,370	263,600	0.01	795	257,300	-
Deutsche Alex Brown	2,972	84,900	0.04	2,034	58,100	0.04
Deutsche Bank Securities Inc.	55,536	4,457,611	0.01	67,894	8,659,032	0.01
Deutsche Bank Securities Inc. (ECN)	3,180	686,165	-	545	106,700	0.01
Deutsche Securities	306	93,800	-	3,791	1,731,000	-
DMG & Partners Securities	523	181,000	-	-	-	-
Donaldson Lufkin And Jenrette Securities	552	15,780	0.03	31,586	1,060,692	0.03
Dowling Partners	4	100	0.04	1,983	49,650	0.04
Dresdner Kleinwort Wasserstein Securities	-	-	-	1,075	74,995	0.01
E Trade	8	7,108	-	162	18,956	0.01
East & West	64	1,000	0.06	4,654	718,844	0.01
EFG Hermes	3,090	188,668	0.02	1,523	86,200	0.02
Enskilda Securities	805	26,145	0.03	-	-	-
Euroclear Bank	646	60,613	0.01	-	-	-
Euromobiliare	39	10,356	-	13	3,600	-
Euro Securities Ltd.	-	-	-	2	1,457	-
Evolution Beeson Gregory	1,455	211,135	0.01	51	5,652	0.01
Ewing Capital	-	-	-	4,525	183,781	0.02
Exane	4,795	1,000,626	-	9,477	388,454	0.02
Execution Ltd.	2,665	132,809	0.02	4,924	351,510	0.01
Fidelity Capital Markets	-	-	-	715	31,000	0.02
Fidentis	-	-	-	40	6,800	0.01
Financial Brokerage Group	-	-	-	2,073	197,666	0.01
First Union Capital Markets	-	-	-	3,011	67,620	0.04
Fischer Peters Fondkommission	-	-	-	251	9,300	0.03
Fleet Securities Inc.	-	-	-	313	9,050	0.03
Fortis Bank	-	-	-	196	2,442	0.08
Fox Pitt & Kelton	458	33,300	0.01	1,929	89,670	0.02
Friedman Billings & Ramsey	717	17,918	0.04	820	20,500	0.04
FTN Financial Capital Markets	-	-	-	280	7,000	0.04
FTN Midwest Securities	12	400	0.03	27	900	0.03
G Trade	57	7,500	0.01	1,248	149,914	0.01

Supporting Schedules (continued)

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Garban Securities	\$ -	-	\$ -	\$ 2,207	101,686	\$ 0.02
Gardner Rich	1,253	47,900	0.03	6,245	402,145	0.02
Genuity Capital Markets	806	21,600	0.04	572	16,000	0.04
GFI Group	-	-	-	717	34,300	0.02
Gleacher & Co.	176	4,400	0.04	-	-	-
Goldman Sachs & Co	79,490	5,888,314	0.01	89,945	10,813,389	0.01
Goldman Sachs & Co (ECN)	13,352	2,149,983	0.01	3,248	1,123,839	-
Goldman Sachs Executing & Clearing	-	-	-	3,067	377,100	0.01
Goldman Sachs International	3,271	148,574	0.02	13,969	1,099,911	0.01
Goodbody	-	-	-	1,380	48,500	0.03
Gordon Hasket & Co.	-	-	-	172	4,300	0.04
Green Street Advisors Inc.	825	55,660	0.01	310	7,900	0.04
GRW Capital Corp.	-	-	-	3,719	407,075	0.01
Guzman & Co.	1,281	41,464	0.03	3,560	1,738,905	-
Handelsbanken	1,858	134,017	0.01	815	12,270	0.07
Heflin & Co.	1,040	26,000	0.04	2,505	66,800	0.04
HELVEA Inc.	2,606	22,346	0.12	40	331	0.12
Howard Weil Securities	64	1,600	0.04	-	-	-
HSBC Investment Bank	1,147	52,337	0.02	673	17,211	0.04
HSBC Securities	7,779	1,665,965	0.00	7,456	441,750	0.02
Hudson Securities Inc.	-	-	-	1,126	225,260	-
I.S.I. Group Inc.	1,356	35,200	0.04	337	10,300	0.03
I.S.I. Group Inc. (ECN)	73	14,500	0.01	-	-	-
ICAP Securities Ltd.	4,938	258,313	0.02	1,908	78,531	0.02
ING Bank	3,144	194,226	0.02	6,481	390,998	0.02
ING Baring Securities	2,761	911,500	-	1,923	94,900	0.02
INNOVA Securities	25	700	0.04	7,691	223,060	0.03
Instinet	5,163	280,228	0.02	17,950	1,089,689	0.02
Intermonte Securities	-	-	-	144	35,800	-
Inversora Bursatil	-	-	-	1,036	192,000	0.01
Investec Securities	2,861	53,045	0.05	-	-	-
Investment Tech Group Inc	8,905	3,302,856	0.00	-	-	-
Investment Tech Group Inc (ECN)	-	-	-	8,263	820,166	0.01
Itau Securities	1,528	55,550	0.03	-	-	-
Ivy Securities	901	55,349	0.02	4,915	330,099	0.01
IXIS Securities	1,471	23,279	0.06	878	46,588	0.02
J.B. Were & Son	755	376,866	-	1,719	551,150	-
Janney Montgomery Scott	3,312	82,800	0.04	-	-	-
Jeffries & Co Inc	23,179	1,182,138	0.02	19,203	629,108	0.03
Jeffries & Co Inc (ECN)	80	5,626	0.01	-	-	-
JMP Securities	572	14,300	0.04	412	10,300	0.04
Jones & Associates	174	66,041	-	1,038	37,500	0.03
JonesTrading Institutional Services	-	-	-	49	1,400	0.04
JP Morgan Chase & Co.	40,257	7,604,049	0.01	42,074	8,276,419	0.01
JP Morgan Chase & Co. (ECN)	9,262	1,416,618	0.01	4,672	467,125	0.01
JP Morgan Securities	21,483	2,385,667	0.01	35,868	7,135,756	0.01
KAS Associates	80	22,150	-	1,103	52,828	0.02
KBC Financial Products	-	-	-	458	90,916	0.01
KBC Peel Hunt Ltd.	1,854	358,452	0.01	532	109,786	-
Keefe Bruyette Woods Inc.	3,694	205,831	0.02	349	8,500	0.04
Kellogg Partners Inst Services	99	4,400	0.02	738	32,800	0.02
Kempen & Co.	8,353	333,431	0.03	7,275	255,783	0.03
Kepler Equities	898	9,442	0.10	901	58,874	0.02
Keybank Capital Markets	493	11,500	0.04	2,957	85,600	0.03
Knight Securities	2,416	402,662	0.01	9,035	339,606	0.03
Knight Securities (ECN)	143	24,510	0.01	-	-	-
LaBranche Financial Services	382	9,800	0.04	488	11,675	0.04
Lam Securities	657	21,900	0.03	-	-	-
Landesbank	-	-	-	147	3,900	0.04
LAVA	-	-	-	434	43,400	0.01
Lazard Asset Management	-	-	-	359	64,600	0.01
Leerink Swann & Co.	2,754	92,400	0.03	1,053	29,550	0.04
Lehman Brothers Inc.	-	-	-	2,869	127,284	0.02
Lehman Brothers International	-	-	-	1,147	66,625	0.02

Supporting Schedules (continued)

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Liberum Capital	\$ 374	23,370	\$ 0.02	\$ -	-	\$ -
Liquidnet (ECN)	18,516	3,030,325	0.01	21,960	2,487,663	0.01
Lombard Odier	956	260,265	-	-	-	-
Loop Capital	18,686	851,683	0.02	4,431	606,609	0.01
M R Beal & Co.	35,554	6,968,942	0.01	17,949	760,062	0.02
M. Ramsey King Securities	30,736	1,894,195	0.02	42,677	2,714,490	0.02
Macquarie Bank	124	27,909	0.00	-	-	-
Macquarie Equities	10,145	1,135,862	0.01	11,027	1,892,764	0.01
Macquarie Securities	42,352	11,877,843	-	27,521	14,298,085	-
Macquarie Securities (ECN)	4,072	3,209,944	-	161	278,900	-
Magna Securities	1,241	121,900	0.01	37,760	6,271,868	0.01
Mainfirst	2,291	30,756	0.07	96	36,000	-
Man Financial Ltd.	1,221	83,779	0.01	2,565	176,181	0.01
McDonald Co.	-	-	-	688	17,200	0.04
Mediobanca	399	88,637	-	22	4,600	-
Melvin Securities	5,883	152,980	0.04	6,339	277,822	0.02
Merrill Lynch & Co.	29,401	2,398,967	0.01	16,723	1,633,653	0.01
Merrill Lynch (ECN)	2,379	538,197	-	4,588	563,253	0.01
Merrill Lynch Algorithmic Strategy Trading (ECN)	13,049	2,140,873	0.01	2,667	398,922	0.01
Merrill Lynch Capital Markets	3,060	154,581	0.02	10,942	526,916	0.02
Merrill Lynch Fenner & Smith	560	166,900	-	4,508	592,788	0.01
Merrill Lynch International	11,285	358,814	0.03	39,301	7,666,600	0.01
Merrill Lynch Pierce Fenner & Smith	494	81,600	0.01	2,715	311,700	0.01
Miller Tabak	296	7,400	0.04	388	9,700	0.04
Mischler Securities	111	3,700	0.03	12	300	0.04
Mitsubishi Securities	2,452	189,733	0.01	2,363	37,124	0.06
Mizuho Securities	7,563	731,161	0.01	658	35,715	0.02
MKM Partners	141	4,700	0.03	269	8,350	0.03
Mogavero, Lee & Co.	42,087	1,402,900	0.03	95,691	3,189,700	0.03
Montrose Securities	45,551	1,521,318	0.03	62,106	1,991,799	0.03
Morgan Keegan & Co.	150	5,000	0.03	132	4,400	0.03
Morgan Stanley and Co.	84,954	12,604,246	0.01	82,323	11,051,668	0.01
Morgan Stanley and Co. (ECN)	34,619	7,067,607	-	9,283	1,451,185	0.01
Morgan Stanley International	7,838	643,425	0.01	16,474	3,164,336	0.01
Moscow Narodny Bank Ltd.	152	4,100	0.04	-	-	-
MS Passport	-	-	-	767	154,992	-
MSDW Australian Securities Ltd.	49	2,200	0.02	373	118,530	-
Multitrade	21,977	1,393,177	0.02	31,124	2,034,878	0.02
Murphy & Durieu (ECN)	398	17,700	0.02	4,675	207,740	0.02
National Bank Financial	-	-	-	939	24,100	0.04
Natixis Securities	-	-	-	91	1,300	0.07
NBC Clearing Services	823	21,300	0.04	723	16,600	0.04
NCB Stockbrokers	6,968	982,834	0.01	4,275	158,600	0.03
Needham & Co. Inc.	-	-	-	56	1,400	0.04
Nesbitt Burns	2,012	51,750	0.04	4,870	121,400	0.04
Nomura International	6,640	723,711	0.01	3,004	343,862	0.01
Nomura Securities	16,140	1,930,245	0.01	23,160	981,404	0.02
Nomura Securities (ECN)	1,368	2,192,666	-	-	-	-
Nordea Bank	1,019	24,521	0.04	-	-	-
Nova Capital Markets	508	12,700	0.04	652	16,300	0.04
Numis Corp	2,303	671,050	-	1,469	522,600	-
Oddo	-	-	-	2,427	32,146	0.08
Olivetree Securities	119	20,871	0.01	-	-	-
Oppenheimer & Co.	116	2,900	0.04	3,049	115,200	0.03
Oriel Securities Ltd.	60	21,266	-	12	3,111	-
OTA Limited Partnership	-	-	-	56	1,400	0.04
OTR Global Trading	1,320	33,000	0.04	-	-	-
Pacific American Securities	1,419	55,900	0.03	-	-	-
Pacific Crest Securities	303	10,100	0.03	-	-	-
Pali Capital, Inc.	88	2,200	0.04	304	7,600	0.04
Panmure Gordon & Co.	-	-	-	24	5,000	-
Parel	93	6,400	0.01	-	-	-
Pareto Fonds	303	137,720	-	-	-	-
Paterson Ord Minnett Limited	-	-	-	166	6,190	0.03

Supporting Schedules (continued)

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
Percival Financial Partners	\$ 542	17,000	\$ 0.03	\$ -	-	\$ -
Pershing & Co.	1,702	49,650	0.03	21,232	581,679	0.04
Peters & Co.	-	-	-	499	11,400	0.04
Pipeline Trading	2,199	219,300	0.01	1,135	97,400	0.01
Piper Jaffrey	800	26,200	0.03	1,473	41,600	0.04
Piper Jaffrey (ECN)	-	-	-	90	9,000	0.01
Pulse Trading	908	54,600	0.02	1,157	54,300	0.02
Quantex	-	-	-	2,188	427,054	0.01
Rabo Securities	2,910	283,982	0.01	2,349	62,334	0.04
Ramirez & Co.	10,399	274,600	0.04	36	900	0.04
Raymond James	2,305	91,658	0.03	10,837	288,060	0.04
RBC Capital Markets	9,664	356,575	0.03	10,510	274,852	0.04
RBC Capital Markets (ECN)	530	53,000	0.01	716	27,000	0.03
RBC Dominion Securities	3,603	99,016	0.04	10,062	246,650	0.04
RBS Securities Inc.	3,032	435,291	0.01	-	-	-
Redburn Partners	3,957	379,547	0.01	2,922	319,195	0.01
Renaissance Capital Corp.	3,188	24,697	0.13	8,956	254,261	0.04
Ridge Clearing & Outsourcing Solutions Inc.	35,928	2,766,447	0.01	468	15,600	0.03
Robert Van Securities, Inc.	10,063	1,832,745	0.01	7,527	216,150	0.03
Robert W. Baird & Co.	4,249	107,900	0.04	7,549	198,225	0.04
Roberts & Ryan	1,191	39,000	0.03	-	-	-
Royal Bank of Canada	1,960	51,100	0.04	105	2,100	0.05
Royal Bank of Scotland	1,294	83,021	0.02	2,258	271,500	0.01
Samsung Securities Co.	-	-	-	141	278	0.51
Sandler O'Neill	328	13,100	0.03	1,360	34,000	0.04
Sanford Bernstein	5,512	300,577	0.02	8,858	708,075	0.01
Sanford Bernstein (ECN)	14,029	2,166,104	0.01	26,803	3,073,102	0.01
Santander Central Hispano Bolsa	152	7,809	0.02	-	-	-
Santander Investment Securities Inc.	4,587	182,738	0.03	2,620	294,800	0.01
Score Asset Management	-	-	-	6,828	198,100	0.03
Scotia Capital Markets	-	-	-	761	21,100	0.04
Scotia McLeod	192	4,800	0.04	1,275	34,100	0.04
Seoul Securities	936	5,530	0.17	-	-	-
SG Americas Securities	-	-	-	2,685	71,265	0.04
Sidoti & Company	563	17,000	0.03	-	-	-
Siebert (Muriel)	99	3,300	0.03	7,403	197,655	0.04
Simmons & Co.	-	-	-	352	8,800	0.04
Skandinaviska Enskilda Banken	669	18,514	0.04	233	115,481	0.00
Smith Barney Shearson Inc.	-	-	-	11,685	982,007	0.01
Societe Generale Equities International	311	10,992	0.03	1,984	34,729	0.06
Societe Generale Securities Corp.	6,048	104,584	0.06	2,661	78,577	0.03
Societe Generale Securities Corp. (ECN)	39	2,085	0.02	-	-	-
Soleil Securities Corp.	836	26,500	0.03	872	21,800	0.04
Spear Leeds	-	-	-	3,840	227,139	0.02
Standard Bank of South Africa	1,880	98,765	0.02	-	-	-
Standard Chartered Bank	122	9,200	0.01	-	-	-
State Street Bank & Trust	23	700	0.03	-	-	-
State Street Global Markets	1,132	150,903	0.01	527	105,600	-
Stephens Inc.	684	19,900	0.03	239	19,684	0.01
Sterne Agee & Leach Inc.	304	9,000	0.03	2,148	53,700	0.04
Stifel Nicolaus & Co.	6,744	233,700	0.03	4,105	126,400	0.03
Stifel Nicolaus Capital Program (ECN)	596	59,600	0.01	-	-	-
Sturdivant & Co.	-	-	-	316	7,900	0.04
Susquehanna Investment Group	6,821	196,900	0.03	978	30,200	0.03
Svenska Handelsbanken Equities	98	3,000	0.03	564	15,600	0.04
TD Investments	168	3,900	0.04	458	12,900	0.04
ThinkEquity Partners	92	2,300	0.04	146	7,300	0.02
Thomas Weisel Partners	480	12,000	0.04	14,401	373,200	0.04
Thomas Weisel Partners (ECN)	713	71,320	0.01	628	62,800	0.01
Toronto Dominion Securities Inc.	-	-	-	16,331	421,287	0.04
Tradition Asiel Securities	80	2,000	0.04	-	-	-
Troika Dialog	-	-	-	372	24,000	0.02
UBS AG	12,172	2,557,829	-	12,564	2,706,443	-
UBS Bunting	481	11,400	0.04	-	-	-

Supporting Schedules (continued)

Summary Schedule of Global Investment Commissions For the Years Ended June 30, 2010 and 2009

Investment Brokerage Firm	2010			2009		
	Commission	Shares Traded	Commission per Share	Commission	Shares Traded	Commission per Share
UBS Securities	\$ 26,325	3,964,778	\$ 0.01	\$ 38,707	8,512,496	\$ -
UBS Securities (ECN)	29,448	4,127,683	0.01	15,781	1,781,139	0.01
UBS Warburg	1,171	202,165	0.01	6,261	2,080,776	-
Unicredit CAIB AG	-	-	-	1,061	55,400	0.02
Union Bank of Switzerland	579	25,100	0.02	14,713	1,581,151	0.01
US Clearing Corp	2,338	66,800	0.04	-	-	-
VDM Institutional Brokerage	-	-	-	203	9,000	0.02
Wachovia Securities Inc.	965	22,900	0.04	6,037	145,600	0.04
Wachovia Securities Inc. (ECN)	12	600	0.02	-	-	-
Weeden & Co.	1,317	82,400	0.02	4,614	154,000	0.03
Weeden & Co. (ECN)	8	800	0.01	-	-	-
Wells Fargo	2,109	55,200	0.04	-	-	-
White Cap Trading (ECN)	-	-	-	113	5000	0.02
Williams Capital	24,202	1,150,016	0.02	6,633	259,521	0.03
Yuanta Securities Co. Ltd.	1,528	273,000	0.01	-	-	-
Total	\$ 1,800,481	221,487,398	\$ 0.01	\$ 1,847,652	218,765,632	\$ 0.01

Supporting Schedules

Summary Schedule of Fixed Income Investment Brokerage For the Years Ended June 30, 2010 and 2009

	2010	2009
	Market Value Traded	Market Value Traded
ABN AMRO Securities	\$ -	\$ 225,000
ADP Clearing & Outsourcing	2,043,298	2,045,424
Agency Trading Group Inc.	1,526,680	-
AK Capital	-	3,647,770
Alex Brown & Sons	-	685,911
Amherst Securities Group	4,717,965	7,493,002
Arbor Trading Group, Inc.	2,639,984	-
Banc of America Securities	394,552,121	918,459,718
Banco Citibank	518,014	-
Bank of America	520,257,361	1,113,789,665
Bank of New York Capital Markets	2,456,750	-
Bank of Oklahoma	181,845	-
Banque Paribas	-	38,093,346
Barclays Bank	59,761,561	76,235,278
Barclays Capital Inc.	974,946,405	2,845,837,796
BB&T Capital Markets	75,840	239,676
Bear Stearns & Co.	635,254	1,497,709
Blaylock & Partners	2,553,586	1,155,504
BMO Capital Markets Corp.	2,735,615	145,810
BNP Paribas Securities Corp.	241,563,739	136,056,840
BNY Brokerage Inc.	-	690,150
BNY Capital Markets	3,970,158	468,750
Bonds Direct	-	12,422,292
BOSC Inc.	-	2,962,715
Braver, Stern Securities Co.	4,182,729	9,491,848
Broadpoint Securities Inc.	2,266,696	6,879,520
BTIG, LLC	2,530,989	-
Cabrera Capital Markets	17,502,726	19,111,723
Cambridge International	3,478,897	10,857,131
Cantor Fitzgerald & Co.	11,813,970	55,936,552
Carolina Capital Markets	63,825	986,206
CastleOak Securities	1,134,944,133	1,386,973,382
CF Global Trading	100,042	-
Chapdelaine & Co.	1,082,069	987,572
Chase Manhattan Bank	1,004,605	23,673,942
Cheevers & Co.	44,509,157	-
Chicago Income Collection	597,048	609,950
Christopher Street Capital	70,400	-
CIBC World Markets	6,087,469	-
Citadel Securities	652,557	-
Citibank NA	70,286,696	3,052,668
Citigroup Global Markets Inc.	1,274,103,912	954,052,510
Clearview Correspondent Services	-	287,202
Coastal Securities	506,727	-
Cohen and Steers Capital Management	424,534	-
Comerica bank	175,618	-
Commonwealth Bank of Australia	-	85,131
Corporate Actions	-	21,257,237
Credit Research	51,971,681	111,088
Credit Suisse Capital	-	89,119,472
Credit Suisse First Boston Corp.	689,261,822	1,716,567,655
Credit Suisse International	4,523,639	1,010,152
Credit Suisse Securities (USA)	1,374,745,900	1,861,644,058
Crews & Associates	-	54,670
CRT Capital Group LLC	1,216,076	-
De La Rosa, E.J. & Co., Inc.	-	1,926,648
DEPFA First Albany Securities	-	2,133,531
Deutsche Bank AG	59,318,462	27,104,333
Deutsche Bank Securities, Inc.	827,639,602	1,463,024,808
DLJ	-	1,084,654
Donaldson Lufkin and Jenrette Securities	-	720,023
Fahnestock	-	197,755
Finacorp Securities	133,019,847	29,240,802
First Clearing	-	583,996
First Southwest Co.	-	979,854
First Tennessee Bank	2,847,133	503,575
First Tennessee Brokerage	-	339,885
First Tennessee Capital Markets	41,246	19,198,158
First Tryon Securities	9,088	-
Fleet Securities	-	153,384
Fortis Bank	506,347	72,129
FTN Financial	12,497,100	18,487,077
Fundamental Capital	360,900	2,954,627
Gatten Sadowski	-	49,806
GFI Securities	-	849,331
Goldman Sachs & Company	1,464,085,389	1,251,583,516

Supporting Schedules (continued)

Summary Schedule of Fixed Income Investment Brokerage For the Years Ended June 30, 2010 and 2009

	2010	2009
	Market Value Traded	Market Value Traded
Goldman Sachs Capital Markets	\$ -	\$ 919,442
Goldman Sachs Group Inc.	211,468,629	171,751,220
Goldman Sachs International	5,747,691	7,494,663
Government Perspectives	906,046	333,193
Greenwich Capital Markets Inc.	103,067,446	1,481,176,191
Guggenheim Capital Markets	-	13,603,841
Guzman & Company	3,515,561	160,204,061
GX Clarke & Co.	909,916	5,549,132
Hexagon Securities	57,794	-
HSBC Bank Plc	4,983,358	2,061,818
HSBC Bank USA NA	-	4,380,216
HSBC Securities Inc.	70,106,144	55,746,148
Hunter Securities Corp.	-	676,267
Hutchinson, Shockey, Erley Co.	1,063,623	-
ICP Securities LLC	1,019,030	1,030,762
ING Barings U.S. Securities Inc.	-	239,275
Itau USA Securities Inc.	1,176,962	-
J.P. Morgan Chase & Co.	122,259,783	462,247,158
J.P. Morgan Chase Bank	122,061,688	744,226,793
J.P. Morgan Securities Inc.	864,549,523	1,169,061,191
Jefferies & Company	190,523,022	44,779,663
Jones & Associates	890,745	-
Jonestrading Institutional Services LLC	1,209,700	-
Kaufman Brothers	786,291	-
Key Group	-	117,622
KeyBanc Capital Markets	628,145	10,558,567
Keybank	-	1,170,974
Kiley Partners Inc.	165,743	-
Knight Libertas	2,159,811	5,185,837
Lazard Capital Markets LLC	495,548	-
Legent Clearing	42,588	313,114
Lehman Brothers Inc.	1,660,000	3,178,849,419
Lehman Brothers International	-	28,577,621
Lehman Brothers Special Financing Inc.	2,847,051	8,513,291
Libertas Partners LLC	1,319,024	702,402
LLC Transactions	3,850,000	8,017,416
Loop Capital Markets	1,659,260,172	3,033,920,156
M R Beal & Co.	35,395,869	-
Macquarie Securities	-	59,828
Magna Securities Corporation	6,137,135	400,069
MAN Financials Inc.	323	44
MarketAxess Corp.	-	886,056
McDonald & Company	579,924	673,496
Merrill Lynch Capital Services	-	6,401,543
Merrill Lynch Government Securities Inc.	-	94,475,782
Merrill Lynch Inc.	14,825,213	413,093,318
Merrill Lynch International	7,451,653	553,348
Merrill Lynch Pierce Fenner & Smith	130,931	16,553,349
Mesirow Financial Inc.	363,720	1,085,664
MF Global Inc.	40,459,884	1,136,541
MFR Securities	1,562,539	-
Miller Tabak & Co.	-	28,867
Mischler Financial Group	317,920	-
Mitsubishi Securities Inc.	-	184,115
Mitsubishi UFJ Securities International	3,150,176	191,821
Mizuho International PLC	-	1,904,368
Mizuho Securities USA Inc.	13,130,164	11,033,928
Montgomery Securities	-	343,886
Montrose Securities International	-	103,018,512
Morgan Keegan & Co.	10,225,456	10,683,244
Morgan Stanley & Co. Inc.	1,169,559,725	777,521,710
Morgan Stanley & Co. International	3,255,343	-
Morgan Stanley Capital Services Inc.	2,562,881	13,520,587
Morgan Stanley Dean Witter	13,064,139	335,822,727
MST	-	26,101,185
Multi-Bank Securities	-	1,467,099
Muriel Siebert & Co. Inc.	-	29,876
National Bank of Abu Dhabi	2,811,393	-
National Financial Services Corp.	3,151,830	121,476
Navigate Advisors LLC	5,614,089	331,099
Newedge	145	53
Nomura Securities	98,968,689	6,074,003
Oppenheimer Securities	7,104,667	-
Pali Capital Inc.	-	310,623
Paribas Corp.	5,516,938	54,252
Pershing Securities	232,899	467,031
PFPC Distributors	184,979	109,000

Supporting Schedules (continued)

Summary Schedule of Fixed Income Investment Brokerage For the Years Ended June 30, 2010 and 2009

	2010	2009
	Market Value Traded	Market Value Traded
Prager, Sealy, & Co.	\$ 270,461	\$ -
Putnam Lovell NBF Securities Inc.	105,042	-
R. Seelaus & Co., Inc.	52,869	-
R.W. Pressprich & Co. Inc.	4,680,755	-
Raymond James & Assoc Inc.	874,405	5,605,610
RBC Capital Markets Inc.	111,534,087	5,181,622
RBC Dain Rausher Inc.	40,397,182	21,968,247
RBC Dominion	28,670,100	2,821,741
RBS Securities Inc.	540,404,531	55,737,545
RBS/Greenwich Capital Markets	4,609,481	386,009
Ridge Clearing & Outsourcing Solutions Inc.	-	448,390
Robert Van Securities	3,133,821	-
Robert W. Baird & Co.	20,664,985	13,958,874
Royal Bank of Canada	3,451,965	3,513,415
Royal Bank of Scotland PLC	7,995,587	161,646,534
Salomon Brothers Inc.	-	2,294,667
Sandgrain Securities	1,404,627	-
Sandler O'Neill & Partner	2,336,600	7,211,897
SBK Brooks Investment Corp.	69,317	1,091,546
Scott Stringfellow Inc.	-	399,400
SeaPort Group Securities, LLC	1,157,282	-
Siebert Branford Shank & Co. LLC	-	415,000
Societe Generale	705,078	-
Southwest Securities	2,676,561	9,178,731
Standard Chartered Bank	2,552,823	427,781
Stephens	2,823,393	2,192,477
Sterne Agee	204,250	92,671
Stifel Nicolaus & Co.	2,875,581	4,584,265
Stone and Youngberg	155,057	733,132
Sunbelt Securities	3,203,685	3,070,797
SunTrust	475,806	1,392,692
Susquehanna International Securities	1,213,654	-
TD Securities	16,781,457	600,209
Toronto Dominion	5,857,861	-
Toussaint Capital Partners LLC	282,393,518	137,514,319
Troika Dialog Inc.	-	69,919
U.S. Bancorp Piper Jaffray Inc.	453,309	522,450
U.S. Bank	1,009,994	-
UBS AG	5,493,178	14,857,809
UBS Financial Services	301,497	241,299
UBS Limited	-	370,103
UBS PaineWebber	-	10,859,087
UBS Securities LLC	251,003,327	716,664,626
UBS Warburg LLC	24,932,797	4,771,768
United Capital Markets	-	58,416
Utendahl	67,718	42,413,343
Vining Sparks	-	4,142,131
Wachovia Capital Markets	300,791	103,276
Wachovia Securities Inc.	2,700,242	23,829,964
Wall Street Access	884,923	2,074,124
Wedbush Morgan	276,978	-
Weller, Anderson, Cheneviere	1,631,630	3,297,438
Wells Fargo Investments	30,615,092	5,399,916
Williams Capital	427,096,934	397,832,376
Young, Stoval & Company	-	748,500
Total	\$ 16,078,555,096	\$ 28,242,859,986

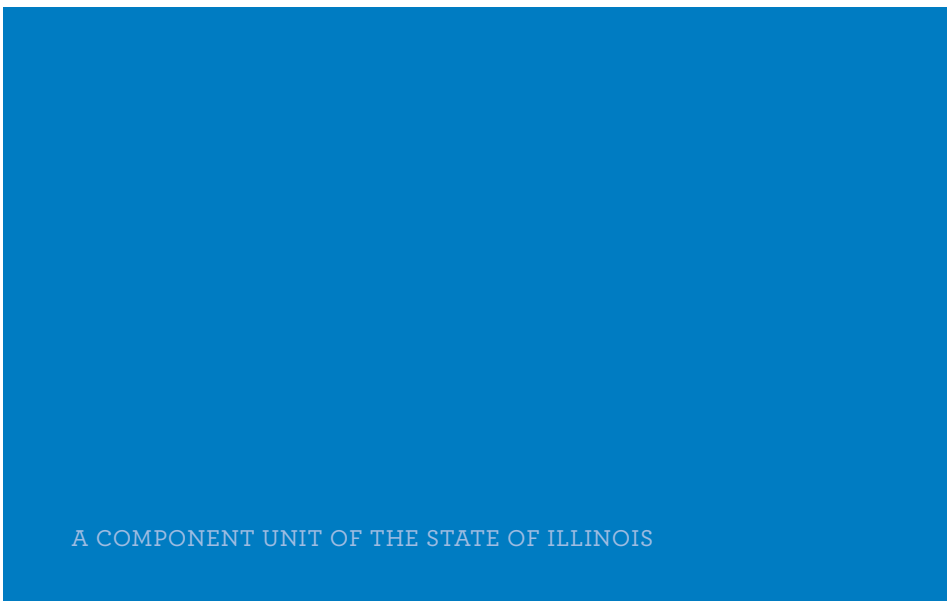
ACTUARIAL SECTION

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010



Giving You Our Best

Strengthening organizational capabilities to align with changing needs



A COMPONENT UNIT OF THE STATE OF ILLINOIS



Letter of Certification



Gabriel Roeder Smith & Company
Consultants & Actuaries

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December 1, 2010

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, 2010. 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 was accepted and used without verification or audit.
- b. *Assets of the Fund* – The values of SURS assets are provided by SURS staff and was reviewed for reasonableness, but was accepted and used without verification or audit. First effective with the valuation as of June 30, 2009, the actuarial value of assets, which smoothes investment gains and losses compared to the actuarial assumption of 7.75% (8.5% prior to fiscal year 2011) over a five-year period, is calculated by the actuary and 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. The investment return assumption was decreased from 8.50% to 7.75% first effective with the valuation as of June 30, 2010. Certain assumptions applicable to members hired on or after January 1, 2011, were also first effective as of June 30, 2010. The remaining assumptions were 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 statutory funding policy set out in Section 15-155 of the Illinois Pension code results in lower near-term contribution requirements than the Annual Required Contribution (ARC) as calculated under GASB 25. We recommend funding the ARC. This letter does not certify that the funding method in the statute complies with generally accepted actuarial standards for the funding of retirement systems.

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

Amy Williams, ASA, MAAA
Consultant

Cathy Nagy, FSA, MAAA
Senior Consultant

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 2010 was 17.73% of payroll, 8.0% of which is paid by the members' contributions. The remaining 9.73% 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 (9.73% 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.

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 50.4% to approximately 90%.

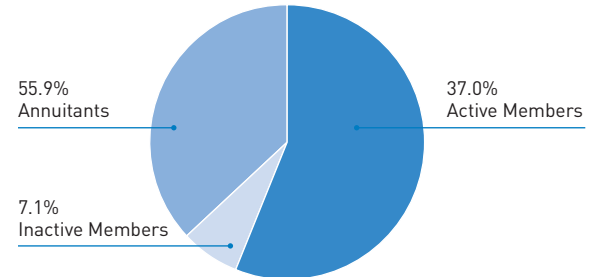
As required by Public Act 96-0043 the State of Illinois issued \$3.466 billion in pension obligation notes on January 7, 2010, at an interest rate of 3.854%. The proceeds of these debt securities, taxable with a five-year maturity, were used to fund the State's contribution to the five retirement systems, including \$700.2 million paid to SURS.

Actuarial Report

Valuation Results (\$ millions)

Actuarial liability (reserves)	
For members receiving annuities	\$ 16,834.4
For inactive members	2,147.2
For active members	<u>11,138.8</u>
Total	30,120.4
Actuarial value of assets available for benefits	<u>13,966.6</u>
Unfunded accrued actuarial liability	<u>\$ 16,153.8</u>

Actuarial Liability



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

Unfunded accrued actuarial liability at June 30, 2009	\$ 12,034.2
Expected increase in unfunded accrued actuarial liability	667.5
Impact of change in actuarial assumptions (A)	2,413.9
Actuarial differences	
Investments other than 8.5%	940.5
Salary increases other than 5.5%	(113.1)
Age and service retirement differences	(59.2)
Termination differences	32.0
Mortality and disability incidence differences	(3.8)
Benefit recipient differences	104.7
New entrants	65.6
Other actuarial differences	<u>71.5</u>
Net actuarial loss	1,038.2
Unfunded accrued actuarial liability at June 30, 2010	<u>\$ 16,153.8</u>

(A) On October 28, 2010, the SURS Board of Trustees authorized a change in the assumed actuarial rate of return from 8.5% to 7.75% to be used in the determination of the projected liabilities for the June 30, 2010 actuarial valuation.

Actuarial Asset Valuation

The actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed expected income investment rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

The use of this actuarial method began with the valuation for the period ending June 30, 2009, as required by Public Act 96-0043, which was signed into law on July 15, 2009.

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.

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.

Defined Benefit Plan

Employer Contributions Received in Fiscal Year 2010

State appropriations (a)	\$ 561,210,890
State pension fund (a)	101,218,594
Federal/trust/employer funds/other	<u>34,165,857</u>
Total	\$ 696,595,341

Reconciliation to Total State Appropriations

Defined Benefit Plan—State	
Appropriations received (a)	\$ 662,429,484
Defined Contribution Plan—State	
Appropriations received	<u>37,781,406</u>
Total State Appropriations Received	\$ 700,210,890

Actuarial Report

The projected required contribution rates and amounts are as follows:

Fiscal Year	Percentage of Payroll	Assumed Payroll (\$ billions)	Required Contribution
2012	24.21%	\$ 4.21	\$ 1,019,485,000
2013	25.28%	\$ 4.34	\$ 1,096,727,000
2014	26.18%	\$ 4.48	\$ 1,172,538,000
2015	27.02%	\$ 4.63	\$ 1,249,859,000
2016	26.96%	\$ 4.79	\$ 1,290,288,000
2017	26.97%	\$ 4.95	\$ 1,335,964,000

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, 2010 actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions and estimates were used:

- 1) Covered payroll of \$4.175 billion for fiscal year 2011.
- 2) 5.0% per annum rate of increase in covered payroll.
- 3) Total employer contributions of \$888,142,000 for fiscal year 2011.

As of June 30, 2010, the Unfunded Accrued Actuarial Liability (UAAL) to be amortized was \$16,153,784,000.

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.

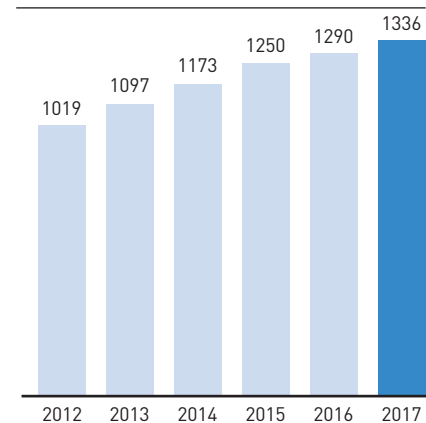
■ Interest

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.

Required Contribution
Dollars (millions)



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, 2010 (\$ millions)

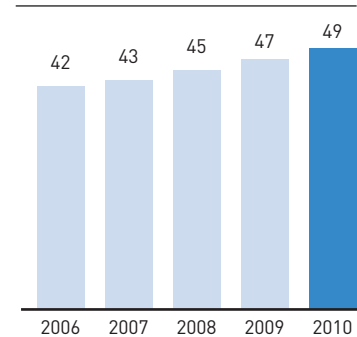
Actuarial (gains) and losses	
Investments other than 8.5%	\$ 940.5
Salary increases other than 5.0%	(113.1)
Age and service retirement differences	(59.2)
Termination differences	32.0
Mortality and disability incidence differences	(3.8)
Benefit recipient differences	104.7
New entrants	65.6
Other actuarial differences	71.5
	<hr/>
Total actuarial loss	\$ 1,038.2
Impact of change in actuarial assumptions	2,413.9
Expected increase in UAAL	667.5
	<hr/>
Total financial loss	\$ 4,119.6

Analysis of Funding

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

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
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
2009	45,346	3,017	1,553	46,810
2010	46,810	3,599	1,506	48,903

Benefit Recipients Persons (thousands)



Active Participant Statistics 10-Year Summary

Fiscal Year	Males	Females	Total Actives	Percent Change	Average Salary	Percent Change	Average Age	Average Service Credit
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
2009	31,185	42,514	73,699	0.8%	45,204	4.0%	47.3	9.9
2010	30,935	42,061	72,996	(1.0%)	45,988	1.7%	47.4	10.1

Analysis of Change in Membership 10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
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
2009	73,086	9,610	1,484	120	7,393	73,699
2010	73,699	8,341	1,761	115	7,168	72,996

Analysis of Funding

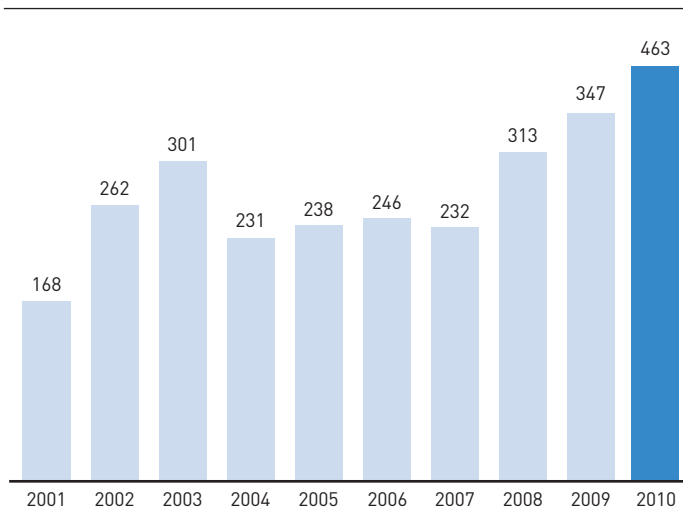
In an inflationary economy, the value of dollars is decreasing. This environment results in employee pay increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these 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 at Market/Actuarial Value of Assets (A)	Assets as a % of Accrued Liabilities	Unfunded Accrued Liabilities (UAL)	Active Member Payroll	UAL as a % of Active Member Payroll
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%
2009	26,316.2	14,282.0	54.3%	12,034.2	3,463.9	347.4%
2010	30,120.4	13,966.6	46.4%	16,153.8	3,491.1	462.7%

(A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

Unfunded Accrued Liabilities as a % of Payroll
Payroll (%)



An increasing trend indicates a system is becoming financially weaker.

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 2001-2010 (\$ 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}
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%
2009	1,147.3	874.0	1,384.9	451.6	39.4%	51.7%	32.6%
2010	1,278.3	1,003.3	1,489.6	696.6	54.5%	69.4%	46.8%

(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].

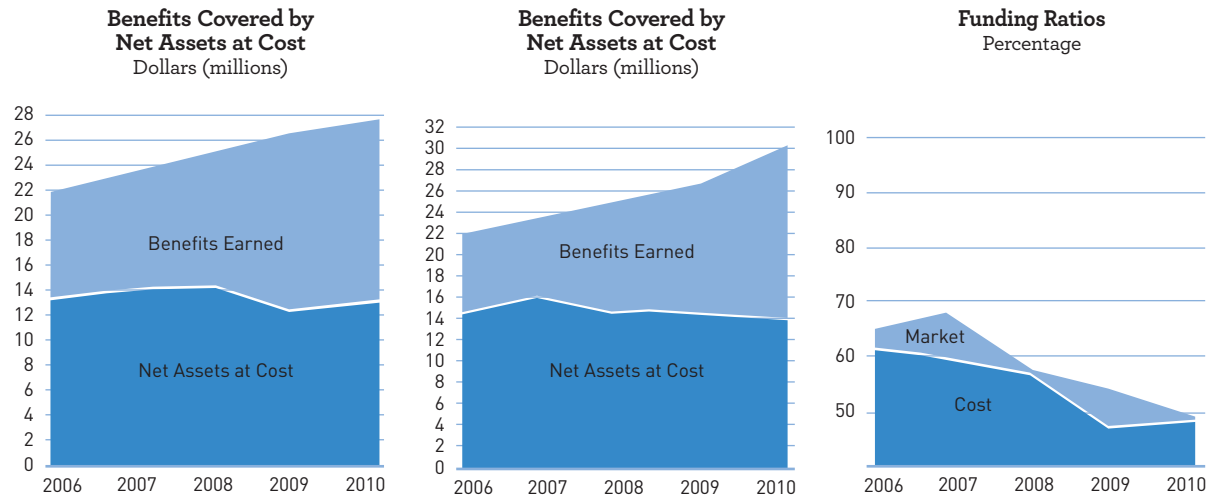
Tests of Financial Soundness

Funding Ratios

10-Year Summary (\$ millions)

Fiscal Year	Net Assets at Cost	Net Assets at Market/ Actuarial Value of Assets (A)	Actuarial Funding Requirement	Funding Ratio	
				Cost	Market
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%
2009	12,485.0	14,282.0	26,316.2	47.4%	54.3%
2010	12,672.7	13,966.6	30,120.4	42.1%	46.4%

(A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.



**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/ Actuarial Value of Assets {B}	% of Benefits Covered by Net Assets/Actuarial Value of Assets for		
					{1}	{2}	{3}
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	-
2009	5,688.9	14,802.6	5,824.7	14,282.0	100.0	58.1{C}	-
2010	5,916.3	16,834.4	7,369.7	13,966.6	100.0	47.8	-

{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.

{B} Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 8.5% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

{C} If the market value of net assets are used, the percent of benefits covered for category 2 is 36.9.

Payroll Percentages: Fiscal Year 2001-2010 (\$ 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
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%
2009	3,463.9	12,034.2	347.4%	317.9	9.2%	829.4	1,147.3	33.1%	451.6	13.0%
2010	3,491.1	16,153.8	462.7%	355.4	10.2%	922.9	1,278.3	36.6%	696.6	20.0%

(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	Allowances	Number Removed from Rolls	Allowances	End of Year Balance	Annual Pension Benefit Amount	Average Annual Benefit	% Increase in Average Benefit
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%
2009(A)	45,346	3,017	127,710,300	1,553	(30,203,460)	46,810	1,351,537,635	28,873	4.4%
2010	46,810	3,599	139,122,054	1,506	(33,710,616)	48,903	1,454,470,195	29,742	3.0%

(A) FY 2009 is the first year in which the allowances related to retirees added to or removed from the rolls have been calculated as part of the actuarial valuation.

STATISTICAL SECTION

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010



Giving You Our Best

Ensuring customer satisfaction by meeting or exceeding service expectations



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	
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)
2009	273.3	(2,859.5)	451.6	13.0	(2,134.6)
2010	275.0	1,708.0	696.6	19.9	2,625.4

Deductions

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in Plan Net Assets
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)
2009	1,372.0	42.6	12.9	1,427.5	(3,562.1)
2010	1,477.5	47.3	12.1	1,536.9	1,088.6

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
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
2009	87.7	16.8	3.4	1,248.9	15.2	1,372.0
2010	94.3	16.1	3.4	1,352.2	11.5	1,477.5

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

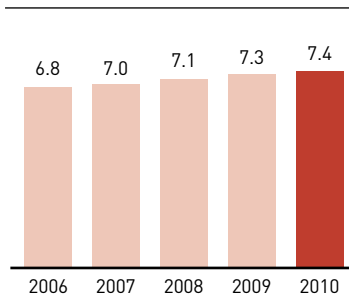
Fiscal Year	HR & Admin	Inv & Acctg	Member Svcs & Outreach	IS & Support Svcs	SMP	Total
2001	13.00	11.50	48.50	33.00	2.50	108.50
2002	13.00	10.00	53.50	36.00	3.50	116.00
2003	13.00	10.25	61.25	35.00	3.50	123.00
2004	11.75	10.35	62.75	33.00	4.40	122.25
2005	12.75	10.40	62.75	32.75	4.65	123.30
2006	11.75	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
2009	9.55	11.30	59.50	29.75	4.00	114.10
2010	10.55	11.80	62.50	29.75	3.70	118.30

Statistical Analysis

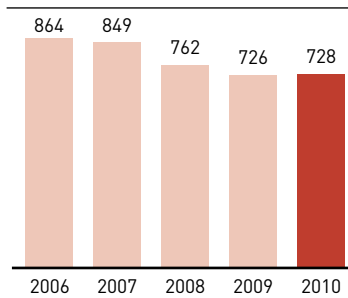
Schedule of Benefit Recipients - Defined Benefit Plan 10-Year Summary

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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
2009	7,269	726	4,635	38,400	415
2010	7,402	728	4,312	40,364	409

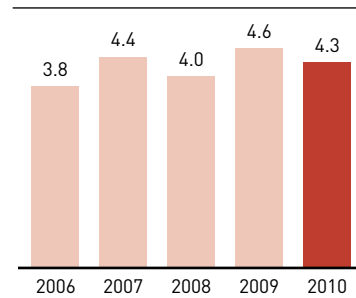
Survivor Recipients
Persons (thousands)



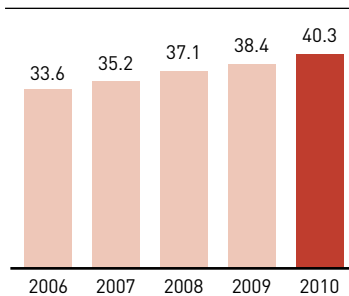
Disability Recipients
Persons



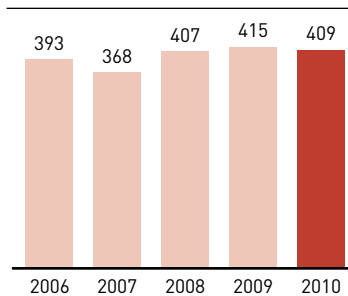
Refund Recipients
Persons (thousands)



Retirement Recipients
Persons (thousands)



DRA Recipients
Persons



Benefit Summary

Schedule of New Benefit Payments - Defined Benefit Plan July 1, 2009 through June 30, 2010

Age	Retirement		Disability		Survivors	
	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	-	\$ -	-	\$ -	6	\$ 470
10-14	-	-	-	-	5	238
15-19	-	-	-	-	18	531
20-24	-	-	1	1,500	2	339
25-29	-	-	-	-	1	193
30-34	-	-	6	1,821	-	-
35-39	-	-	10	2,073	8	554
40-44	-	-	11	2,143	2	1,529
45-49	18	3,295	22	1,981	6	326
50-54	140	3,240	34	1,728	21	973
55-59	980	2,397	48	1,807	25	1,037
60-64	1,043	2,364	35	1,768	54	1,232
65-69	481	2,401	15	1,480	65	1,424
70-74	146	2,024	4	1,203	74	1,446
Over 74	86	1,929	1	3,451	231	1,338
Totals	2,894	\$ 2,400	187	\$ 1,808	518	\$ 1,246

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 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
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

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 2009							
Number of Retirees	9,477	5,462	5,351	6,084	5,230	6,796	38,400
Avg Monthly Annuity	\$ 755	1,306	2,172	3,301	4,329	5,496	2,760
Final Average Salary	\$ 33,742	37,858	46,698	55,438	62,919	72,174	50,670
Avg Credited Service							19.78
Fiscal Year 2010							
Number of Retirees	10,206	5,722	5,642	6,433	5,502	6,859	40,364
Avg Monthly Annuity	\$ 785	1,363	2,269	3,423	4,471	5,684	2,830
Final Average Salary	\$ 34,171	38,081	47,723	55,824	63,496	72,247	50,811
Avg Credited Service							19.62

Number of Covered Employees by Employer As of June 30, 2010

Employer	Number of Employees in DB plan	Number of Employees in SMP	Total Number of Covered Employees
University of Illinois - Chicago	11,547	1,692	13,239
University of Illinois - Urbana	10,679	1,905	12,584
City Colleges of Chicago	5,394	365	5,759
Southern Illinois University - Carbondale	4,639	652	5,291
Northern Illinois University	3,037	503	3,540
Illinois State University	2,830	443	3,273
Southern Illinois University - Edwardsville	2,061	317	2,378
College of DuPage	1,975	266	2,241
Western Illinois University	1,842	260	2,102
Eastern Illinois University	1,642	205	1,847
All other employers	27,350	3,138	30,488
Total	72,996	9,746	82,742

Benefit Summary

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan For the Year Ended June 30, 2010

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
\$0-200	2,724	981	955	-	112	2	4	670
201-400	4,473	1,292	1,970	-	194	12	5	1,000
401-600	3,746	916	1,350	-	78	59	16	1,327
601-800	3,253	768	1,281	-	30	139	25	1,010
801-1000	2,482	643	1,192	-	6	95	28	518
1001-1200	2,186	587	1,111	-	1	29	55	403
1201-1400	2,033	571	966	-	-	14	98	384
1401-1600	2,090	531	1,064	-	-	16	152	327
1601-1800	1,780	483	917	1	-	14	79	286
1801-2000	1,673	445	915	1	-	6	51	255
2001-2200	1,598	426	907	2	-	9	34	220
2201-2400	1,403	349	850	1	-	5	27	171
2401-2600	1,384	368	823	4	-	1	20	168
2601-2800	1,303	375	757	7	-	1	25	138
2801-3000	1,162	355	693	4	-	-	15	95
3001-3200	1,087	350	631	6	3	5	9	83
3201-3400	999	356	545	17	-	1	7	73
3401-3600	911	319	505	12	1	-	22	52
3601-3800	851	326	455	13	-	-	8	49
3801-4000	813	334	422	14	-	-	9	34
4001-4200	763	315	402	11	-	-	10	25
4201-4400	746	285	419	11	-	-	7	24
4401-4600	695	286	367	9	-	-	6	27
4601-4800	637	276	344	7	-	-	4	6
4801-5000	591	254	323	5	-	-	1	8
5001-5200	554	229	308	8	-	-	3	6
5201-5400	616	248	352	8	-	-	5	3
5401-5600	534	253	266	7	-	-	-	8
5601-5800	522	231	282	6	-	-	-	3
5801-6000	480	196	277	2	-	-	-	5
Over 6000	4,814	2,497	2,276	13	-	1	3	24
Totals	48,903	15,845	23,925	169	425	409	728	7,402

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

Participating Employers

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



State Universities Retirement System of Illinois
A Component Unit of the State of Illinois

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