BUILDING A SUSTAINABLE FUTURE

SURS
State Universities Retirement System of Illinois

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

A Component Unit of the State of Illinois

SURS2013

BUILDING A SUSTAINABLE FUTURE

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State Universities
Retirement System, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

GFOA AWARD

For the 29th consecutive year, SURS received the prestigious Certificate of Achievement for Excellence in Financial Reporting from The Government Finance Officers Association of the United States and Canada. To be awarded this honor, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

INTRODUCTORY SECTION

FINANCIAL SECTION

INVESTMENT SECTION

ACTUARIAL SECTION

STATISTICAL SECTION

SURS2013

BUILDING A SUSTAINABLE FUTURE

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

A MESSAGE FROM OUR EXECUTIVE DIRECTOR

We had an impressive year in 2013. We produced strong investment returns, received our full annual contribution from the state and completed a number of operational improvement projects to enhance service.

The fund earned a strong 12.5% return (net of investment fees), increasing defined benefit plan assets to $15.0 billion. Investment income and net appreciation totaled $1.7 billion for the year. Long term, SURS portfolio earned an average return of 7.7% over the last ten years, 8.5% since 1988, and 9.2% for the thirty-year period.

The 2013 investment gains were achieved amid challenging economic conditions. We can attribute part of our performance to our asset allocation, which helps mitigate some of the continued market volatility we experienced during the year. We continue to restructure our portfolio to better diversify risk across the total fund. More collaboration and stronger risk systems help us make appropriate risk/return decisions for the total fund.

I am pleased to report that our rate of return exceeded the funds 12.4% composite benchmark. Balancing asset growth with strong risk management is both responsible and necessary, and supports our mission of achieving pension security for our members.

In addition to investing, we deliver pension benefits and services to over 221,000 members and annuitants. We believe our members deserve timely, accurate, reliable, and cost effective service. We strive to improve every year by tracking member satisfaction through regular customer service surveys. In addition, we have engaged CEM Benchmarking Inc. to compare our service delivery against our peers. This will assist us in providing the best service possible at a reasonable cost.

While the defined benefit plan continues to be underfunded because of shortfalls in prior year contributions from the state, this year we did receive our full contribution of $1.4 billion. Favorable investment returns and consistent funding from the state are essential if we are to improve the financial health of the fund.

In addition to pursuing asset growth and excellent service, we have made progress during the past year on the following priorities:

- Enhanced risk management systems
- Cost-effective operations
- Operational excellence

The pension system is as much about managing risk as managing assets. We continue to strengthen our risk management systems working with Northern Trust, our asset custodian. Additionally, we have started our Project Management Office to oversee cross-department, multi-year projects, ensuring that large cross-functioning projects are properly planned, resourced and managed.

SURS remains a low-cost provider of service, while making great strides in overall performance. Our operating expenses were 0.09% of the system's total net position. We continue to be trusted stewards of the system.

However, the largest factor in our success continues to be the expertise and commitment of our employees. I am proud of the way our employees remain focused on our investment strategies and customer service, notwithstanding a challenging economic and political environment. We continue to review our talent pool to make sure we possess the right skills and depth of talent to meet our current and future needs.

Our recent employee survey showed that SURS is a great place to work. We continue to have strong employee engagement as indicated by our high survey participation rate, along with high customer service satisfaction scores in completing daily tasks and a strong commitment to performing quality work.

Finally, we appreciate the strong support of the SURS board members and stakeholders. We remain committed to giving and doing our best in the coming years.

Sincerely,

William E. Mabe
Executive Director

LETTER OF TRANSMITTAL

SURS
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 18, 2013

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

I am pleased to present the 72nd Comprehensive Annual Financial Report for the State Universities Retirement System of Illinois (SURS or the System, a component unit of the State of Illinois) for the fiscal year ended June 30, 2013.

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.

The Illinois Pension Code requires an annual audit of the financial statements of the System by independent certified public accountants selected by the State Auditor General. This requirement has been complied with, and the independent auditors' unmodified report on the System's 2013 financial statements has been included in this report.

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 on page 16 of the report.

Summary of Financial Information

The following table summarizes the change in the System's plan net position available for benefits between fiscal years 2013 and 2012.

($ millions)

	2013	2012	Increase/(Decrease) Amount	%
Additions	$ 3,598.1	$ 1,369.9	$ 2,228.2	162.7
Deductions	2,049.6	1,856.4	193.2	10.4
Change	$ 1,548.5	$ (486.5)	$ 2,035.0	418.3

The overall increase of $2.0 billion in net position available for benefits is primarily due to an increase in additions of $2.2 billion, composed of an increase in net investment income of $1.8 billion and an increase in employer contributions of $0.4 billion. Deductions in the form of benefit payments showed an increase of $0.19 billion over the prior year. More detailed analysis can be found in the Financial Section of this report.

Profile

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, community colleges, and certain affiliated organizations, certain other state educational and scientific agencies, and the survivors, dependents, and other beneficiaries of those employees. SURS services 65 employers and 221,061 members and annuitants. The plans administered by SURS include a defined benefit plan established in 1941 and a defined contribution plan established in 1998.

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. Annually, the SURS actuary determines the annual "Statutory Contribution" needed to meet current and future benefit obligations. The determination of the total employer contributions for fiscal year 2013 was based on Public Act 97-0685 which appropriated $1,402.8 million. Further information is presented in the Required Supplementary Information related to employer contributions and the funding of the plan.

The actuarial accrued liability for the defined benefit plan at June 30, 2013, was $34.4 billion as calculated by the projected unit credit method. The actuarial value of assets available for benefits at June 30, 2013, equaled $14.3 billion. The amount by which the liability exceeds the assets is called the unfunded accrued actuarial liability, and it equaled $20.1 billion at the end of fiscal year 2013. SURS uses a five-year smoothed market value, which is intended to prevent extreme volatility in employer contributions. The actuarial funding ratio is currently 41.5%. The System's actuary assumes that the System's investments will return 7.75% over the long term. The actuary has determined that the current market value of assets is sufficient to provide 43.5% of benefits for active, inactive and retired members. The Actuarial Section contains the actuary's letter and additional information on SURS' funding.

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.

The investment policy provides for a goal of 66% of the fund to be invested in equities, 31% of which may be invested in U.S. equities, 29% in non-U.S. common stock and global equities, and 6% in private equities; 19% in fixed income; 10% in real estate investment trusts and direct real estate; 4% in treasury inflation-protected securities, and 1% 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. Our goal is to optimize the long-term return of the System's investments.

The SURS defined benefit assets held in trust increased from $13.7 to $15.0 billion. Yield information is detailed in the Investment Section of this report. Taken as a whole, the SURS portfolio of investments produced a return of 12.5%, net of fees, for the year ended June 30, 2013, 11.8% over the last three years and 7.7% over the last 10 years. The SURS defined contribution assets increased from $1.0 billion to $1.3 billion.

The System has shown a positive return of 8.45% through October 31, 2013, bringing total investments to approximately $16.1 billion.

Major Initiatives

SURS implemented several operational initiatives in key areas to help provide the highest quality service to our members in a timely, accurate, and cost effective manner. Those include:

- **Language Interpreter Service through SURS Call Center**
  This new service provides immediate access to over 150 language operators, increasing SURS ability to serve a diverse membership.

- **Plan Choice Webinars**
  The outreach department implemented monthly webinars to provide helpful information to new participants concerning their plan choice decision.

- **Electronic Funds Transfer**
  To improve customer service, Electronic Funds Transfer (EFT) was implemented for benefit check writing and direct debit of annuitant insurance withholdings.

- **Website Redesign**
  The SURS website – www.surs.org – was redesigned to improve navigation and functionality.

LETTER OF TRANSMITTAL

- **Participation in Council of Institutional Investors (CII)**
  SURS has maintained its commitment to corporate governance through its long-term affiliation with the CII and through its support of corporate governance reforms such as transparency, accountability, and enforcement of shareholder's rights.

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. Fair 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. These controls include appropriate segregation of duties and responsibilities and sound practices in the performance of those duties. SURS maintains an internal audit program that employs the services of three internal auditors to determine that all controls implemented are as designed. The internal audit personnel provide a continuing review of the internal controls of SURS and reports to the SURS Board of Trustees. Audit findings and recommendations for improvements are presented to the Board.

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, 2012. This is the twenty-ninth 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 the 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, 2013, the composition of the SURS eleven-member Board of Trustees is as follows. Serving as active member-elected trustees are Ms. Jacqueline Berger, who concluded the first year of her three-year term; Mr. Andrew Matthews, who concluded the first year of his six-year term; Ms. Dorinda Miller, who was re-elected and concluded the first year of her six-year term; and Mr. Antonio Vasquez, who concluded the fourth year of his six-year term. Serving as annuitant-elected trustees are Mr. Mitchell Vogel, who concluded the fourth year of his six-year term and Dr. John Engstrom, who was re-elected and concluded the first year of his six-year term. Serving upon appointment by the Governor is Mr. Richard Figueroa, who concluded the first year of his three-year term, Mr. Paul R.T. Johnson, Jr., who concluded the first year of his six-year term, and Mr. Craig McCrohon, who concluded the first year of his six-year term. As called for by Public Act 96-0006, the chairperson of the SURS Board of Trustees, Ms. Lindsay Anderson, will be the appointed Chair of the Illinois Board of Higher Education.

Acknowledgements
This report was prepared through the combined effort of the SURS staff under the leadership of the Board of Trustees. It is intended to provide reliable information to its users for making decisions and for determining responsible stewardship for the assets contributed by the members and the State of Illinois.

The report is made available to the Governor, the State Auditor, the members of the General Assembly, participating employers, and to other interested persons by request. The cooperation of our affiliated employers is significant to the success of SURS. We hope they will find this report informative. A copy of this report and our Annual Report Summary will be available on our website, www.surs.org.

Respectfully submitted,

Phyllis L. Walker

Phyllis L. Walker
Chief Financial Officer

BOARD OF TRUSTEES

Lindsay Anderson
Chairperson
Appointed

Antonio Vasquez
Vice Chairman
Elected

Dorinda Miller
Treasurer
Elected

Jacqueline Berger
Elected

John Engstrom
Elected

Richard Figueroa
Appointed

Paul R. T. Johnson Jr.
Appointed

Andrew Matthews
Elected

Craig McCrohon
Appointed

Mitchell Vogel
Elected

ADMINISTRATIVE STAFF

William E. Mabe
Executive Director

Daniel L. Allen
Chief Investment Officer

Michael B. Weinstein
General Counsel

Phyllis Walker
Chief Financial Officer

Steven L. Hayward, CPA
Director of Internal Audit

Brenda Dunn
Director of Human Resources

Douglas Wesley
Deputy Chief Investment Officer

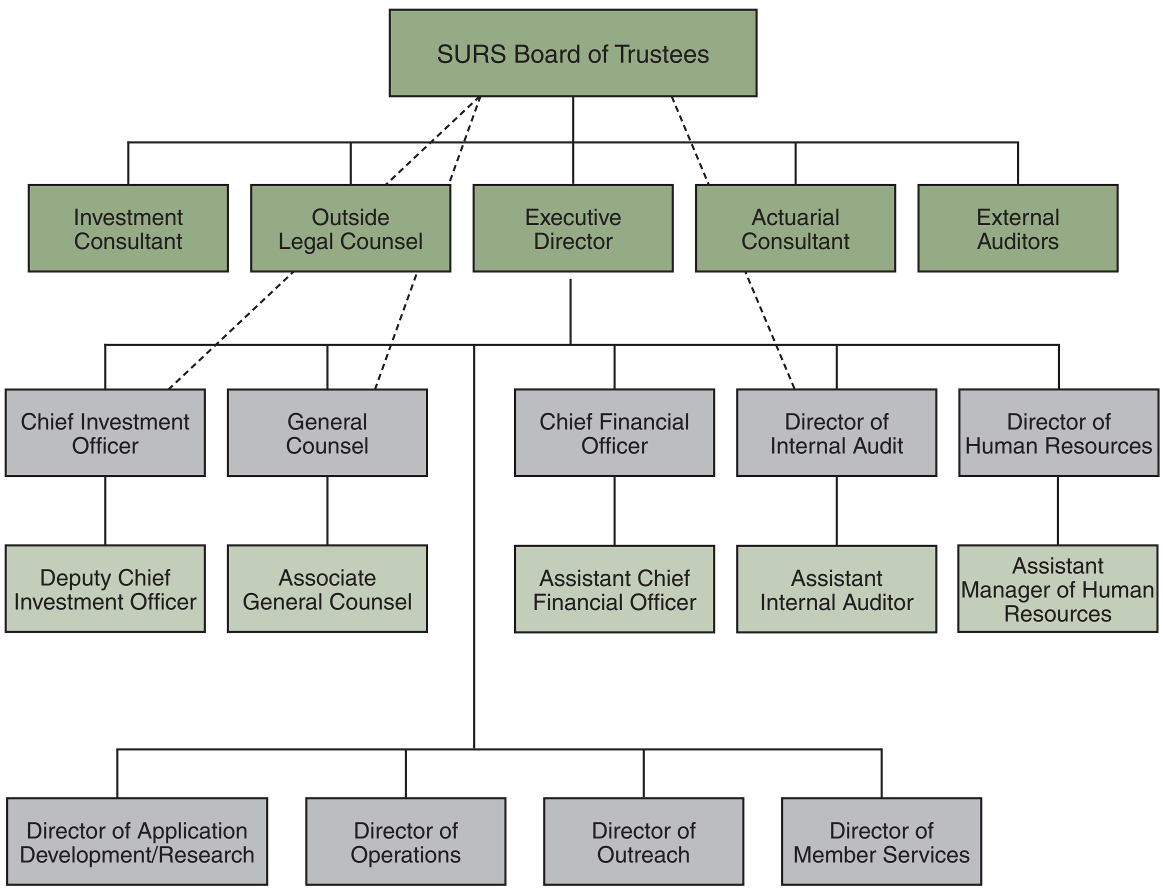
Angela Lieb
Director of Member Services

Pam Butler
Director of Outreach

Douglas J. Steele
Director of Application Development & Research

M. Christopher Hansen
Director of Operations

ORGANIZATIONAL CHART



CONSULTING AND PROFESSIONAL SERVICES

Actuary
Gabriel, Roeder, Smith & Co. – Chicago, Illinois
The Segal Company, Ltd. – Chicago, Illinois

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

Legal Counsel
Burke, Burns & Pinelli, Ltd. – Chicago, Illinois
Katten Muchin Rosenman, LLP – Chicago, Illinois
Mayer Brown, LLP – Chicago, Illinois
Thomas, Mamer & Haughey, LLP – Champaign, Illinois

Informational Systems
Adjacent Technologies, Inc. – Champaign, Illinois
Champaign Systems, Inc. – Champaign, Illinois
CTG Inc. of Illinois – Springfield, Illinois
Document Access Systems – Richmond, Virginia
Gartner Inc. – Dallas, Texas
MRC Information Technology, Inc. – Omaha, Nebraska
Sirius Computer Solutions, Inc. – Dallas, Texas
Vision Solutions, Inc. – Palatine, Illinois

Engineering Services
Henneman Engineering, Inc. – Champaign, Illinois

Master Custodian & Performance Measurement
The Northern Trust Company - Chicago, Illinois

Investment Consultant
Callan Associates Inc. - San Francisco, California

Investment Advisors
Adams Street Partners - Chicago, Illinois
Alinda Capital Partners - New York, New York
BlackRock Institutional Trust Company - San Francisco, California
Calamos Advisors - Naperville, Illinois
CastleArk Management - Chicago, Illinois
CBRE Clarion Real Estate Securities - Radnor, Pennsylvania
Chicago Equity Partners - Chicago, Illinois
Dune Capital Management - New York, New York
Franklin Templeton Real Estate Advisors - New York, New York
GlobeFlex Capital, L.P. - San Diego, California
Jacobs Levy Equity Management - Florham Park, New Jersey
Macquarie Capital - New York, New York
Martin Currie, Inc. - Edinburgh, Scotland
Mesirow Financial Investment Management - Chicago, Illinois
Mondrian Investment Partners - London, England
Muller and Monroe Asset Management - Chicago, Illinois
Neuberger Berman - Chicago, Illinois
Northern Trust Global Investments - Chicago, Illinois
Oaktree Capital Management - Los Angeles, California
Pacific Investment Management Company - Newport Beach, California
Pantheon Ventures - San Francisco, 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
RREEF - Chicago, Illinois
State Street Global Advisors - Boston, Massachusetts
T. Rowe Price - Baltimore, Maryland
Taplin, Canida & Habacht - Miami, Florida
TCW / Metropolitan West Asset Management - Los Angeles, California
UBS Realty Investors - Hartford, Connecticut
Wellington Management Company - Boston, Massachusetts

Manager Diversity Program Investment Advisors
Ativo Capital Management - Chicago, Illinois
Channing Capital Management - Chicago, Illinois
EARNEST Partners - Atlanta, Georgia
Fiduciary Management Associates - Chicago, Illinois
Garcia Hamilton & Associates - Houston, Texas
Herndon Capital Management - Atlanta, Georgia
Holland Capital Management - Chicago, Illinois
LM Capital Group - San Diego, California
Lombardia Capital Partners - Pasadena, California
Longfellow Investment Management - Boston, Massachusetts
New Century Advisors - Chevy Chase, 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
Affinity Investment Advisors - Irvine, California
Ambassador Capital Management - Detroit, Michigan
Brown Capital Management - Baltimore, Maryland
Cheswold Lane Asset Management - West Conshohocken, Pennsylvania
Fortaleza Asset Management - Chicago, Illinois
Garcia Hamilton & Associates - Houston, Texas
Glovista Investments - Jersey City, New Jersey
GW Capital - Bellevue, Washington
Hahn Capital Management - San Francisco, California
Hanoverian Capital - Kennett Square, Pennsylvania
Herndon Capital Management - Atlanta, Georgia
Holland Capital Management - Chicago, Illinois
John Hsu Capital Group - New York, New York
LM Capital Group - San Diego, California
New Century Advisors - Chevy Chase, Maryland
Piedmont Investment Advisors - Durham, North Carolina
Ramirez Asset Management - New York, New York
Sky Investment Counsel - Toronto, Ontario, Canada
StoneRidge Investment Partners - Malvern, Pennsylvania
Strategic Global Advisors - Newport Beach, California
Vision Capital Management - Portland, Oregon

Self-Managed Plan Service Providers
Fidelity Investments - Boston, Massachusetts
Teachers Insurance Annuity Association - College Retirement Equities Fund – New York, New York

SURS2013

BUILDING A SUSTAINABLE FUTURE

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

INDEPENDENT AUDITORS' REPORT

McGladrey LLP

McGladrey

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

Board of Trustees, State Universities Retirement System of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Statements of Net Position of the State Universities Retirement System of Illinois (System), a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related Statement of Changes in Net Position for the years then ended, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the State Universities Retirement System of Illinois as of June 30, 2013, and the changes in plan net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information:
We have previously audited the System's 2012, financial statements, and we expressed an unmodified audit opinion in our report dated December 18, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information:
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 19 and the schedules of funding progress and contributions from employers and other contributing entities on page 41 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:
Our audit for the year ended June 30, 2013 was conducted for the purpose of forming an opinion on the System's financial statements. The other supplementary information consisting of 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 financial statements.

INDEPENDENT AUDITORS' REPORT

The other supplementary information for the year ended June 30, 2013 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2013 and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole for the year ended June 30, 2013. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the System's financial statements as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated December 18, 2012, which contained an unmodified opinion on those financial statements. The accompanying supplementary information which consisted of supporting schedules, for the year ended June 30, 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole for the year ended June 30, 2012.

McGladrey LLP

Schaumburg, Illinois
December 18, 2013

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, 2013, with comparative reporting entity totals for the year ended June 30, 2012.

Financial Highlights

- Contributions from the state and employers were $1,451 million, an increase of $419 million, or 40.6% from the previous fiscal year 2012.
- The System's benefit payments increased by $185.4 million or 10.6% for fiscal year 2013.
- The System's return on investment, net of investment management fees, was 12.5% for fiscal year 2013.
- The System's defined benefit plan was actuarially funded at 41.5% as of June 30, 2013, compared to 42.1% as of June 30, 2012.

Overview of Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Plan Net Position as of June 30, 2013 and the Statement of Changes in Plan Net Position for the year ended June 30, 2013. 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, 2013 and 2012. The Statement of Plan Net Position presents the assets on hand as of June 30, 2013 and 2012. The Statement of Plan Net Position is a useful indicator of the health of SURS' financial position and the funds available to pay benefits. The Statement of Changes in Plan Net Position presents the additions to and deductions from the plan net position during the years ended June 30, 2013 and 2012.
- 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 202,354 members in its defined benefit plan and 18,707 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 position of the System increased from $14.7 billion as of June 30, 2012 to $16.3 billion as of June 30, 2013, chiefly due to an increase in investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Plan Net Position

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

Condensed Statement of Plan Net Position

Reporting Entity Total ($ in millions)	2013	2012	Change Amount	Change %
Cash and short-term investments	$ 564.6	$ 499.2	$ 65.4	13.1
Receivables and prepaid expenses	329.0	259.1	69.9	27.0
Pending investment sales	388.6	369.4	19.2	5.2
Investments and securities lending collateral	16,355.3	14,347.1	2,008.2	14.0
Capital assets, net	6.2	5.8	0.4	6.9
Total assets	17,643.7	15,480.6	2,163.1	14.0
Payable to brokers-unsettled trades	666.4	696.6	(30.2)	(4.3)
Securities lending collateral	646.9	11.7	635.2	5,429.1
Other liabilities	34.0	24.3	9.7	39.9
Total liabilities	1,347.3	732.6	614.7	83.9
Total plan net position	$ 16,296.4	$ 14,748.0	$ 1,548.4	10.5

Overall, net position increased by $1.5 billion, or 10.5%, chiefly due to increase in investments attributable to the positive return on defined benefit plan investments of 12.5%. The investment allocation strategy for the plans making up the reporting entity as of June 30, 2013, and 2012 is as follows:

	2013	2012
Defined Benefit Plan		
Equities	60.0%	60.0%
Opportunity Fund	1.0	1.0
Fixed income	19.0	19.0
Private Equity	6.0	6.0
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	69.0%	67.0%
Fixed income	30.0	32.0
Real Estate	1.0	1.0
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 83.9%. This was primarily due to a $0.6 billion increase in the obligation for securities lending collateral.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Plan Net Position

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

Condensed Statement of Changes in Plan Net Position

Reporting Entity ($ in millions)	2013	2012	Change Amount	Change %
Employer contributions	$ 1,450.7	$ 1,031.7	$ 419.0	40.6
Participant contributions	305.1	312.4	(7.3)	(2.3)
Net investment income/(loss)	1,842.3	25.7	1,816.6	7,068.5
Total additions	3,598.1	1,369.8	2,228.3	162.7
Benefits (A)	1,934.1	1,748.7	185.4	10.6
Refunds (A)	101.6	94.2	7.4	7.9
Administrative expense	13.9	13.5	0.4	3.0
Total deductions	2,049.6	1,856.4	193.2	10.4
Net increase/(decrease) in plan net position	$ 1,548.5	$ (486.6)	$ 2,035.1	418.3

(A) Breakdown of deductions into benefit and refund types has been revised for the prior year according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.

Additions

Additions to plan net position are in the form of employer and participant contributions and investment income or losses. For fiscal year 2013, employer contributions increased by $419 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Participant contributions decreased by $7.3 million or 2.3%.

The investment net income for fiscal year 2013 was $1.8 billion for the System, representing a $1.78 billion increase from the prior year. For the defined benefit plan, the overall rate of return was 12.5% (net of all investment management fees).

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

Time Period	1-year	3-year	5-year	10-year	20-year
Annualized Return	12.5%	11.8%	5.3%	7.7%	8.0%

The 20-year return corresponds to the average active service term of the System member. At 8.0%, it can be compared to the actuarial rate of return assumption of 7.75%. 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 2013 were $2.05 billion, an increase of $193.2 million or 10.4% over expenses for 2012. This increase is primarily due to the $185.4 million increase in defined benefit plan retirement and survivor annuity payments, and a $7.4 million increase in portable lump sum distributions and refunds. Administration expenses increased by $0.4 million or 3.0% from fiscal year 2012 to 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Future Outlook

The experience review for the years June 30, 2006, to June 30, 2010, was performed in March 2011 and the assumptions adopted as of June 30, 2011. Public Act 96-0889 caps Tier 2 to participants' earnings at $112,204 in 2013 and future cost of living adjustments at the lesser of 3% or 0.5% of the increase in the Consumer Price Index. This modification of Tier 2 participants' earnings decreases the anticipated amount of future payroll and contributions.

The employer contribution for fiscal year 2014, mainly provided by the State of Illinois, increased by approximately $107 million or 8%. The employer contributions for fiscal years 2015 and beyond should remain at a level percent of pay of approximately 36% as required by the funding plan set out by Public Act 88-0593. Public Act 98-599 was signed December 5, 2013. This legislation includes pension reform that will reduce future actuarial accrued liabilities and provide for additional state funding. 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 2016 to 2045, allowing the System to reach a funding ratio of 100% instead of the previous funding ratio of 90%. In addition, beginning Fiscal Year 2016, the State will provide additional supplemental payments. The legislation also includes a provision that allows the System to bring a mandamus action in the Illinois Supreme Court to compel the State to make the required payment.

Benefit payments are projected 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 salary increases at the participating agencies. However, Public Act 98-599 also includes a change to the Automatic Annual Increase (COLA), pensionable earnings limitation, and the money purchase formula. It is unknown if these benefit changes will cause an increase or decrease in the benefit payments. SURS will continue to structure its portfolio with the objective of maximizing returns over the long term to help offset the shortage in employer contributions.

Requests for Information

This financial report is designed to provide a general overview of the System's finances. For questions concerning the information in this report or for additional information, contact State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois 61820.

FINANCIAL STATEMENTS

Statement of Plan Net Position as of June 30, 2013
With Comparative Reporting Entity Totals as of June 30, 2012

	2013			2012
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	$ 564,599,292	$ -	$ 564,599,292	$ 499,250,768
Receivables				
Participants	11,754,805	2,947,717	14,702,522	15,177,808
Federal, trust funds, and other	273,081,081	1,798,439	274,879,520	209,717,932
Pending investment sales	388,643,715	-	388,643,715	369,412,417
Interest and dividends	39,318,325	-	39,318,325	33,913,766
Total receivables	712,797,926	4,746,156	717,544,082	628,221,923
Prepaid expenses	116,380	-	116,380	243,561
Investments, at fair value				
Equity investments	10,269,713,779	50,612,435	10,320,326,214	9,283,732,530
Fixed income investments	3,802,118,087	23,210,852	3,825,328,939	3,662,881,949
Real estate investments	381,873,880	881,635	382,755,515	417,259,556
Mutual fund and variable annuities	-	1,179,889,253	1,179,889,253	971,088,663
Total investments	14,453,705,746	1,254,594,175	15,708,299,921	14,334,962,698
Securities lending collateral	646,999,435	-	646,999,435	12,121,093
Capital assets, at cost, net of accumulated depreciation $17,989,458 and $18,428,111 respectively	6,215,304	-	6,215,304	5,777,719
Total assets	**16,384,434,083**	**1,259,340,331**	**17,643,774,414**	**15,480,577,762**
Liabilities				
Benefits payable	7,262,371	-	7,262,371	5,093,488
Refunds payable	6,112,384	-	6,112,384	4,758,501
Securities lending collateral	646,877,066	-	646,877,066	11,758,885
Payable to brokers for unsettled trades	666,401,158	-	666,401,158	696,571,091
Administrative expenses payable	20,679,277	-	20,679,277	14,433,274
Total liabilities	**1,347,332,256**	**-**	**1,347,332,256**	**732,615,239**
Plan net position	**$ 15,037,101,827**	**$ 1,259,340,331**	**$ 16,296,442,158**	**$ 14,747,962,523**

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

FINANCIAL STATEMENTS

Statement of Changes in Plan Net Position For the Year Ended June 30, 2013
With Comparative Reporting Entity Totals For the Year Ended June 30, 2012

	2013			2012
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	$ 1,401,481,111	$ 49,239,184	$ 1,450,720,295	$ 1,031,738,495
Participant	245,141,327	59,937,848	305,079,175	312,357,812
Total Contributions	1,646,622,438	109,177,032	1,755,799,470	1,344,096,307
Investment Income				
Net appreciation in fair value of investments	1,402,340,853	147,495,690	1,549,836,543	(218,846,087)
Interest	100,489,294	-	100,489,294	81,396,519
Dividends	237,085,587	-	237,085,587	200,831,741
Securities lending	4,404,538	-	4,404,538	5,641,433
	1,744,320,272	147,495,690	1,891,815,962	69,023,606
Less investment expense				
Asset management expense	49,174,215	-	49,174,215	42,734,709
Securities lending expense	373,983	-	373,983	562,132
Net investment income	1,694,772,074	147,495,690	1,842,267,764	25,726,765
Total additions	**3,341,394,512**	**256,672,722**	**3,598,067,234**	**1,369,823,072**
Deductions				
Benefits	1,914,554,567	19,581,671	1,934,136,238	1,748,672,457
Refunds of contributions	81,454,902	20,143,894	101,598,796	94,173,484
Administrative expense	13,426,494	426,071	13,852,565	13,555,757
Total deductions	**2,009,435,963**	**40,151,636**	**2,049,587,599**	**1,856,401,698**
Net increase (decrease)	**1,331,958,549**	**216,521,086**	**1,548,479,635**	**(486,578,626)**
Plan net position at beginning of year	13,705,143,278	1,042,819,245	14,747,962,523	15,234,541,149
Plan net position at end of year	**$ 15,037,101,827**	**$ 1,259,340,331**	**$ 16,296,442,158**	**$ 14,747,962,523**

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 organization's board and either (a) the ability to impose will by the primary government or (b) the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government; or

2. Fiscal dependency on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens 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 Position.

E. Description of Plans

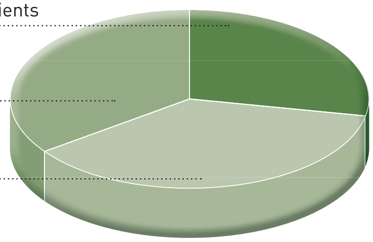
The system is the administrator of a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan. Legislation effective January 1, 1998, required State Universities Retirement System (SURS or the System) to introduce a portable benefit package to the existing 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, 2013, 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, 2013, 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 was established on July 12, 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 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, 2013 and 2012, the number of participating employers was:

	2013	2012
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**15**	15
State Agencies	**2**	2
	65	65

At June 30, 2013 and 2012, defined benefit plan membership consisted of:

	2013	2012
Benefit Recipients	**57,229**	54,532
Active Members	**70,556**	71,056
Inactive Members	**74,569**	72,034
	202,354	199,622

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

A traditional benefit plan was established in 1941. 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 traditional benefit option. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. The following is a summary of the benefit provisions as of June 30, 2013.

	Traditional Plan - Tier 1	Traditional Plan - Tier 2	Portable Plan
Retirement Vesting	5 years of service	10 years of service	5 years of service (Tier 1) and 10 years of service (Tier 2)
Retirement Age Requirement	Age 62, with at least 5 years Age 60, with at least 8 years At any age with at least 30 years	Age 67, with at least 10 years of service	• Tier 1-Same as Traditional Plan Tier 1 Age Requirement • Tier 2-Same as Traditional Plan Tier 2 Age Requirement
Final Rate of Earnings (FRE)	• Average earnings during 4 high consecutive academic years; or • Average of the last 48 months prior to termination.	• Average earnings during 8 high consecutive academic years of the last 10; or • Average of the high 96 consecutive months of last 120 months (if applicable).	• Tier 1-Same as Traditional Plan Tier 1 FRE • Tier 2-Same as Traditional Plan Tier 2 FRE
Retirement Benefit AAI (Automatic Annual Increase)	The AAI is 3% compounded annually.	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.	• Tier 1-Same as Traditional Plan Tier 1 AAI • Tier 2-Same as Traditional Plan Tier 2 AAI
Survivor Benefits	An eligible survivor receives a minimum of 50% of the member's earned retirement annuity.	An eligible survivor receives 66 2/3% of the member's earned retirement annuity.	Based upon selection at retirement of 50%, 75% or 100% of the member's earned retirement annuity.
Survivor AAI (Automatic Annual Increase)	The AAI is 3%, compounded annually.	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.	• Tier 1-Same as Traditional Plan Tier 1 Survivor AAI • Tier 2-Same as Traditional Plan Tier 2 Survivor AAI

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

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.

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.

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

c. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, 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
$14,262.6	$34,373.1	$20,110.5	41.5%	$3,533.9	569.1%

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 $15,037.1, the funding ratio would be 43.7%.

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 7.75% 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.

NOTES TO THE FINANCIAL STATEMENTS

Calculation of Actuarial Value of Assets (in thousands)

Actuarial Value of Assets at July 1, 2012		$ 13,949,905.1
Total investment income/(loss)	1,694,772.1	
Less: Projected investment income @ 7.75%	1,048,351.9	
Investment income in excess of projected	646,420.2	
Less: Deferral to smooth asset values over 5 years	517,136.2	
Recognized investment income - current year		129,284.0
Projected investment income		1,048,351.9
Recognized investment loss - prior years		(502,106.3)
Excess of contributions over disbursements		(362,813.5)
Actuarial value of assets at June 30, 2013		$ 14,262,621.2

e. Additional actuarial valuation information

Valuation date	June 30, 2013
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**	3.75 - 12.00%
Cost-of-living adjustment	3.0% before January 2011 hires and 1.375% after
Assumed wage inflation rate	2.75%
Postretirement benefits	3.0%
Mortality table	RP 2000 Mortality Table projected to 2017, with the rates multiplied by 80 percent for males and 85 percent for females.

*Assumed investment rate of return change from 8.5 percent in Fiscal Year 2009 to 7.75 percent in Fiscal Year 2010 by action of the System Board of Trustees.
**Includes assumed wage inflation of 2.75 percent.

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, and are made up of the account balances of individual participants.

At June 30, 2013 and 2012, the number of SMP participating employers was:

	2013	2012
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**13**	13
State Agencies	**1**	1
	62	62

At June 30, 2013 and 2012, the SMP membership consisted of:

	2013	2012
Annuity Benefit Recipients	**334**	253
Active Members	**10,746**	10,100
Inactive Members	**7,627**	7,307
	18,707	17,660

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.

NOTES TO THE FINANCIAL STATEMENTS

b. Benefit Provisions

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

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

Disability benefits are payable to all participants with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to physical impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments under the Workers' Compensation or the Occupational Diseases Act.

Upon termination of service with less than 5 years of service credit, a lump sum distribution is available which consists of employee contributions and related investment earnings. The employer contributions and related investment earnings are forfeited. Upon termination of service with greater than 5 years of service credit but where the participant is not yet eligible for retirement, a lump sum distribution is available which consists of employee and employer contributions and related investment earnings.

Death benefits are payable to named beneficiaries upon the death of any participant of this plan. If the participant has less than 1.5 years of service credit, the death benefit payable is the employee contributions and related investment earnings. If the participant has 1.5 or more years of service credit, the death benefit payable is the employee and employer contributions and related investment earnings.

3. SURS as an Employer

Chapter 40, Act 5, Article 15-106 of the *Illinois Compiled Statutes* defines the participating employers in the System. SURS, as a participating employer, provides a defined benefit plan of either a traditional benefit or portable benefit, or the defined contribution plan (self-managed plan) for all of its employees through the System. The employer contributions to SURS for the years ended June 30, 2013, 2012, and 2011 were $928,614, $996,330, and $855,621, respectively, equal to the required contributions for each year.

F. Cash and Short-Term Investments

Included in the $564,599,292 of cash and short-term investments presented in the Statement of Plan Net Position is $160,739,276 of short-term investments with original maturities less than 90 days. 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2012, from which the summarized comparative information was derived.

K. New Accounting Pronouncements

The Governmental Accounting Standards Board Statement (GASB) No. 61, Financial Reporting Entity Omnibus, an amendment to GASB Statements No. 14 and 34, modifies certain requirements for inclusion of component units in the financial statements of the reporting entity. The Notes to the Financial Statements will continue to disclose the System as a component unit of the State of Illinois. This statement was implemented for the System beginning with the fiscal year 2013.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, was established to provide guidance on the reporting of deferred inflows of resources and deferred outflows of resources, assets, liabilities, and the net position. This statement was implemented for the System beginning with the fiscal year 2013.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was established to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency. SURS is required to implement this Statement for its year ending June 30, 2014.

GASB Statement No. 67, Financial Reporting for Pension Plans was established to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. SURS is required to implement this Statement for its year ending June 30, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was established to improve the standards for measurement, recognition and display of pension expense, liabilities and assets of employers of the plan. SURS will facilitate the implementation of this Statement for our employers for the System beginning with its year ending June 30, 2015.

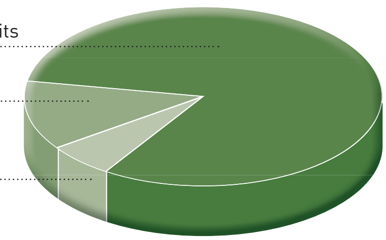
NOTES TO THE FINANCIAL STATEMENTS

II. Contributions and Plan Net Position Designations

A. Defined Benefit Plan

1. Membership Contributions

MEMBER CONTRIBUTIONS



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

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

2. Interest Credited on Member Contributions

For the traditional and portable benefit packages, the interest rate credited is fixed by the Board of Trustees and is 7.5% for the year ended June 30, 2013. As of July 1, 2013, the rate will be 7.0%. For purposes of lump sum refunds to former members, the traditional benefit package offers an interest rate of 4.5%, compounded annually, and the portable benefit package offers an interest rate equal to the credited rate, compounded annually. A change brought forth by the enactment of Public Act 94-0004 and effective July 1, 2005, calls for the Comptroller of the State of Illinois to set the interest rate credited to member contribution balances for purposes of the calculation of retirement annuities under the money purchase formula. That rate is 6.50% for the year ended June 30, 2013 and is 6.75% as of July 1, 2013.

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 experience study is performed every 5 years to determine the assumptions to be used in the annual valuation. The actuarial assumptions are also reviewed at least annually by the System. The last actuarial experience study was performed in March 2011. To determine the funding method, Public Act 88-0593 was passed by the Illinois General Assembly in 1994. This act, which took effect on July 1, 1995, provides a 50-year schedule of State contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. The Statutory Funding Plan consisted of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. The Plan requires the State to make continuing appropriations to meet the normal actuarially-determined cost of the System, plus amortize the unfunded accrued liability.

4. Net Position Accounts

The System maintains two designated accounts that reflect the assignment of net position 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.

NOTES TO THE FINANCIAL STATEMENTS

b. The Benefits from Employee and Employer Contributions Account records the net position available for annuities in force and available for future retirement, death and disability benefits, the undistributed investment income, the unexpended administrative expense allocation, and the variations in actuarial assumptions.

Balances in these designated accounts as of June 30, 2013 are as follows:

Employee contributions	$ 5,830,107,738
Benefits from employee and employer contributions	9,206,994,089
Total Net Position	**$ 15,037,101,827**

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

There are no significant investments in any one organization that represents 5% of plan net position 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.

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 (0.4% as of July 1, 2012) 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 Position Accounts

The SMP maintains three designated accounts that reflect the assignment of net position 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 2013, the investment income credited to these balances was $8,089,055.

Balances in these designated accounts as of June 30, 2013 are as follows:

Employee contributions	$ 1,184,628,945
Disability benefits	68,520,389
Employer forfeitures	6,190,997
Total Net Position	**$ 1,259,340,331**

NOTES TO THE FINANCIAL STATEMENTS

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

There are no significant investments in any one organization that represent 5% or more of plan net position 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 a formal policy to address 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, 2013, the carrying amount of cash was $403,860,017 and the bank balance was $411,350,993 of which $8,680,396 was foreign currency deposits and was exposed to custodial credit risk. The remaining $160,739,276 was made up of short-term invested funds which are considered to be investments for the purpose of assessing custodial credit risk.

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, and monitors the firms accordingly.

Investment Commitments

Alternative investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to private equity limited partnerships of approximately $501.1 million as of June 30, 2013. The System had outstanding commitments to real estate partnerships of approximately $125.7 million and to infrastructure partnerships of approximately $19.4 million at June 30, 2013.

Investments

The carrying values of investments by type at June 30, 2013 are summarized below:

Equity investments	
U.S. equities	$ 7,399,768,677
Non-U.S. equities	1,989,383,507
U.S. private equity	1,082,314,787
Non-U.S. private equity	82,714,793
Equity derivatives	(233,855,550)
Fixed income investments	
U.S. government obligations	1,442,912,699
U.S. agency obligations	858,466,880
U.S. corporate fixed income	1,081,994,772
U.S. fixed income, other	102,649,904
Non-U.S. fixed income securities	316,630,330
U.S. short term investments	249,459,665
Non-U.S. short term investments	(75,952,981)
U.S. fixed income derivatives	10,847,735
Non-U.S. fixed income derivatives	(940,789)
Real estate investments	
Real Estate	382,755,515
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	1,179,889,253
Total Investments	**$ 15,869,039,197**

(a) Fixed income investments presented in this table include $160,739,276 of short-term investments with maturities of less than 90 days, which are included in the cash and short-term investments total on the financial statements.

(b) U.S. short-term investments principally consist of money market funds and options.

(c) Fixed income investments presented in this table include $9,107,855 of short-term bills and notes with maturities greater than 90 days.

NOTES TO THE FINANCIAL STATEMENTS

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, 2013, no investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue. SURS has not adopted a formal policy specific to concentration of credit risk. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. The System's investment portfolios are managed by professional investment management firms. These firms must maintain diversified portfolios and must comply with risk management guidelines specific to each of their investment management agreements. 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, 2013, 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, 2013 are as follows:

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	$ 107,848,516	$ 38,483,753	$ 146,332,269
AA+	1,053,012,684	2,906,643	1,055,919,327
AA	34,737,825	2,258,993	36,996,818
AA-	14,683,711	26,791,151	41,474,862
A+	27,449,892	28,753,057	56,202,949
A	77,489,474	14,388,150	91,877,624
A-	124,198,907	33,109,382	157,308,289
BBB+	68,091,314	19,325,199	87,416,513
BBB	102,214,301	39,695,799	141,910,100
BBB-	42,243,268	25,462,141	67,705,409
BB+	24,392,343	4,037,409	28,429,752
BB	21,393,590	9,889,920	31,283,510
BB-	13,828,283	1,379,000	15,207,283
B+	14,965,492	-	14,965,492
B	2,742,232	-	2,742,232
B-	5,866,391	-	5,866,391
CCC	26,796,874	-	26,796,874
CCC-	4,725,000	-	4,725,000
CC	4,297,213	-	4,297,213
D	2,473,639	1,158,325	3,631,964
Not Rated **	152,755,735	68,991,408	221,747,143
Total Credit Risk: Debt Securities	$ 1,926,206,684	$ 316,630,330	$ 2,242,837,014
U.S. Government & Agencies *	1,466,987,021	-	1,466,987,021
Total Debt Securities Investments	**$ 3,393,193,705**	**$ 316,630,330**	**$ 3,709,824,035**

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.
** Domestic includes $133,581,790 from self-managed plan variable annuities and mutual funds.

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, 2013, the segmented time distribution of the various investment types of debt securities of the System are as follows:

		Maturities in Years				
Type	**2013 Fair Value**	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**10 to 20 years**	**More than 20 years**
U.S. Gov't & Agency Fixed Income*	$ 2,521,951,935	$ 272,745,021	$ 643,388,238	$ 617,985,654	$ 305,103,176	$ 682,729,846
U.S. Corporate Fixed Income **	871,241,770	60,908,467	221,751,374	257,819,544	36,827,500	293,934,885
Non-U.S. Fixed Income	316,630,330	47,840,191	130,318,527	84,526,570	17,739,420	36,205,622
Total	**$ 3,709,824,035**	**$ 381,493,679**	**$ 995,458,139**	**$ 960,331,768**	**$ 359,670,096**	**$ 1,012,870,353**

* Includes $21,224,710 from self-managed plan mutual fund.
** Includes $112,357,080 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, 2013 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	$ 69,893,832	$ (5,772,705)	$ 64,121,127
Brazilian real	9,651,088	6,099,620	15,750,708
British pound sterling	287,805,512	(630,895)	287,174,617
Canadian dollar	62,983,598	708,896	63,692,494
Danish krone	31,182,457	-	31,182,457
Euro	429,329,261	25,695,332	455,024,593
Hong Kong dollar	87,893,996	192,345	88,086,341
Hungarian forint	1,044,293	-	1,044,293
Indian rupee	-	1,133,451	1,133,451
Indonesian rupiah	3,976,637	-	3,976,637
Japanese yen	267,933,175	7,964,548	275,897,723
Malaysian ringgit	8,404,896	(226)	8,404,670
Mexican peso	8,968,796	6,519,616	15,488,412
New Israeli shekel	4,353,660	124	4,353,784
New Taiwan dollar	19,125,892	44,432	19,170,324
New Zealand dollar	2,104,109	(213,343)	1,890,766
Norwegian krone	14,533,029	533,303	15,066,332
Philippine peso	622,768	-	622,768
Polish zloty	3,700,608	1	3,700,609
Singapore dollar	41,823,291	8,114,611	49,937,902
South African rand	14,803,256	(58,906)	14,744,350
South Korean won	19,047,985	47,793	19,095,778
Swedish krona	29,314,395	4,120,911	33,435,306
Swiss franc	124,118,104	135,695	124,253,799
Thai baht	8,329,523	-	8,329,523
Turkish lira	5,257,813	(1,077)	5,256,736
Total Securities subject to foreign currency risk	**$ 1,556,201,974**	**$ 54,633,526**	**$ 1,610,835,500**
Foreign investments denominated in U.S. Dollars	**544,776,236**	**185,103,034**	**729,879,270**
Total foreign investment securities	**$ 2,100,978,210**	**$ 239,736,560**	**$ 2,340,714,770**

* Includes Swaps, Options and Short Term Investments

Derivative Securities

The System invests in derivative securities through its investment managers. A derivative security is an investment whose value is derived from other financial instruments such as commodity prices, bond and stock prices, or a market index. The System's derivatives are considered investments. The fair value of all derivative financial instruments is reported in the Statement of Plan Net Position, and the change in the fair value is recorded in the Statement of Changes in Plan Net Position as net appreciation (depreciation) in fair value of investments.

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements. As of June 30, 2013, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions. At June 30, 2013, SURS' investments in derivatives had the following balances:

	Notional Value 2013	Fair Value 2013	Change in Fair Value
Forwards	$ -	$ (422,987)	$ 152,259
Rights and Warrants	$ 415,136	$ 74,384	$ (74,533)
Futures			
Equity			
Long	239,613,030	(793,610)	(6,333,770)
Short	(5,757,480)	26,280	26,280
Fixed Income			
Long	280,942,062	52,354	142,989
Short	(38,162,837)	13,880	(30,350)
Total Futures	$ 476,634,775	$ (701,096)	$ (6,194,851)
Options			
Fixed Income			
Call	(58,500,000)	(107,973)	63,758
Put	(9,300,000)	(201,376)	(184,788)
Cash and Cash Equivalent			
Call	-	-	-
Put	(7,600,000)	(9,046)	(62,213)
Swaptions			
Call	(89,098,651)	(12,318)	1,204,821
Put	(185,974,042)	(2,161,325)	(2,235,012)
Total Options	$ (350,472,693)	$ (2,492,038)	$ (1,213,434)
Swaps			
Credit Default			
Buying Protection	218,410,674	(677,952)	(10,446,127)
Selling Protection	99,866,706	1,410,726	629,568
Inflation-linked			
Pay Fixed	13,800,000	(309,944)	(309,944)
Receive Fixed	7,539,130	175,885	175,885
Interest Rate			
Pay Fixed	8,959,581	55,857	3,749,994
Receive Fixed	580,980,348	8,457,408	4,631,674
Total Return	18,118	3,287,005	2,515,357
Total Swaps	$ 929,574,557	$ 12,398,985	$ 946,407

NOTES TO THE FINANCIAL STATEMENTS

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 Position. At June 30, 2013, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2013	Change In Fair Value
Australian dollar	$ -	$ (487)	$ (487)	$ 416,026
Brazilian real	-	(8,695)	(8,695)	(42,812)
British pound sterling	-	(6,817)	(6,817)	(4,629)
Canadian dollar	-	-	-	94,640
Chinese yuan renminbi	34,160	(30,599)	3,561	(230,877)
Euro	1,382	(278,435)	(277,053)	352,144
Hong Kong dollar	42	-	42	42
Indian rupee	-	(1,255)	(1,255)	(169,669)
Indonesian rupiah	-	-	-	(1,743)
Japanese yen	67,957	(2,318)	65,639	(154,075)
Malaysian ringgit	2,302	-	2,302	2,302
Mexican peso	-	(4,196)	(4,196)	(136,731)
New Israeli shekel	26,405	(56,281)	(29,877)	(29,877)
Norwegian krone	66	(45)	22	22
Singapore dollar	551	-	551	685
South African rand	-	-	-	19,615
South Korean won	-	-	-	3,447
Swiss franc	-	-	-	1,067
Turkish lira	-	(482)	(482)	(482)
Total securities subject to foreign currency risk	**$ 132,865**	**$ (389,610)**	**$ (256,745)**	**$ 119,095**
Foreign investments denominated in U.S. Dollars	**4,555,820**	**(4,722,061)**	**(166,242)**	**33,164**
Total foreign investment securities	**$ 4,688,685**	**$ (5,111,671)**	**$ (422,987)**	**$ 152,259**

Rights and warrants provide SURS investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights normally are issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is reported in the investments in the Statement of Plan Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Plan Net Position.

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

SURS investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability on the System's financial statements. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

NOTES TO THE FINANCIAL STATEMENTS

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. 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.

			Maturities in Years					
	Notional Value 2013	**Fair Value 2013**	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**10 to 20 years**	**More than 20 years**	**Change In Fair Value**
Swaps								
Credit Default	$ 102,164,739	$ 380,434	$ 140,339	$ 267,561	$ (242,881)	$ -	$ 215,415	$(6,094,926)
Credit Default	2,400,000	37,979	-	37,979	-	-	-	(37,580)
Credit Default	213,712,641	314,361	-	314,361	-	-	-	(3,684,053)
Total, Credit Default	318,277,380	732,774	140,339	619,901	(242,881)	-	215,415	(9,816,559)
Inflation-Linked	21,339,130	(134,059)	-	(159,841)	25,782	-	-	(134,059)
Interest Rate	88,214,649	(3,183,203)	-	(3,205,565)	(33,495)	55,857	-	(3,732,742)
Interest Rate	8,260,497	16,078	-	16,078	-	-	-	(574,869)
Interest Rate	493,464,783	11,680,390	-	(144,845)	-	1,789,578	10,035,657	12,689,279
Total, Interest Rate	589,939,929	8,513,265	-	(3,334,332)	(33,495)	1,845,435	10,035,657	8,381,668
Total Return	18,118	3,287,005	3,287,005	-	-	-	-	2,515,357
Total Swaps	**$ 929,574,557**	**$12,398,985**	**$ 3,427,344**	**$(2,874,272)**	**$ (250,594)**	**$ 1,845,435**	**$10,251,072**	**$ 946,407**
Swaptions	**$ (274,292,783)**	**$ (2,173,616)**	**$ (2,476,768)**	**$ 303,152**	**$ -**	**$ -**	**$ -**	**$(1,030,164)**
	(779,910)	**(27)**	**(27)**	**-**	**-**	**-**	**-**	**(27)**
	$ (275,072,693)	**$ (2,173,643)**	**$ (2,476,795)**	**$ 303,152**	**$ -**	**$ -**	**$ -**	**$(1,030,191)**
Forwards	**$ -**	**$ (422,987)**	**$ (228,016)**	**$ (194,971)**	**$ -**	**$ -**	**$ -**	**$ 152,259**

	Fair Value 2013	**Counterparty Credit Rating**
Swaps		
Credit Default	$ 380,434	A
Credit Default	37,979	AA
Credit Default	314,361	No Rating
Total, Credit Default	732,774	
Inflation-Linked	(134,059)	A
Interest Rate	(3,183,203)	A
Interest Rate	16,078	AA
Interest Rate	11,680,390	No Rating
Total, Interest Rate	8,513,265	
Total Return	3,287,005	A
Total Swaps	**$12,398,985**	
Swaptions	**$ (2,173,616)**	A
	(27)	AA
	$ (2,173,643)	
Forwards	**$ (422,987)**	No Rating

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

Inflation-linked swap agreements involve a stream of fixed payments in exchange for variable payments linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are utilized to transfer inflation risk from one counterparty to another.

Interest rate swap agreements involve the exchange of a set of variable and fixed-rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. These agreements are used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would be available without the swap. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Plan Net Position.

SURS Rate	Counterparty Rate	Notional Value 2013	Fair Value 2013	Pay Fixed / Receive Fixed
2.25% to 2.50%	US CPI Urban Consumer NSA	$ 13,800,000	$ (309,944)	pay fixed
1.00%	JPY-LIBOR-BBA-Bloomberg 6M	8,959,581	55,857	pay fixed
		$ 22,759,581	$ (254,087)	
3M USD LIBOR	1.40% to 2.50%	$434,700,000	$ 10,220,346	receive fixed
Brazil Cetip Interbank Deposit	8.15% to 8.94%	67,662,734	(3,222,225)	receive fixed
CAD-BA-CDOR 3M	2.0% to 6.2%	35,546,708	1,767,149	receive fixed
Federal Fund Effective Rate US	1.00%	20,500,000	(323,166)	receive fixed
France CPI Ex Tobacco Household	1.95% to 2.15%	7,539,130	175,885	receive fixed
JPY-LIBOR-BBA-Bloomberg 6M	1.00%	2,718,075	16,061	receive fixed
Mexico Interbank TIIE 28 DAY	5.50% to 5.60%	19,852,831	(757)	receive fixed
		$ 588,519,478	$ 8,633,293	

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, 2013, if all counterparties fail to perform as contracted is $40.6 million. This maximum exposure is reduced by $8.1 million in collateral held and approximately $31.1 million in liabilities, resulting in approximately $1.4 million net exposure to credit risk.

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. Deutsche Bank AG New York, the System's third party agent lender in fiscal year 2013, loaned 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 Position. 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 was 1.13 days. Cash collateral is invested in the System's short-term investment pool, which at year end had a weighted average final maturity of 13.49 days and a weighted average reset of 5.17 days, and with a fair value of $647.0 million.

Collateral as of June 30, 2013 ($ in millions)

Securities on loan as of June 30, 2013	$	628.7
Fair value of cash collateral invested	$	647.0
Fair value of collateral received	$	646.9
Change in fair value*	$	0.1

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

Self-Managed Plan

The SMP participants have the ability to invest their account balances in 31 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, 2013, the SMP had investments of $1,254,594,175. A detailed schedule (unaudited) of the funds and balances at June 30, 2013 is located in the Investment Section of The Comprehensive Annual Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

IV. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$ 531,834	$ –	$ –	$ 531,834
Office building	6,896,790	447,264	–	7,344,054
Information system equipment & software	14,628,483	433,214	838,015	14,223,682
Furniture and fixtures	2,148,723	–	43,531	2,105,192
	24,205,830	880,478	881,546	24,204,762
Less accumulated depreciation:				
Office building	2,501,090	179,422	–	2,680,512
Information system equipment and software	13,802,460	237,716	836,614	13,203,562
Furniture and fixtures	2,124,561	2,401	21,578	2,105,384
	18,428,111	419,539	858,192	17,989,458
	$ 5,777,719	$ 460,939	$ 23,354	$ 6,215,304

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, 2013, the System had a liability of $1,124,330 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 Position, and the annual increase or decrease in liability is reflected in the financial statements as an increase or decrease in salary expense.

Compensated absences payable for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$ 1,040,744	$ 746,921	$ 663,335	$ 1,124,330	$ 55,000

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 employee health claims are administered through State of Illinois Central Management Services. 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. Lease Agreements

The System leases office space in Naperville for its Northern Counseling Center. The commitment for this lease is $13,020 for fiscal year 2013 and $17,928 for fiscal year 2014.

IX. Subsequent Event

On December 5, 2013, Governor Quinn signed Senate Bill 1 (now Public Act 98-599) into law which provides for significant pension reform. The pension reform includes a reduction of the Automatic Annual Increase, the capping of pensionable earnings of Tier I employees, a new defined contribution plan, the delay of the retirement age for members under age 45, changes to the Effective Rate of Interest, a reduction of employee contributions for Tier I employees, and funding guarantees. SURS continues to analyze this legislation and its effect on the System.

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	Covered Payroll	UAAL as % of Covered Payroll
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
2011	13,945.7	31,514.3	17,568.6	44.3	3,460.8	507.6
2012	13,949.9	33,170.2	19,220.3	42.1	3,477.2	552.8
2013	14,262.6	34,373.1	20,110.5	41.5	3,533.9	569.1

(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 7.75% 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
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
2011	1,519.2	260.2	1,259.0	773.6	61.4	68.0
2012	1,701.6	258.2	1,443.3	985.8	68.3	73.1
2013	1,794.4	245.1	1,549.3	1,401.5	90.5	91.8

* 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

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2013 and 2012

	2013	2012
Defined benefit plan		
Personnel services		
Salary and wages	$ 6,883,931	$ 6,879,946
Retirement contributions	798,725	838,694
Insurance and payroll taxes	2,538,592	2,073,367
	10,221,248	9,792,007
Professional services		
Computer services	627,453	656,311
Medical consultation	10,962	22,708
Technical and actuarial	546,518	617,922
Legal services	211,674	146,830
	1,396,607	1,443,771
Communications		
Postage	306,641	308,523
Printing and copying	94,906	79,819
Telephone	71,491	99,343
	473,038	487,685
Other services		
Equipment repairs, rental and maintenance	70,441	74,093
Building operations and maintenance	278,769	313,171
Surety bonds and insurance	249,081	218,332
Memberships and subscriptions	56,216	50,199
Transportation, travel and conferences	125,319	128,510
Education	7,335	19,952
EDP supplies and equipment	74,945	97,795
Office supplies	53,955	53,275
	916,061	955,327
Depreciation and amortization	**419,540**	**488,066**
Total administrative expenses - DB Plan	**$ 13,426,494**	**$ 13,166,856**
Self-Managed Plan		
Salary and wages	266,204	242,613
Retirement contributions	93,210	29,483
Insurance and payroll taxes	35,326	75,301
Technical and actuarial	6,000	10,000
Postage	20,665	21,374
Memberships and subscriptions	600	-
Transportation, travel and conferences	986	1,090
Printing and copying	3,080	9,040
Total administrative expenses - SMP	**$ 426,071**	**$ 388,901**
Total administrative expenses	**$ 13,852,565**	**$ 13,555,757**

SUPPORTING SCHEDULES

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2013 and 2012

	2013	2012
Defined benefit plan		
Technical and actuarial services		
Aurico	$ 4,350	$ 2,253
Berns, Clancy and Associates	2,800	-
Berwyn Group	3,988	3,027
Carle Clinic	90	570
Economic Research	4,989	4,989
Alice Faron	-	2,890
Firstcoast	-	250
Gabriel, Roeder, Smith & Co.	305,026	324,602
Governmental Consulting Solutions	60,000	60,000
Henneman Engineering	17,136	-
ICS/Merrill	2,940	-
INFRE	125	570
Janet Jones & Associates	42,000	42,000
McLagan	2,750	-
Miscellaneous	825	3,487
National Student Clearinghouse	-	425
Northern Illinois University	-	500
Open position advertising/ Recruitment	5,110	3,496
Propio Language Services	132	-
Segal	-	44,000
The Northern Trust	75,913	84,146
Thompson McClellan Photography	340	253
VR Election Services	-	22,449
Woolard Marketing Consultants	18,004	18,015
	546,518	617,922
Legal Services:		
Areawide Reporting Services	2,350	2,281
Burke, Burns & Pinelli	77,810	69,168
Featherstun, Gaumer et al	23,009	24,775
Investors Responsibility Support Services	25,000	25,000
Katten Muchin Rosenman	58,518	6,474
Mayer Brown LLP	1,639	1,785
Thomas, Mamer & Haughey	23,348	17,347
	211,674	146,830
Self-Managed Plan		
Technical and Actuarial Services		
Callan Associates	6,000	10,000
	6,000	10,000
Total consultant payments	**$ 764,192**	**$ 774,752**

SUPPORTING SCHEDULES

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2013 and 2012

	2013	2012
Investment manager		
Aberdeen Asset Management	$ 965,147	$ 1,317,176
Adams Street Partners	4,628,222	4,168,126
Alinda Capital Partners	1,026,632	1,003,785
Angelo Gordon GECC	368,650	600,000
Ativo Capital Management	364,791	226,105
BlackRock Institutional Trust Company	2,291,969	2,207,980
Buford, Dickson, Harper & Sparrow	-	30,486
Calamos Advisors	1,562,942	1,264,907
CastleArk Management	449,445	-
CBRE Clarion Real Estate Securities	1,095,485	1,122,009
Channing Capital Management	507,765	146,677
Chicago Equity Partners	477,836	463,562
Dune Capital Management	550,187	519,932
EARNEST Partners	166,398	126,480
Fiduciary Management Associates	476,564	369,507
Franklin Templeton Real Estate Advisors	850,917	301,272
Garcia Hamilton & Associates	76,483	65,811
GlobeFlex Capital, L.P.	1,836,287	587,325
Herndon Capital Management	492,768	415,700
Holland Capital Management	207,607	166,725
Jacobs Levy Equity Management	1,115,866	1,284,842
LM Capital Group	132,835	117,937
Lombardia Capital Partners	275,841	432,277
Longfellow Investment Management	69,568	66,892
Macquarie Capital	600,000	600,000
Martin Currie, Inc.	726,311	778,791
Mesirow Financial Investment Management	325,253	-
Mondrian Investment Partners	608,112	517,301
Muller and Monroe Asset Management	304,125	345,554
NCM Capital Management	129,457	135,797
Neuberger Berman	572,891	547,313
New Century Advisors	163,919	146,729
Northern Trust Global Investments	146,816	149,370
Oaktree Capital Management	117,746	68,225
Pacific Investment Management Company	4,211,528	5,285,258
Pantheon Ventures	2,160,091	2,638,461
Payden & Rygel	-	221,401
Piedmont Investment Advisors	465,268	302,477
Profit Investment Management	157,588	128,086
Progress Investment Management Company	2,425,773	1,967,006
Pugh Capital Management	171,347	162,189
Pyramis Global Advisors Trust Company	1,829,382	647,951
RhumbLine Advisers	198,655	184,946
RLJ Western Asset Management	125,484	250,450
RREEF	2,866,318	2,652,956
Smith Graham & Company	103,277	96,587
State Street Global Advisors	68,954	70,982
Strategic Global Advisors	381,428	247,649
T. Rowe Price	2,139,187	1,964,201
Taplin, Canida & Habacht	130,752	115,404
TCW Metropolitan West Asset Management	1,477,649	455,504
UBS Realty Investors	1,839,541	548,964
Wellington Management Company	1,495,495	1,490,520
Total investment management fees	45,932,552	39,725,585
Master Trustee & Custodian		
The Northern Trust Company	1,297,175	1,053,903
Investment Consultant, Measurement & Counsel		
Callan Associates Inc.	396,000	456,500
Burke Burns & Pinelli, Ltd.	-	679
Katten Muchin Rosenman	243,792	99,634
Mayer, Brown, Rowe & Maw	6,006	71,948
Total investment fees	645,798	628,761
Investment Administrative Expenses		
Personnel	1,097,346	1,121,359
Resources and Travel	155,019	142,981
Performance Measurement and Database	46,325	62,120
Total administrative expenses	1,298,690	1,326,460
Total investment expenses	**$ 49,174,215**	**$ 42,734,709**

SUPPORTING SCHEDULES

Defined Benefit Plan
Summary Schedule of Cash Receipts and Disbursements
For the Year Ended June 30, 2013 ($ in millions)

Beginning cash and short-term investments balance	$ 499.2
Receipts	
Member contributions	246.1
Employer contributions	1,339.1
Investment income	1,738.9
Investments redeemed	24,365.5
Total receipts	27,689.6
Disbursements	
Benefit payments	1,908.0
Administrative expenses	9.7
Investment expenses	49.5
Fixed asset purchases	0.9
Refunds	81.4
SMP balance transfers	2.4
Investments purchased	25,572.3
Total disbursements	27,624.2
Ending cash and short-term investments balance	$ 564.6

SURS2013

BUILDING A SUSTAINABLE FUTURE

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

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 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, 2012 through June 30, 2013.

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 transactions 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

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

December 18, 2013

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

I am pleased to present the Investment Section of the State Universities Retirement System (SURS) Comprehensive Annual Financial Report (CAFR) for fiscal year 2013. SURS maintains a large, public defined benefit investment program with assets in excess of $15.0 billion for the fiscal year ending June 30, 2013. In addition, the Self-Managed Plan (SMP), a defined contribution structure offered to members, continues to increase in size with assets in excess of $1.2 billion.

SURS investment performance for the fiscal year ended June 30, 2013 was strong, returning 12.5%, net of investment management fees. All measurements shown have been calculated using standard performance evaluation methods and are presented in a manner that is consistent with investment industry standards. Investment performance is calculated using a time-weighted rate of return consistent with investment industry standards.

In fiscal year 2013, the System's funding ratio level, based on the market value of assets, increased from 41.3% to 43.7%. The actuarial funding ratio, utilizing the asset smoothing valuation methodology adopted per legislation in 2009, declined from 42.1% to 41.5%. In October 2010, at the recommendation of the actuary and the investment consultant, the Board of Trustees reduced the assumed rate of investment return from 8.5% to 7.75%. Aside from the actuarial modifications, the current funding ratio levels continue to be the result of inadequate funding received from the State over many years, and not due to investment performance. However, it is encouraging to note that SURS received the full fiscal year 2013 annual statutory contribution of $1,402.8 million, in addition to the fiscal year 2012 annual statutory contribution of $980.5 million from the State of Illinois. Also, the legislature has appropriated the fiscal year 2014 annual statutory contribution of $1,509.8 million. The recent funding near the annual required contribution (ARC) levels suggests renewed efforts by the legislature to improve the severe underfunding status of SURS.

Longer-term investment performance remains favorable. Over the past 10- and 20-year periods, the SURS portfolio has earned 7.7% and 8.0% annualized rates of return, net of investment management fees, respectively. For longer time periods, the 25- and 30-year portfolio returns are also positive, with returns of 8.5% and 9.2%, respectively. It is important to note that the longer term investment performance remains well in excess of the 7.75% assumed rate of investment return. As of June 30, 2013, five-year investment performance, reflecting the global recession in 2008 and 2009, is approximating benchmark levels, returning 5.3% for the period.

A critical duty of the SURS Board of Trustees is to develop, approve and implement an asset allocation strategy. These actions assist in achieving stable long-term investment returns and provide cash flow liquidity for benefit payments while maintaining a desired level of risk in the investment portfolio. The investment strategy is anchored by a comprehensive asset/liability study, which was last conducted during fiscal year 2011. Callan Associates, with the assistance of SURS Investment staff, presented the results, which were approved by the Board of Trustees in June 2011. An investment consultant search is currently in progress, and a new asset/liability study will be conducted during fiscal year 2014.

Outputs – Fiscal Year Ending June 30, 2013
Many of the accomplishments achieved during fiscal year 2013 were the result of the implementation process of the asset/liability study approved by the Board in June 2011. Enhancements during the recent fiscal year included an asset

structure analysis of both the fixed income and Treasury Inflation Protected Securities (TIPS) asset classes. These modifications included the implementation of an unconstrained fixed income investment strategy into the portfolio as well as a rebalancing of the assets managed by the existing investment manager lineup.

The enhancements to the portfolio increased the allocation to minority-, female- and persons with disability-owned investment managers to 25.1% of the SURS investment program, approximating $3.7 billion in assets.

During the fiscal year, additional commitments of $400 million were made in both core and non-core real estate investments. These commitments will assist in achieving the asset class target allocation of 10% of the investment program as approved in the 2011 asset/liability study. Capital will be called as necessary over the next several years. Implementation of real estate and other alternative strategies is expected to be a multi-year process, which will ensure the portfolio maintains proper diversification over vintage years.

A three-year funding plan was approved by the Board in fiscal year 2012 to continue investing in the private equity asset class. Continuous investing is necessary to maintain the target allocation and vintage year diversification of the private equity portfolio. During the year, $300 million of commitments were approved by the Board.

SURS is currently exploring avenues to more effectively monitor and manage the overall risk of the portfolio. Currently the 66% target equity allocation provides approximately 90% of the overall portfolio volatility.

In conclusion, a number of key accomplishments were achieved during fiscal year 2013, several of which are documented below. The Investment section of this Report provides a more detailed review of these items.

- The portfolio produced favorable investment performance for fiscal year 2013, delivering a return of 12.5%, net of investment management fees.
- Total combined fund assets in the defined benefit and defined contribution plans are in excess of $17 billion, with the SURS Investment Program continuing its ranking as one of the largest 100 pension plans in the United States.
- Fixed Income – An asset structure anaysis was completed of the $3.0 billion fixed income and $500 million Treasury Inflation Protected Securities (TIPS) asset classes.
- Real Estate Asset Class – Core and non-core real estate searches were conducted during the year, which resulted in an additional $400 million in commitments.
- Private Equity Asset Class – During the year, $225 million in commitments in domestic and global strategies were approved by the Board.
- Private Equity Emerging Manager Fund of Funds Provider – A commitment of $75 million was approved with the mandate of identifying and investing with general partners that are at least 51% owned by minorities, females, and persons with a disability.
- Enhancement of Risk Management Oversight Practices – Quarterly reporting is provided by the custodian, which provides increased monitoring and oversight of financial risk within the SURS investment portfolio.
- Continued expansion of the Manager Diversity Program (MDP) occurred during the year. As of June 30, 2013, $3.7 billion, amounting to 25.1% of assets in the SURS investment portfolio, are managed by investment firms owned by minorities, females, and persons with a disability.
- The Self-Managed Plan (SMP) completed its fifteenth year of existence, currently exceeding $1.2 billion in member assets.

SURS continues to face the ongoing challenges and concerns regarding the funding status of the Plan. SURS is currently 41.5% funded as of June 30, 2013 and will pay approximately $2.0 billion in benefit payments during fiscal year 2014. Strong investment performance alone will not be sufficient to ease the existing funding gap. SURS interacts

LETTER OF TRANSMITTAL

frequently with various stakeholders in an attempt to identify potential funding solutions for the state pension systems. For additional information regarding the Investment Program, the SURS Fiscal Year 2014 Investment Plan is posted on the SURS website.

The SURS investment program continues to operate effectively and efficiently during these volatile and constantly challenging market conditions. The organization is pleased with the steady long-term investment performance over time, but realizes the challenge of adequate funding is ongoing. The Board of Trustees is committed to SURS membership to deliver an optimal, risk-controlled investment program with the objective of providing favorable long-term results.

Sincerely,

Daniel L. Allen
Chief Investment Officer

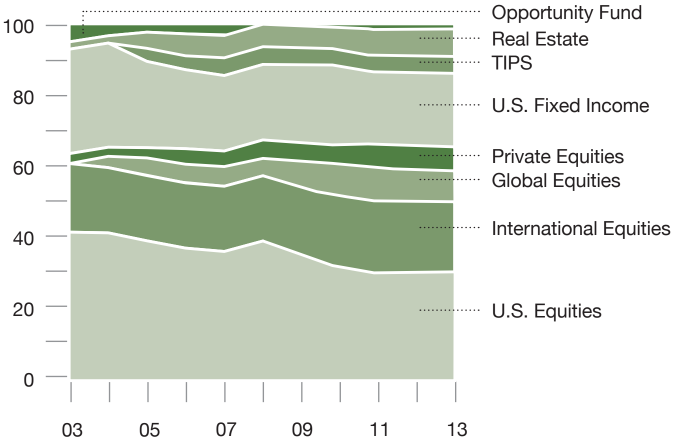
INVESTMENT SUMMARY

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 clearly defined investment policy, objectives, and strategies.

Investment Policy

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. An asset/liability study completed in June 2011 resulted in slight modifications to SURS' asset allocation targets. The modified long-term strategic asset allocation targets are: 31.0% of the total fund invested in U.S. equities, 21.0% in non-U.S. equities, 8.0% in global equities, 6.0% in private equities, 19.0% 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 funds), and 1.0% in the Opportunity Fund. These strategic asset allocation targets will be implemented over time to allow for proper diversification into direct real estate through funds. The graph titled Asset Allocation History details the various investment policy changes during the past 10 years.

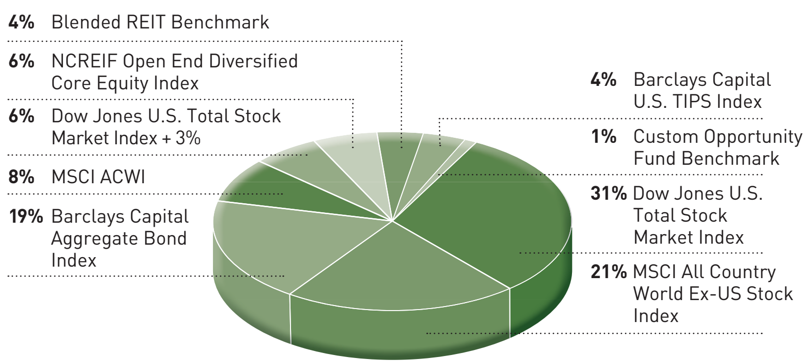
ASSET ALLOCATION HISTORY
% of Total Fund



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 strategic policy portfolio is comprised of the following benchmarks.

POLICY PORTFOLIO
as of June 30, 2013



Asset Class	Benchmark	Strategic Policy Portfolio
U.S. Equity	Dow Jones U.S. Total Stock Market Index	31.0%
Non-U.S. Equity	Morgan Stanley All Country World Ex-U.S. Index	21.0
Global Equity	Morgan Stanley All Country World Index	8.0
Private Equity	Dow Jones U.S. Total Stock Market Index + 3.0%	6.0
Fixed Income	Barclays Capital Aggregate Bond Index	19.0
TIPS	Barclays Capital U.S. TIPS Index	4.0
Direct Real Estate	NCREIF Open End Diversified Core Equity Index	6.0
REITs	Blend of Dow Jones U.S. Select Real Estate Securities Index	
	and FTSE EPRA/NAREIT Developed Index	4.0
Opportunity Fund	Custom benchmark of the combined investments	1.0
		100.0%

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 Callan Associates' Public Funds - Large (over $1 billion) Index.

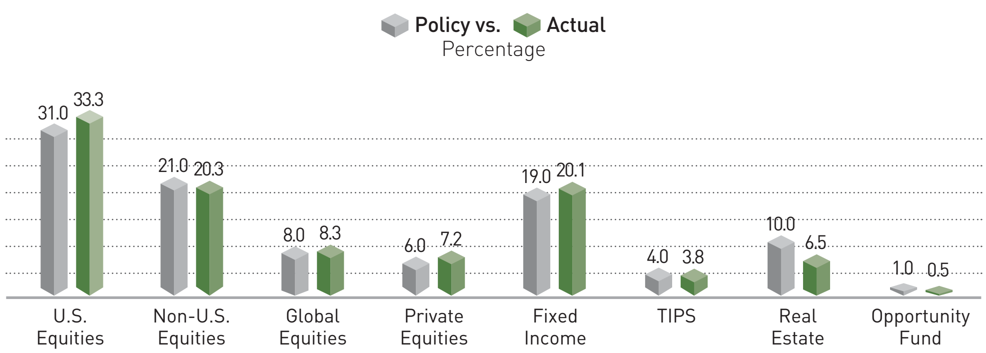
Investment Strategies

■ Diversification

SURS invests in multiple asset classes utilizing various investment managers and strategies as a method to ensure overall fund diversification. As of June 30, 2013, the System had retained the services of 47 investment management firms, several of which manage multiple mandates, and an additional 21 managers through the Progress Emerging Manager of Managers program, of which seven also have a direct relationship with SURS. Each investment management firm is afforded full discretion to diversify its portfolio(s) in a manner deemed 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 asset class and strategy managed.

■ Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be conducted as needed 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 an asset class 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 74% in equities, 24% in fixed income, and 2% in direct real estate through funds, as compared with the target allocations of 71%, 23%, and 6%, respectively. Staff is gradually implementing the policy target allocations that were approved by the Board on June 10, 2011, through the strategic transition of assets among investment managers.



INVESTMENT RESULTS

Long-Term Investment Results

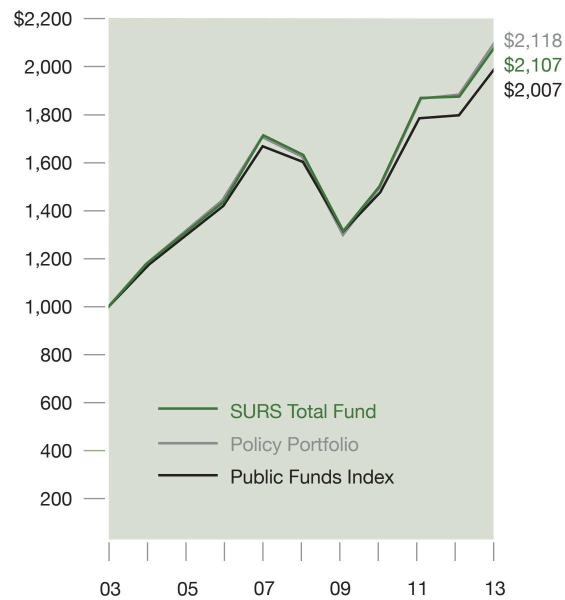
The 10-year period ended June 30, 2013, provided returns that have matched the overall benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 7.7%. As shown in the investment results table, over the long term, SURS total fund returns are consistent 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 $2,107, while the same $1,000 invested in the policy portfolio and median public funds index would have grown to $2,118 and $2,007, respectively.

Fiscal Year 2013 Results

For the fiscal year ended June 30, 2013, SURS total fund returned 12.5%, outpacing the market goal, or policy portfolio by 0.1%. SURS' one-year return exceeded that of the median public pension fund return, as measured by the Callan Associates' Public Pension Funds – Large Index, by 0.6%. For the period, seven of the nine asset class portfolios, including U.S. equities, non-U.S. equities, core/core plus fixed income, TIPS, direct real estate, REITs and the Opportunity Fund, met or exceeded the returns of their respective benchmarks. Strong absolute returns were experienced in U.S. equity, non-U.S. equity, global equity and private equity.

TOTAL FUND GROWTH OF $1,000



INVESTMENT RESULTS

	Fiscal Year Ended June 30					Annualized		
	2009	2010	2011	2012	2013	3 YRS	5 YRS	10 YRS
Total Fund								
SURS	(19.7)%	15.0%	23.8%	0.5%	12.5%	11.8%	5.3%	7.7%
Policy Portfolio	(20.1)	16.0	23.4	1.7	12.4	12.1	5.5	7.8
Public Funds Index	(17.8)	11.8	20.9	0.7	11.9	10.9	4.6	7.2
CPI	(1.4)	1.0	3.6	1.7	1.8	2.3	1.3	2.4
U.S. Stock Returns								
SURS	(27.3)	17.8	33.8	2.9	21.9	18.9	7.5	7.8
Dow Jones U.S. Total Stock Market	(26.4)	16.1	32.4	4.0	21.5	18.7	7.4	8.1
Non-U.S. Stock Returns								
SURS	(32.2)	7.8	31.2	(13.5)	15.0	9.3	(0.9)	8.4
MSCI All Country World Index Ex-U.S.	(30.9)	10.4	29.7	(14.6)	13.6	8.0	(0.8)	8.6
Global Stock Returns								
SURS	(29.0)	12.6	29.9	(5.8)	15.1	12.1	2.4	5.7
Performance Benchmark	(27.9)	11.8	30.1	(6.5)	16.6	12.4	2.7	5.7
Private Equity Returns (1)								
SURS	(21.3)	18.5	19.8	8.4	7.1	12.1	5.2	11.5
Dow Jones U.S. Total Stock Market + 3%	(33.0)	57.6	22.7	12.3	17.5	16.1	9.5	12.4
Fixed Income Returns								
SURS	5.5	14.5	5.2	6.7	0.8	4.2	6.4	5.5
Performance Benchmark (3)	6.0	9.5	3.9	7.5	(0.7)	3.5	5.2	4.7
TIPS Returns								
SURS	-	11.6	7.9	12.0	(4.4)	4.9	5.2	5.6
Performance Benchmark	(1.1)	9.5	7.7	11.7	(4.8)	4.6	4.4	5.0
Direct Real Estate Returns (2)								
SURS	(28.4)	(6.4)	19.2	12.5	9.8	13.6	0.1	3.6
Performance Benchmark	(23.8)	(18.8)	19.0	13.6	9.7	14.0	(1.7)	4.8
Real Estate Returns (REITs)								
SURS	(40.1)	41.5	34.7	7.2	10.1	16.7	6.1	10.4
Performance Benchmark	(41.3)	42.7	34.1	7.7	10.0	16.7	5.5	9.9
Opportunity Fund Returns								
SURS	(27.1)	44.7	22.2	2.6	27.0	16.8	10.9	11.7
Performance Benchmark	(34.4)	33.5	11.0	10.3	6.2	8.4	2.1	5.5

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.

(3) Barclays Universal Bond Index through March 2006; Barclays Capital Aggregate Bond Index since April 2006.

INVESTMENT RESULTS

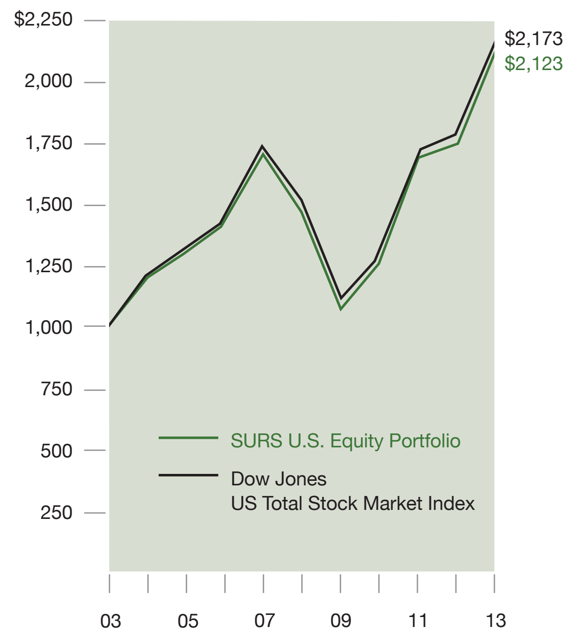
U.S. Equities

For the fiscal year 2013, SURS U.S. equity portfolio returned 21.9%. SURS portfolio outperformed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 0.4%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 21.5%. All segments of the U.S. equity market posted positive returns. Results were mixed between value and growth stocks, while small cap outpaced large cap stocks. As a result of enhancements from the 2011 Asset/Liability Study conducted by the Investment Consultant, the portfolio currently maintains a slight bias to small/mid cap equities. The SURS U.S. equity portfolio is by design style neutral relative to the Dow Jones U.S. Total Stock Market Index. 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 increased to $2,123 (net of investment management expenses), while the same $1,000 invested in the Dow Jones U.S. Total Stock Market Index would have increased to $2,173.

	FY 2013	3 YR	5 YR	10 YR
SURS	**21.9%**	**18.9%**	**7.5%**	**7.8%**
DJ U.S. TSM	21.5	18.7	7.4	8.1
DJ U.S. Large Cap TSM	20.9	18.5	7.0	7.7
DJ U.S. Large Cap Growth TSM	17.3	17.6	6.6	7.4
DJ U.S. Large Cap Value TSM	22.6	18.6	6.8	7.5
DJ U.S. Small Cap TSM	26.1	20.2	10.9	11.2
DJ U.S. Small Cap Growth TSM	26.9	21.2	10.5	11.7
DJ U.S. Small Cap Value TSM	25.3	19.1	11.2	10.7
S&P 500	20.6	18.5	7.0	7.3
Russell 3000	21.5	18.6	7.2	7.8
Russell 2000	24.2	18.7	8.8	9.5

U.S. EQUITY PORTFOLIO GROWTH OF $1,000



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
Apple Inc	260,530	$103,190,722
Exxon Mobil Corp	1,050,688	94,929,661
Microsoft Corp	2,137,346	73,802,557
Johnson & Johnson	758,178	65,097,163
Chevron Corp	529,942	62,713,336
Google Inc	71,136	62,626,000
JP Morgan Chase & Co	1,121,863	59,223,148
General Electric Co	2,486,858	57,670,237
Procter & Gamble	746,819	57,497,595
Pfizer Inc	1,888,760	52,904,168

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

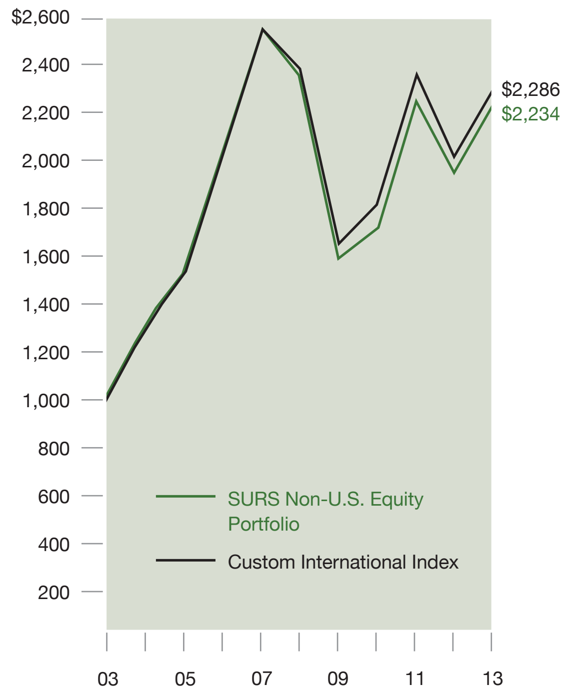
INVESTMENT RESULTS

Non-U.S. Equities

For fiscal year 2013, SURS non-U.S. equity portfolio returned 15.0%, surpassing its benchmark return by 1.4%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, rose 13.6% 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 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 $2,234 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $2,286.

NON-U.S. EQUITY PORTFOLIO GROWTH OF $1,000



	FY 2013	3 YR	5 YR	10 YR
SURS	**15.0%**	**9.3%**	**(0.9)%**	**8.4%**
MSCI ACWI Ex-US	13.6	8.0	(0.8)	8.6
MSCI EAFE	18.6	10.0	(0.6)	7.7
MSCI Emerging Markets	2.9	3.4	(0.4)	13.7

TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
HSBC Holdings (United Kingdom)	2,195,548	$22,710,515
Nestle SA (Switzerland)	340,469	22,292,506
Novo-Nordisk (Denmark)	140,273	21,829,996
BG Group (United Kingdom)	1,130,712	19,181,725
Sanofi (France)	180,790	18,710,691
Novartis AG (Switzerland)	250,141	17,739,746
Accenture PLC (Ireland)	225,018	16,192,295
SAP AG (Germany)	210,233	15,374,248
BP (United Kingdom)	2,173,732	15,009,133
Roche Holdings AG (Switzerland)	59,061	14,669,275

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. A separate global asset class was created during fiscal year 2004. As the table indicates, SURS global equity portfolio trailed its benchmark by 1.5% for the fiscal year, returning 15.1%. 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 2013	3 YR	5 YR
SURS	**15.1%**	**12.1%**	**2.4%**
MSCI ACWI	16.6	12.4	2.3
MSCI World	18.6	13.7	2.7
Dow Jones U.S. Total Stock Market	21.5	18.7	7.4
MSCI EAFE	18.6	10.0	(0.6)
MSCI ACWI Ex US	13.6	8.0	(0.8)

Private Equities

SURS private equity portfolio posted a positive return of 7.1% during fiscal year 2013. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +3% returned 17.5%. As of June 30, 2013, the valuation of SURS private equity portfolio was $1.067 billion, representing 7.2% 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.

SURS private equity portfolio is well 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 approximately $2.600 billion has been committed to these funds, and of this amount approximately $2.039 billion has been invested. In addition, during this same period, SURS has received more than $2.171 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 20-year period. The adjacent table indicates that since inception SURS private equity portfolio has significantly exceeded its benchmark return.

	FY 2013	3 YR	5 YR	10 YR	Since Inception
SURS	**7.1%**	**12.1%**	**5.2%**	**11.5%**	**21.8%**
Performance Benchmark	17.5	16.1	9.5	12.4	13.1%

(Dow Jones U.S. Total Stock Market + 300 Basis Points)

Fixed Income

The SURS fixed income portfolio returned 0.8% for fiscal year 2013, exceeding the (0.7)% 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 proven to be the most consistent asset of all the portfolios, generating above benchmark returns in 22 of the past 25 fiscal years.

	FY 2013	3 YR	5 YR	10 YR
SURS	**0.8%**	**4.2%**	**6.4%**	**5.5%**
Barclays Capital Aggregate	(0.7)	3.5	5.2	4.5
Barclays Capital Universal	0.2	4.1	5.5	4.8
Long Term Govt.	(8.2)	6.2	7.5	6.1
Intermediate Govt.	(0.6)	2.3	3.8	3.7
Long Term Corp.	(1.3)	7.5	9.4	6.2
Intermediate Corp.	2.4	5.1	6.6	4.9
Mortgage-Backed	(1.1)	2.5	4.8	4.7

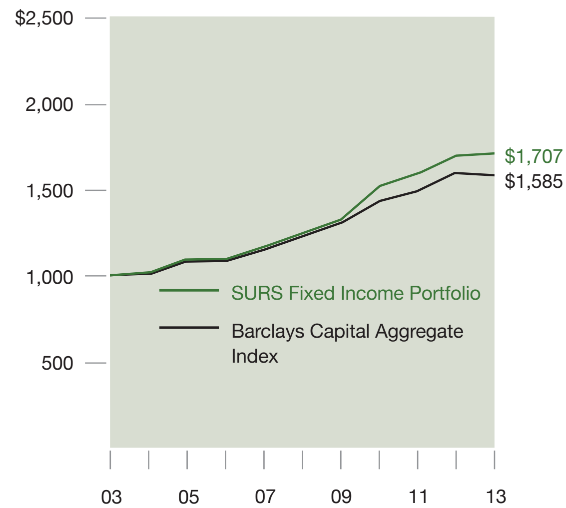
During fiscal year 2013, an asset structure analysis of the asset class was conducted. The restructuring process included the implementation of an unconstrained fixed income investment strategy into the portfolio as well as a rebalancing of the assets managed by the existing investment manager lineup.

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 $1,707 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,585.

FIXED INCOME PORTFOLIO
GROWTH OF $1,000



TEN LARGEST FIXED INCOME HOLDINGS (excludes commingled funds)

Asset Description	S & P Rating	Interest Rate	Maturity Date	Par Value	Carrying Value
Federal National Mortgage Association Single Family Mortgage	AA+	4.000	July 15, 2043	$ 97,000,000	$101,050,526
U.S. Treasury Notes	AA+	0.750	February 28, 2018	63,510,000	61,956,990
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2025	32,780,000	48,176,529
U.S. Treasury Bills	AA+	0.250	May 31, 2014	43,300,000	43,325,374
U.S. Treasury Inflation Index Notes	AA+	0.132	April 15, 2016	39,175,000	42,334,460
U.S. Treasury Notes	AA+	0.128	April 15, 2017	34,015,000	35,733,345
U.S. Treasury Notes	AA+	0.750	March 31, 2018	36,190,000	35,225,862
U.S. Treasury Inflation Index Notes	AA+	0.645	July 15, 2021	32,510,000	34,618,931
U.S. Treasury Inflation Index Notes	AA+	0.126	July 15, 2022	33,950,000	33,557,455
U.S. Treasury Notes	AA+	1.750	May 15, 2022	34,350,000	32,753,275

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

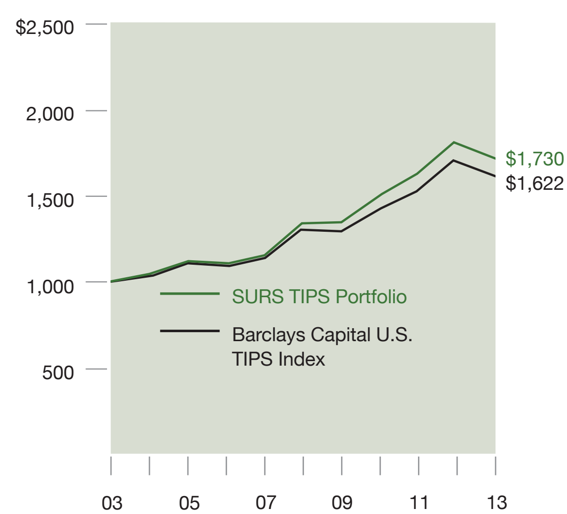
Treasury Inflation-Protected Securities (TIPS)

During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2013, TIPS accounted for a 3.8% allocation of the total fund. The TIPS portfolio returned (4.4)% for fiscal year 2013, exceeding its Barclays Capital U.S. TIPS benchmark by 0.4%. The portfolio's three- and five-year returns outpaced the annualized benchmark returns by 0.3% and 0.8%, respectively.

	FY 2013	3 YR	5 YR
SURS	**(4.4)%**	**4.9%**	**5.2%**
Performance Benchmark	(4.8)	4.6	4.4

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 $1,730 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,622.

TIPS PORTFOLIO
GROWTH OF $1,000



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 funds. Funding of the direct real estate allocation began at the conclusion 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 subsequently increased to 10% during fiscal year 2009, to be comprised of 4% REITs and 6% direct real estate when fully invested. Implementation of the strategy is currently in progress.

Since its inception, a total of approximately $637 million has been committed to direct real estate funds, and of this amount approximately $493 million has been invested. The direct real estate portfolio returned 9.8% for the fiscal year, outperforming its benchmark by 0.1%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned 9.7% 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.

	FY 2013	3 YR	5 YR	Since Inception
SURS	**9.8%**	**13.6%**	**0.1%**	**3.6%**
NCREIF ODCE Index	9.7	14.0	(1.7)	4.8

SURS total REITs portfolio increased 10.1% during the fiscal year, outperforming its benchmark, a blend of the Dow Jones U.S. Select Real Estate Securites Index and the FTSE EPRA/NAREIT Developed Index, by 0.1%. The portfolio's three-year return matched the benchmark return and the five-year return exceeded the benchmark return by 0.6% on an annualized basis.

	FY 2013	3 YR	5 YR	10 YR
SURS	**10.1%**	**16.7%**	**6.1%**	**10.4%**
Performance Benchmark	10.0	16.7	5.5	9.9
Dow Jones U.S. Select Real Estate Securities	7.7	18.0	6.8	10.8
FTSE EPRA/NAREIT Developed Index	13.5	15.2	(1.6)	NMF
FTSE EPRA/NAREIT Developed Ex-U.S. Index	18.4	13.8	(3.0)	NMF

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, 2013, there were two types of investments in the portfolio: an infrastructure portfolio and a minimal investment remaining in a public-private investment program (PPIP). SURS has committed $80 million to the infrastructure portfolio.

The Opportunity Fund returned 27.0% during the fiscal year, surpassing its custom benchmark return by 20.8%. 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 2013	3 YR	5 YR	10 YR
SURS	**27.0%**	**16.8%**	**10.9%**	**11.7%**
Performance Benchmark	6.2	8.4	2.1	5.5

Self-Managed Plan

Fiscal year 2013 marks the fifteenth complete year of the Self-Managed Plan (SMP). As of June 30, 2013, the SMP had accumulated plan assets of $1.26 billion. This represents an increase of approximatley $217 million since the end of fiscal year 2012. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of $147 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 69% equity, 30% fixed income and 1% real estate. This was a 2% increase in the equity allocation as compared to last year's position.

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, 2013

	U.S. Stocks	Non-U.S. Stocks	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio Class 2	$ -	$ -	$ 22,889,682	$ -	$ -	$ 22,889,682
Spartan U.S. Bond Index Inst.	-	-	19,793,307	-	-	19,793,307
PIMCO Total Return Inst.	-	-	32,153,800	-	-	32,153,800
Fidelity Four In One Index	-	-	-	9,655,976	-	9,655,976
Fidelity Puritan Class K	-	-	-	146,616,676	-	146,616,676
Ariel Fund Inst.	20,454,671	-	-	-	-	20,454,671
American Beacon Large Cap Value Inst.	5,075,834	-	-	-	-	5,075,834
Buffalo Small Cap	10,474,404	-	-	-	-	10,474,404
Hartford Capital Appreciation Y	27,928,199	-	-	-	-	27,928,199
Fidelity Growth Company Class K	52,444,013	-	-	-	-	52,444,013
Spartan Extended Market Index Advantage	20,149,967	-	-	-	-	20,149,967
Fidelity Contrafund Class K	63,509,739	-	-	-	-	63,509,739
Fidelity Low Priced Stock Class K	34,474,824	-	-	-	-	34,474,824
Spartan Total Market Index Inst.	13,820,097	-	-	-	-	13,820,097
Spartan 500 Index Inst.	60,405,824	-	-	-	-	60,405,824
Fidelity Diversified International Class K	-	31,811,858	-	-	-	31,811,858
Spartan International Index Inst.	-	11,805,334	-	-	-	11,805,334
Fidelity Worldwide	-	16,828,816	-	-	-	16,828,816
Fidelity Real Estate Investment	-	-	-	-	9,549,162	9,549,162
Fidelity Freedom K 2000 (1)	-	-	-	211,057	-	211,057
Fidelity Freedom K 2005 (1)	-	-	-	480,132	-	480,132
Fidelity Freedom K 2010 (1)	-	-	-	1,565,621	-	1,565,621
Fidelity Freedom K 2015 (1)	-	-	-	4,421,725	-	4,421,725
Fidelity Freedom K 2020 (1)	-	-	-	9,775,162	-	9,775,162
Fidelity Freedom K 2025 (1)	-	-	-	11,407,537	-	11,407,537
Fidelity Freedom K 2030 (1)	-	-	-	14,685,381	-	14,685,381
Fidelity Freedom K 2035 (1)	-	-	-	11,970,209	-	11,970,209
Fidelity Freedom K 2040 (1)	-	-	-	11,304,718	-	11,304,718
Fidelity Freedom K 2045 (1)	-	-	-	5,811,421	-	5,811,421
Fidelity Freedom K 2050 (1)	-	-	-	3,660,104	-	3,660,104
Fidelity Freedom K 2055 (1)	-	-	-	320,862	-	320,862
Fidelity Freedom K Income	-	-	-	1,174,029	-	1,174,029
Fidelity Total	**308,737,572**	**60,446,008**	**74,836,789**	**233,060,610**	**9,549,162**	**686,630,141**
						58.2%
TIAA-CREF Funds						
CREF Money Market Account	-	-	18,179,106	-	-	18,179,106
TIAA Traditional Annuity	-	-	76,644,722	-	-	76,644,722
CREF Bond Market Account	-	-	37,520,290	-	-	37,520,290
CREF Inflation-Linked Bond Account	-	-	21,224,710	-	-	21,224,710
CREF Social Choice Account	-	-	-	40,045,037	-	40,045,037
CREF Equity Index Account	52,385,272	-	-	-	-	52,385,272
CREF Growth Account (2)	287,827	-	-	-	-	287,827
CREF Stock Account	114,660,376	-	-	-	-	114,660,376
CREF Global Equities Account	-	38,066,758	-	-	-	38,066,758
TIAA Real Estate Account	-	-	-	-	6,289,514	6,289,514
TIAA-CREF Large-Cap Growth Index - Inst.	56,694,204	-	-	-	-	56,694,204
TIAA-CREF Lifecycle Fund 2010 - Inst.	-	-	-	967,531	-	967,531
TIAA-CREF Lifecycle Fund 2015 - Inst.	-	-	-	2,146,652	-	2,146,652
TIAA-CREF Lifecycle Fund 2020 - Inst.	-	-	-	2,899,137	-	2,899,137
TIAA-CREF Lifecycle Fund 2025 - Inst.	-	-	-	4,140,804	-	4,140,804
TIAA-CREF Lifecycle Fund 2030 - Inst.	-	-	-	5,046,789	-	5,046,789
TIAA-CREF Lifecycle Fund 2035 - Inst.	-	-	-	4,586,095	-	4,586,095
TIAA-CREF Lifecycle Fund 2040 - Inst.	-	-	-	7,806,969	-	7,806,969
TIAA-CREF Lifecycle Fund 2045 - Inst.	-	-	-	2,198,545	-	2,198,545
TIAA-CREF Lifecycle Fund 2050 - Inst.	-	-	-	963,863	-	963,863
TIAA-CREF Lifecycle Fund 2055 - Inst.	-	-	-	232,687	-	232,687
TIAA-CREF Lifecycle Retirement Inc - Inst.	-	-	-	272,224	-	272,224
TIAA-CREF Total	**224,027,679**	**38,066,758**	**153,568,828**	**71,306,333**	**6,289,514**	**493,259,112**
						41.8%
GRAND TOTALS	**$ 532,765,251**	**$ 98,512,766**	**$ 228,405,617**	**$ 304,366,943**	**$15,838,676**	**$1,179,889,253**
	45.2%	**8.3%**	**19.4%**	**25.8%**	**1.3%**	**100.0%**
SMP Forfeiture Reserve (3)						**6,190,997**
SMP Disability Reserve (3)						**68,513,925**
Total SMP Investments						**$1,254,594,175**

1. As of June 30, 2013, 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, 2013 ($ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
U.S. Equity Managers - Passive					
Northern Trust Investments	$1,668,032	$ -	$ -	$1,668,032	11%
RhumbLine Advisers	1,194,368	-	-	1,194,368	8%
Subtotal	2,862,400	-	-	2,862,400	19%
Non-U.S. Equity Managers - Passive					
BlackRock Institutional Trust Custom International Fund	1,296,160	-	-	1,296,160	9%
BlackRock Institutional Trust Emerging Markets Fund	131,157	-	-	131,157	1%
Subtotal	1,427,317	-	-	1,427,317	10%
U.S. Equity Managers - Active					
CastleArk Management	83,600	-	-	83,600	1%
Channing Capital Management	90,112	-	-	90,112	1%
EARNEST Partners	79,278	-	-	79,278	1%
Fiduciary Management Associates	82,996	-	-	82,996	1%
Holland Capital Management	79,575	-	-	79,575	1%
Jacobs Levy Equity Management	297,487	-	-	297,487	2%
Lombardia Capital Partners	87,466	-	-	87,466	1%
Pacific Investment Management Company - StocksPlus	293,568	-	-	293,568	2%
Piedmont Investment Advisors	297,523	-	-	297,523	2%
Profit Investment Management	76,978	-	-	76,978	1%
Progress Emerging Managers	299,993	-	-	299,993	2%
T. Rowe Price	297,623	-	-	297,623	2%
Subtotal	2,066,199	-	-	2,066,199	14%
Non-U.S. Equity Managers - Active					
Ativo Capital Management	90,270	-	-	90,270	1%
BlackRock Institutional Trust International Alpha Tilts	367,696	-	-	367,696	2%
GlobeFlex Capital	176,305	-	-	176,305	1%
Herndon Capital Management	136,944	-	-	136,944	1%
Martin Currie	175,089	-	-	175,089	1%
Progress Emerging Managers	144,163	-	-	144,163	1%
Pyramis Global Advisors	421,660	-	-	421,660	3%
Strategic Global Advisors	76,792	-	-	76,792	1%
Subtotal	1,588,919	-	-	1,588,919	11%
Global Equity Managers - Active					
Calamos Investments	284,185	-	-	284,185	2%
Mondrian Investment Partners	318,452	-	-	318,452	2%
T. Rowe Price	305,093	-	-	305,093	2%
Wellington Management	315,781	-	-	315,781	2%
Subtotal	1,223,511	-	-	1,223,511	8%
Private Equity Managers					
Adams Street Partnerships	246,047	-	-	246,047	2%
Adams Street 2013 Offering	1,402	-	-	1,402	0%
Adams Street 2012 Offering	6,509	-	-	6,509	0%
Adams Street 2009 Offering	46,223	-	-	46,223	0%
Adams Street 2008 Offering	58,909	-	-	58,909	0%
Adams Street 2007 Global Oppor Ptf	91,711	-	-	91,711	1%
Adams Street Global Secondary Fund	9,612	-	-	9,612	0%
Adams Street Secondary 5	903	-	-	903	0%
Adams Street Non-U.S. Partnerships	39,279	-	-	39,279	0%
Muller and Monroe ILPEFF	12,191	-	-	12,191	0%
Muller and Monroe MPEFF	19,774	-	-	19,774	0%
Pantheon Europe Fund III	46,430	-	-	46,430	0%
Pantheon Europe Fund VI	26,964	-	-	26,964	0%
Pantheon Europe Fund VII	9,569	-	-	9,569	0%
Pantheon Global	986	-	-	986	0%
Pantheon Global Secondary Fund II	7,875	-	-	7,875	0%
Pantheon USA IX	18,078	-	-	18,078	0%
Pantheon USA 8	75,462	-	-	75,462	1%
Pantheon Ventures, Inc.	377,494	-	-	377,494	3%
Progress Investment	944	-	-	944	0%
Subtotal	1,096,362	-	-	1,096,362	7%

ASSET ALLOCATION

Defined Benefit Plan Asset Allocation
June 30, 2013 ($ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
Fixed Income Managers - Passive					
Cash	$ -	$ 197,398	$ -	$ 197,398	1%
State Street Global Advisors	-	381,736	-	381,736	3%
Subtotal	-	579,134	-	579,134	4%
Fixed Income Managers - Active					
Chicago Equity Partners	-	278,643	-	278,643	2%
Garcia Hamilton & Associates	-	69,343	-	69,343	0%
LM Capital Group	-	109,716	-	109,716	1%
Neuberger Berman	-	282,440	-	282,440	2%
Pacific Investment Management Company (PIMCO)	-	411,528	-	411,528	3%
Pacific Investment Management Company (PIMCO) Unconstrained	-	422,935	-	422,935	3%
Progress Emerging Managers	-	111,175	-	111,175	1%
Pugh Capital Management	-	110,941	-	110,941	1%
Smith Graham & Company	-	69,643	-	69,643	0%
Taplin Canida & Habacht	-	109,858	-	109,858	1%
TCW Metropolitan West Asset Mgmt	-	418,445	-	418,445	3%
Subtotal	-	2,394,667	-	2,394,667	16%
Treasury Inflation-Protected Securities - Active					
Longfellow Investment Management	-	141,461	-	141,461	1%
New Century Advisors	-	137,445	-	137,445	1%
Pacific Investment Management Company - U.S. TIPS	-	290,557	-	290,557	2%
Subtotal	-	569,463	-	569,463	4%
Direct Real Estate					
Dune Real Estate Parallel Fund II	-	-	39,423	39,423	0%
Franklin Templeton EMREFF	-	-	28,997	28,997	0%
Franklin Templeton FTPREF	-	-	11,844	11,844	0%
Mesirow MFIRE II	-	-	19,173	19,173	0%
RREEF America III Fund	-	-	17,150	17,150	0%
RREEF West Funds	-	-	150	150	0%
UBS Trumbull Property Fund	-	-	268,039	268,039	2%
Subtotal	-	-	384,776	384,776	3%
Real Estate Investment Securities: U.S. - Passive					
BlackRock Institutional Trust Company	103,192	-	-	103,192	1%
	103,192	-	-	103,192	1%
Real Estate Investment Securities: U.S. - Active					
CBRE Clarion Real Estate Securities	120,091	-	-	120,091	1%
Subtotal	120,091	-	-	120,091	1%
Real Estate Investment Securities: Global					
BlackRock Institutional Trust Company - Passive	272,792	-	-	272,792	2%
CBRE Clarion Real Estate Securities - Active	89,808	-	-	89,808	1%
Subtotal	362,600	-	-	362,600	2%
Opportunity Fund					
Alinda Capital Partners	25,093	-	-	25,093	0%
Macquarie Capital	50,380	-	-	50,380	0%
Subtotal	75,473	-	-	75,473	1%
SMP Forfeiture/Disability Reserves (B)	(50,612)	(23,211)	(882)	(74,705)	(1)%
TOTAL FUND	**$10,875,452**	**$ 3,520,053**	**$ 383,894**	**$ 14,779,399(A)**	**100%**
% OF TOTAL FUND (C)	**73.6%**	**23.8%**	**2.6%**	**100%**	

(A) Amount includes net pending transactions of ($277,757) and accrued investment income receivable of $38,851.
(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

Top 50 Brokers and Total Domestic Equity Investment Commissions
For the Year Ended June 30, 2013

	2013		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
ITG (Investment Technology Group) (ECN)	$ 110,344	16,894,793	$ 0.01
Loop Capital Markets	98,134	3,573,722	0.03
CAPIS (Capital Institutional Services)	77,662	1,909,411	0.04
Cabrera Capital Markets	67,951	1,889,896	0.04
MR Beal & Company	55,598	2,374,789	0.02
Credit Suisse (ECN)	47,288	1,793,950	0.03
JP Morgan Chase & Company (ECN)	46,971	1,719,628	0.03
Citigroup Global Markets (ECN)	43,214	2,988,965	0.01
Northern Trust Securities	37,484	2,999,040	0.01
Bank of New York ConvergEx Execution	37,262	906,293	0.04
Bank of New York ConvergEx Execution (ECN)	35,947	1,199,776	0.03
Jackson Partners & Associates	32,848	821,200	0.04
Williams Capital Group	31,368	957,606	0.03
Cabrera Capital Markets (ECN)	30,392	1,503,985	0.02
Williams Capital Group (ECN)	30,231	1,490,106	0.02
Morgan Stanley	29,258	865,720	0.03
Cantor Fitzgerald	28,925	1,072,623	0.03
CL King & Associates	26,577	587,734	0.05
Liquidnet (ECN)	25,502	1,303,077	0.02
JP Morgan Chase & Company	24,990	894,287	0.03
Stifel, Nicolaus & Company	24,455	682,101	0.04
William Blair & Company	24,427	611,971	0.04
Telsey Advisory Group	23,629	517,830	0.05
Robert W. Baird & Company	23,530	606,845	0.04
BOE Securities (ECN)	23,369	1,168,433	0.02
Loop Capital Markets (ECN)	23,156	1,860,955	0.01
Stephens	22,574	601,695	0.04
Credit Suisse	21,577	633,860	0.03
Piper Jaffray & Company	21,008	600,031	0.04
CastleOak Securities (ECN)	20,985	699,513	0.03
Barclays	19,654	635,533	0.03
Guzman & Company	19,092	1,436,520	0.01
Goldman Sachs	18,076	448,346	0.04
Craig-Hallum	17,203	525,825	0.03
Merrill Lynch	17,087	523,904	0.03
Bloomberg Tradebook (ECN)	16,125	492,505	0.03
M Ramsey King Securities	16,100	594,383	0.03
Cheevers & Company	16,051	586,134	0.03
BNY Mellon (ECN)	15,349	512,040	0.03
Jefferies & Company	15,161	387,366	0.04
SunTrust Robinson Humphrey	15,100	427,411	0.04
Merrill Lynch (ECN)	14,679	1,171,979	0.01
BNY Mellon	14,560	328,045	0.04
CAPIS (Capital Institutional Services) (ECN)	13,898	463,250	0.03
Direct Access Partners	13,890	363,281	0.04
JonesTrading Institutional Services	12,951	598,265	0.02
ISI Group	11,142	323,681	0.03
Sanford C. Bernstein	11,128	411,766	0.03
Liquidnet	10,561	536,900	0.02
Oppenheimer & Company	10,346	262,406	0.04
All Other Brokers	379,229	12,583,079	0.03
Grand Totals, All Brokers	**$ 1,824,038**	**79,342,454**	**$ 0.02**

SUPPORTING SCHEDULES

Top 50 Brokers and Total International Equity Investment Commissions
For the Year Ended June 30, 2013

	2013		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
UBS (EM)	$ 133,805	27,305,529	$ -
Direct Access Partners	95,761	5,925,703	0.02
Goldman Sachs	93,632	8,041,595	0.01
Loop Capital Markets (ECN)	84,371	12,915,351	0.01
Cabrera Capital Markets (ECN) (EM)	76,066	9,917,909	0.01
Loop Capital Markets (ECN) (EM)	71,103	50,365,283	-
Credit Suisse	67,927	6,040,018	0.01
Loop Capital Markets	61,127	3,205,662	0.02
Deutsche Bank	56,918	4,885,159	0.01
UBS	55,201	3,841,741	0.01
JP Morgan Chase & Company	52,888	3,339,717	0.02
Instinet	52,411	4,614,846	0.01
Nomura	50,967	3,813,203	0.01
ITG (Investment Technology Group)	50,566	3,467,852	0.01
Morgan Stanley	49,708	3,537,912	0.01
MR Beal & Company	46,442	2,372,626	0.02
Cabrera Capital Markets (ECN)	46,222	3,124,037	0.01
Cheevers & Company (ECN) (EM)	45,442	7,764,781	0.01
Melvin Securities	44,330	2,668,893	0.02
Bank of New York ConvergEx Execution (ECN) (EM)	39,302	20,291,897	-
Merrill Lynch	37,793	4,568,785	0.01
BTIG (Bass Trading International Group)	33,450	1,978,621	0.02
Bank of New York ConvergEx Execution	31,778	1,145,078	0.03
Barclays (ECN)	29,633	7,560,954	-
Citigroup Global Markets	29,314	9,409,768	-
Barclays	24,615	2,123,816	0.01
Macquarie Securities	24,439	2,027,583	0.01
Bank of America	21,331	563,640	0.04
Daiwa Securities Group	20,361	1,261,673	0.02
Cabrera Capital Markets	19,556	2,398,757	0.01
Calyon	18,573	6,899,825	-
Societe Generale Securities	17,735	899,452	0.02
Exane	17,619	363,173	0.05
Instinet (ECN)	17,271	1,157,955	0.01
M Ramsey King Securities	16,997	764,300	0.02
BNY Mellon (ECN)	15,884	520,041	0.03
Credit Suisse (ECN)	13,003	1,482,089	0.01
Jefferies & Company	12,345	709,058	0.02
Royal Bank of Canada	10,855	440,546	0.02
Keefe, Bruyette & Woods	9,290	271,624	0.03
CLSA	8,492	1,180,561	0.01
Sanford C. Bernstein	7,377	224,831	0.03
Mizuho Securities	6,986	562,684	0.01
DBS Vickers Securities	6,563	4,945,300	-
Macquarie Securities (ECN)	6,454	468,971	0.01
Guzman & Company	6,171	447,202	0.01
Instinet (ECN) (EM)	5,865	163,306	0.04
Credit Agricole	5,642	350,885	0.02
Goldman Sachs (ECN)	5,199	429,055	0.01
Kepler Capital Markets	5,113	435,572	0.01
All Other Brokers	120,315	15,830,004	0.01
Grand Totals, All Brokers	**$ 1,880,208**	**259,024,823**	**$ 0.01**

SUPPORTING SCHEDULES

Top 50 Brokers and Total Global Equity Investment Commissions
For the Year Ended June 30, 2013

	2013		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 117,879	3,511,959	$ 0.03
Cabrera Capital Markets	101,797	4,143,570	0.02
Goldman Sachs	56,558	3,348,002	0.02
Citigroup Global Markets	48,789	3,679,462	0.01
Credit Suisse	48,428	4,465,798	0.01
Williams Capital Group	40,572	1,754,508	0.02
UBS	37,848	1,812,439	0.02
Morgan Stanley	36,658	3,658,993	0.01
Barclays	34,920	1,686,895	0.02
JP Morgan Chase & Company	32,687	1,334,581	0.02
Goldman Sachs (ECN)	25,860	3,646,701	0.01
Deutsche Bank (EM)	25,728	2,283,457	0.01
Credit Suisse (ECN)	25,211	5,943,912	-
Deutsche Bank	24,831	1,780,204	0.01
Bank of America	24,461	2,707,478	0.01
Morgan Stanley (ECN)	23,905	4,769,568	0.01
Bank of America (EM)	22,827	1,412,436	0.02
Citigroup Global Markets (EM)	20,918	2,172,278	0.01
Deutsche Bank (ECN)	19,976	2,051,639	0.01
UBS (ECN)	19,066	4,053,437	-
Credit Agricole	19,039	3,235,740	0.01
Credit Suisse (EM)	18,278	2,445,032	0.01
M Ramsey King Securities	18,226	806,888	0.02
Merrill Lynch (ECN)	17,265	3,034,852	0.01
Jefferies & Company	16,667	698,823	0.02
Macquarie Securities	16,306	1,418,263	0.01
Citigroup Global Markets (ECN)	16,182	2,058,724	0.01
Cabrera Capital Markets (ECN)	15,660	1,140,900	0.01
JP Morgan Chase & Company (EM)	14,475	1,246,900	0.01
Barclays (ECN)	12,875	1,312,447	0.01
UBS (EM)	12,647	1,234,565	0.01
Cabrera Capital Markets (EM)	12,641	1,110,576	0.01
RBC Capital Markets (ECN)	12,505	1,375,502	0.01
Nomura	12,460	362,526	0.03
Morgan Stanley (EM)	12,272	860,327	0.01
Sanford C. Bernstein (ECN)	10,797	1,640,643	0.01
Merrill Lynch	10,757	2,102,284	0.01
Societe Generale Securities	10,178	490,798	0.02
CLSA (ECN)	10,043	1,029,300	0.01
MR Beal & Company	9,460	276,840	0.03
Stifel, Nicolaus & Company	9,345	254,428	0.04
CL King & Associates	8,856	232,700	0.04
Loop Capital Markets (ECN)	8,510	1,070,357	0.01
Redburn Partners	8,248	177,763	0.05
Banco Itau (EM)	8,198	357,400	0.02
HSBC (EM)	8,126	811,782	0.01
Goldman Sachs (EM)	7,981	339,596	0.02
Credit Agricole (EM)	7,875	861,000	0.01
Sanford C. Bernstein	7,330	1,009,018	0.01
HSBC	7,239	542,175	0.01
All Other Brokers	266,042	14,115,121	0.02
Grand Totals, All Brokers	**$ 1,415,402**	**107,870,587**	**$ 0.01**

SUPPORTING SCHEDULES

Top 50 Brokers and Total REIT Investment Commissions
For the Year Ended June 30, 2013

	2013		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Cheevers & Company	$ 66,687	1,665,638	$ 0.04
UBS	37,296	2,147,860	0.02
Citigroup Global Markets	20,609	2,288,713	0.01
Merrill Lynch	16,870	1,727,799	0.01
Barclays	14,236	632,380	0.02
Citigroup Global Markets (ECN)	12,790	1,020,186	0.01
JP Morgan Chase & Company	12,758	1,793,593	0.01
Green Street Advisors	12,485	357,787	0.03
Morgan Stanley	11,768	1,534,003	0.01
RBC Capital Markets	10,761	259,168	0.04
UBS (ECN)	10,439	1,420,206	0.01
Stifel, Nicolaus & Company	8,998	220,010	0.04
Jefferies & Company	7,938	234,534	0.03
Credit Suisse	6,934	888,465	0.01
Macquarie Securities	6,313	1,155,379	0.01
Kempen & Company	5,391	164,548	0.03
Goldman Sachs	5,022	779,568	0.01
MKM Partners	4,833	161,111	0.03
Weeden & Company	4,736	157,857	0.03
Wells Fargo Advisors (ECN)	4,152	207,607	0.02
Wells Fargo Advisors	3,144	79,900	0.04
Nomura	3,133	291,943	0.01
Barclays (ECN)	2,623	261,998	0.01
Credit Lyonnais	2,230	379,167	0.01
Raymond James & Associates	2,200	49,726	0.04
RBC Dain Rauscher	2,149	53,728	0.04
Cantor Fitzgerald	2,014	67,147	0.03
KeyBanc Capital Markets	1,905	44,293	0.04
HSBC	1,865	133,472	0.01
Oppenheimer & Company	1,778	39,650	0.04
ABN Amro	1,776	47,074	0.04
Robert W. Baird & Company	1,655	45,481	0.04
Sumitomo Mitsui Banking Corporation	1,629	70,129	0.02
Goldman Sachs (ECN)	1,570	215,437	0.01
Merrill Lynch (ECN)	1,551	154,367	0.01
ISI Group	1,328	30,867	0.04
Cowen & Company	1,215	28,400	0.04
BMO Capital Markets	1,209	28,814	0.04
Deutsche Bank	1,146	233,574	0.00
Credit Suisse (ECN)	1,030	36,487	0.03
Mizuho Securities	1,007	20,031	0.05
ITG (Investment Technology Group)	918	30,600	0.03
Daiwa Securities Group	866	27,921	0.03
Loop Capital Markets	863	28,760	0.03
Morgan Stanley (ECN)	777	94,408	0.01
Rabo Securities	767	17,173	0.04
Nomura (ECN)	632	483,575	0.00
JP Morgan Chase & Company (ECN)	628	96,232	0.01
Exane	628	6,555	0.10
Commonwealth Securities	593	67,603	0.01
All Other Brokers	6,688	989,267	0.01
Grand Totals, All Brokers	**$ 332,533**	**22,970,191**	**$ 0.01**

SUPPORTING SCHEDULES

Top 50 Brokers and Total Fixed Income Investment Brokerage
For the Year Ended June 30, 2013

Investment Brokerage Firm	2013 Market Value Traded
Barclays	$ 1,189,390,825
CastleOak Securities	797,760,512
Credit Suisse	792,277,603
Goldman Sachs	662,204,589
Morgan Stanley	542,617,794
Loop Capital Markets	516,633,282
Citigroup Global Markets	478,910,736
Toussaint Capital Partners	466,950,885
Deutsche Bank	425,589,169
Loop Capital Markets (ECN)	424,718,510
JP Morgan Chase & Company	396,281,378
RBS Securities	307,483,857
Williams Capital Group	270,997,381
MR Beal & Company	258,995,042
Wells Fargo Advisors	250,361,328
Nomura	239,486,213
Merrill Lynch	235,876,130
Bank of America	221,641,702
Citibank (ECN)	205,647,122
UBS	193,951,624
Royal Bank of Canada	151,302,793
Citibank	148,840,220
Bank of New York ConvergEx Execution	130,711,645
Mizuho Securities	126,378,616
Goldman Sachs (ECN)	113,407,092
HSBC	100,465,996
CastleOak Securities (ECN)	89,089,532
Mizuho Securities (ECN)	83,762,084
Nomura (ECN)	80,268,750
Bank of New York ConvergEx Execution (ECN)	76,414,042
BNP Paribas	67,062,106
Rice Financial Products Company	57,792,656
Jefferies & Company	55,893,203
JP Morgan Chase & Company (ECN)	52,582,838
Barclays (ECN)	50,907,490
Cabrera Capital Markets	50,533,979
Bank of America Securities	48,914,604
Morgan Stanley (ECN)	48,760,533
Credit Suisse (ECN)	46,729,070
Credit Agricole	40,410,348
Bank of America (ECN)	38,372,468
Royal Bank of Canada (ECN)	37,666,998
First Tennessee	24,299,798
Bank of Nova Scotia	22,368,791
Banco Santander	21,023,615
TD Securities	20,953,007
Deutsche Bank (ECN)	19,974,990
Royal Bank of Scotland	19,370,675
BNY Mellon	17,972,408
FTN Financial Capital Markets	14,703,874
All Other Brokers	336,846,932
Grand Total, All Brokers	**$ 11,071,556,835**

SUPPORTING SCHEDULES

Top 50 Brokers and Total TIPS Investment Brokerage
For the Year Ended June 30, 2013

Investment Brokerage Firm	2013 Market Value Traded
Deutsche Bank (ECN)	$ 99,357,454
BNP Paribas (ECN)	80,188,371
CastleOak Securities	67,545,742
Barclays	50,495,139
Barclays (ECN)	34,395,402
Citigroup Global Markets	29,779,721
Mesirow Financial	29,559,306
Nomura	24,340,133
Credit Suisse (ECN)	22,426,349
JP Morgan Chase & Company	21,873,562
Merrill Lynch	20,576,601
Morgan Stanley (ECN)	19,835,887
Greenwich Capital Markets	18,633,986
BNP Paribas (EM)	17,753,712
Royal Bank of Scotland	15,679,949
Deutsche Bank	15,470,081
Drexel Hamilton	15,389,212
Toussaint Capital Partners	15,199,457
RBS Securities (ECN)	14,079,464
UBS	13,736,434
BNP Paribas	13,716,565
Credit Suisse	13,108,285
JP Morgan Chase & Company (ECN)	12,854,660
Goldman Sachs	11,461,278
Deutsche Bank (EM)	11,359,427
RBS Securities	11,233,659
Nomura (ECN)	9,825,643
ANZ Securities	8,699,602
Morgan Stanley	8,621,878
HSBC	8,375,184
Citigroup Global Markets (ECN)	6,272,018
Banco Bilbao Vizcaya	6,062,054
RBS Securities (EM)	6,010,797
National Bank Financial (Canada)	5,653,478
MR Beal & Company	3,999,716
Jefferies & Company (ECN)	3,447,089
Citigroup Global Markets (EM)	3,341,891
Williams Capital Group	3,299,885
Rice Financial Products Company	3,199,896
Societe Generale Securities (EM)	2,928,755
Nomura (EM)	2,914,964
Banco Santander	2,863,185
Jefferies & Company	2,787,519
First Ballantyne	2,531,983
Societe Generale Securities	2,289,551
Banca IMI Securities	2,194,897
Barclays (EM)	2,056,775
TD Securities	1,966,255
RBC Dain Rauscher	1,947,973
RBC Dain Rauscher (EM)	1,918,377
All Other Brokers	15,839,302
Grand Total, All Brokers	**$ 819,098,503**

ACTUARIAL

SURS2013

BUILDING A SUSTAINABLE FUTURE

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

LETTER OF CERTIFICATION

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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December 18, 2013

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, 2013. The purpose of this actuarial valuation, which is performed annually, is to determine the funding status and annual contribution requirements of SURS. GRS has prepared this actuarial valuation exclusively at the request of, and for the benefit of, the Trustees of the State Universities Retirement System; GRS is not responsible for reliance upon this valuation for any other purpose or by any other party.

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. GRS reviewed such data for reasonableness, but did not otherwise verify or audit the data.

b. *Assets of the Fund* – The values of SURS assets are provided by SURS staff and were reviewed for reasonableness, but were not otherwise verified or audited. First effective with the valuation as of June 30, 2009, the actuarial value of assets, as defined in statute, 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, and is calculated by the actuary and used to develop actuarial results.

c. *Actuarial Method* – The actuarial method prescribed in the statute and 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 Effective Rate of Interest (ERI) assumption was decreased from 7.75% to 7.00% first effective with the valuation as of June 30, 2013. The investment return assumption was decreased from 8.50% to 7.75% first effective with the valuation as of June 30, 2010. The remaining assumptions were reviewed and updated as part of the experience study conducted for the period June 30, 2006, through June 30, 2010, and adopted by the Board first effective for the valuation as of June 30, 2011.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and asset method, are in accordance with paragraph 36 of GASB Statement Number 25 and are set by the Board.

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

The funding objective as defined in the statute is to collect 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 normal cost plus 30-year closed period level percentage of payroll amortization of the current unfunded accrued liability, which is equal to the ARC in the first year of funding. This letter does not certify that the funding method in the statute complies with generally accepted actuarial standards for the funding of retirement systems.

To the best of our knowledge, this actuarial statement is complete and accurate, fairly presents the actuarial position of SURS as of June 30, 2013, based on the data and actuarial techniques described above and applicable statutes, and has been prepared in accordance with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board, except where otherwise noted.

Future actuarial measurements may differ significantly from the current measurements presented in this valuation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions, contribution amounts or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

The signing actuaries are independent of the plan sponsor.

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

Leslie L. Thompson, FSA, EA, MAAA, FCA
Senior Consultant

Amy Williams

Amy Williams, ASA, MAAA, FCA
Consultant

Lance J. Weiss

Lance Weiss, EA, MAAA, FCA
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 2013 was 20.04% of payroll, 8.0% of which is paid by the members' contributions. The remaining 12.04% 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 (12.04% 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.

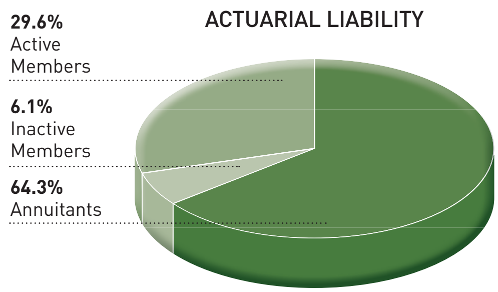
On August 22, 1994, Governor Jim Edgar signed legislation which requires a 15-year phase-in to a 35-year funding plan which provides adequate annual funding of the employer's normal cost while amortizing the unfunded accrued actuarial liability. This law, Public Act 88-0593, went into effect on July 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 41.5% to approximately 90%.

As required by Public Act 96-1497 the State of Illinois issued $3.7 billion in General Obligation Bonds March 10, 2011, at an interest rate of 5.56%. The proceeds of these bonds, were used to fund the State's contribution to the five retirement systems, including $713.5 million paid to SURS.

ACTUARIAL REPORT

Valuation Results ($ millions)

Actuarial liability (reserves)	
For members receiving annuities	$ 22,099.9
For inactive members	2,084.4
For active members	10,188.8
Total	34,373.1
Actuarial value of assets available for benefits	14,262.6
Unfunded accrued actuarial liability	$ 20,110.5



Changes in the Unfunded Accrued Actuarial Liability ($ millions)

Unfunded accrued actuarial liability at June 30, 2012	$ 19,220.3
Expected increase in unfunded accrued actuarial liabilty	349.7
Actuarial differences	
Investments other than 7.75%	391.8
Salary increases	(53.6)
Age and service retirement differences	14.3
Termination differences	9.1
Mortality and disability incidence differences	6.5
Benefit recipient differences	31.2
New entrants	77.4
Other actuarial differences	63.8
Net actuarial loss	540.5
Unfunded accrued actuarial liability at June 30, 2013	**$ 20,110.5**

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 7.75% 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 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 years of 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.

ACTUARIAL REPORT

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 2013

State appropriations (a)	$ 1,209,607,030
State pension fund (a)	150,000,000
Federal/trust/employer funds/other	41,874,081
Total	**$ 1,401,481,111**

Reconciliation to Total State Appropriations

Defined Benefit Plan–State	
Appropriations received (a)	$ 1,359,607,030
Defined Contribution Plan–State	
Appropriations received	43,192,970
Total State Appropriations Received	**$ 1,402,800,000**

The projected required contribution rates and amounts are as follows:

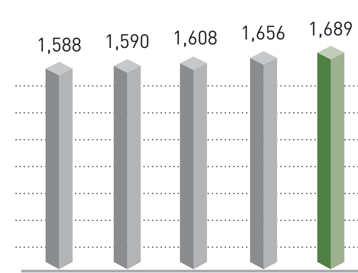
Fiscal Year	Percentage of Payroll	Assumed Payroll ($ billions)	Required Contribution ($ millions)
2015	35.8%	$ 4.44	$ 1,588.2
2016	35.0%	4.55	1,589.7
2017	34.5%	4.66	1,607.5
2018	34.6%	4.78	1,655.7
2019	34.4%	4.91	1,688.9

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, 2013 actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions and estimates were used:

1) Covered payroll of $4.34 billion for fiscal year 2014.
2) 3.75% per annum rate of increase in covered payroll.
3) Total employer contributions of $1,551,766,000 for fiscal year 2014.

As of June 30, 2013, the Unfunded Accrued Actuarial Liability (UAAL) to be amortized was $20,110,483,000.

REQUIRED CONTRIBUTION
Dollars (millions)



ACTUARIAL REPORT

Summary of Major Actuarial Assumptions

■ Mortality

Mortality rates are based upon the RP2000 Combined Mortality Table, with rates multiplied by 0.80 for males and 0.85 for females. The assumed mortality rates for active members are 85% of the postretirement assumption for males and 60% for females.

■ Interest

7.75% 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 2006-2010 period. The assumption consists of a table of ultimate turnover rates by years of service credit.

Termination Rates

Years of Service	All Members
0	.220
1	.220
2	.160
3	.140
4	.120
5	.105
6	.090
7	.075
8	.065
9	.060
10	.055
15	.030
20	.017
21-29	.015

■ Salary Increases

Each member's compensation is assumed to increase by 3.75% each year; 2.75% reflecting salary inflation and 1.00% reflecting standard of living increases. 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 3.75% per year for purposes of calculating employer required contributions.

Annual Compensation Increases

Service Year	Additional Increase	Service Year	Additional Increase
0	.1200	7	.0575
1	.1000	8	.0550
2	.0850	9-13	.0500
3	.0725	14-18	.0475
4	.0650	19-33	.0425
5	.0625	34 & over	.0375
6	.0600		

■ Retirement Age

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

Retirement Rates

	Members Eligible for Normal Retirement		Members Eligible for Early Retirement	
Age	Hired Before 1/1/11	Hired on or After 1/1/11	Hired Before 1/1/11	Hired on or After 1/1/11
Under 50	.40	-	-	-
51	.38	-	-	-
52	.38	-	-	-
53	.38	-	-	-
54	.34	-	-	-
55	.32	.070	-	-
56	.26	.050	-	-
57	.26	.045	-	-
58	.26	.055	-	-
59	.26	.060	-	-
60	.11	-	-	-
61	.11	-	-	-
62	.13	-	-	.35
63	.13	-	-	.15
64	.13	-	-	.15
65	.17	-	-	.15
66	.15	-	-	.15
67	.15	-	.50	-
68	.15	-	.35	-
69	.15	-	.30	-
70-79	.30	-	.30	-
80+	1.00	-	1.00	-

■ Net Position

Assets available for benefits are used at fair 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, 2011 actuarial valuation. They were developed based upon an experience study completed in March, 2011.

ANALYSIS OF FUNDING

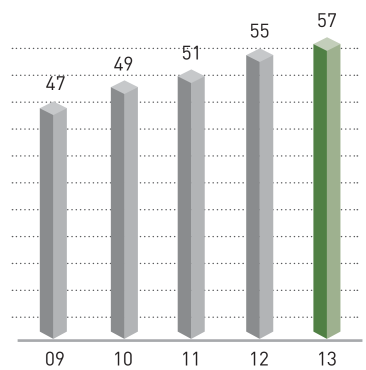
Analysis of Financial Experience
Gains & Losses in Accrued Actuarial Liability
For Fiscal Year Ended June 30, 2013 ($ millions)

Actuarial (gains) and losses	
Investments other than 7.75%	$ 391.8
Salary increases other than 3.75%	(53.6)
Age and service retirement differences	14.3
Termination differences	9.1
Mortality and disability incidence differences	6.5
Benefit recipient differences	31.2
New entrants	77.4
Other actuarial differences	63.8
Total actuarial loss	$ 540.5
Expected increase in UAAL	349.7
Total financial loss	**$ 890.2**

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

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
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
2011	48,903	4,207	1,740	51,370
2012	51,370	4,782	1,620	54,532
2013	54,532	4,529	1,832	57,229

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
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
2011	30,448	41,440	71,888	(1.5)	46,402	0.9	47.4	10.1
2012	30,198	40,858	71,056	(1.2)	47,167	1.6	47.1	9.8
2013	29,963	40,593	70,556	(0.7)	48,276	2.4	47.1	9.9

ANALYSIS OF FUNDING

Analysis of Change in Membership
10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
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
2011	72,996	8,434	2,200	106	7,236	71,888
2012	71,888	9,739	2,553	110	7,908	71,056
2013	71,056	9,188	1,811	118	7,759	70,556

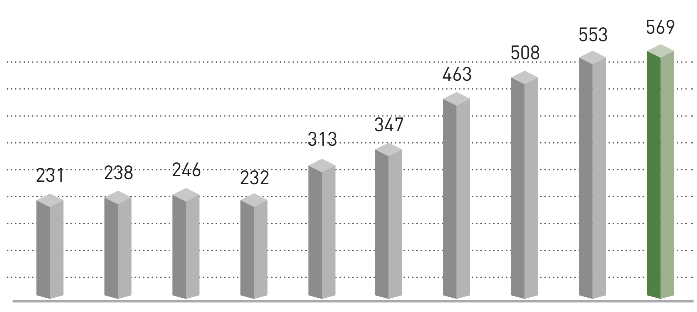
In an inflationary economy, the value of dollars is decreasing. This environment results in employee pay increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these 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
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
2011	31,514.3	13,945.7	44.3	17,568.6	3,460.8	507.6
2012	33,170.2	13,949.9	42.1	19,220.3	3,477.2	552.8
2013	34,373.1	14,262.6	41.5	20,110.5	3,533.9	569.1

(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 7.75% 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 position. This funding ratio is used to assess the System's ability to make future benefit payments. The exhibit illustrates the ratio of net position to the System's accrued benefit cost over 10 years, with net position valued both at cost and at market. The Percentage of Benefits Covered by Net Position exhibit compares the plan's net position 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 2004-2013 ($ millions)

	Funding Requirements				Covered Percentages		
Fiscal Year	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)
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
2011	1,519.2	1,259.0	1,623.5	773.6	50.9	61.4	47.6
2012	1,701.6	1,443.3	1,756.9	985.8	57.9	68.3	56.1
2013	1,794.4	1,549.3	1,928.0	1,401.5	78.1	90.5	72.7

(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).

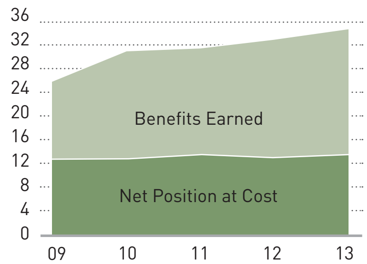
Funding Ratios
10-Year Summary ($ millions)

				Funding Ratio	
Fiscal Year	Net Position at Cost	Net Position at Market/ Actuarial Value of Assets (A)	Actuarial Funding Requirement	Cost	Market/Actuarial
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
2011	13,302.2	13,945.7	31,514.3	42.2	44.3
2012	12,806.2	13,949.9	33,170.2	38.6	42.1
2013	13,347.7	14,262.6	34,373.1	38.8	41.5

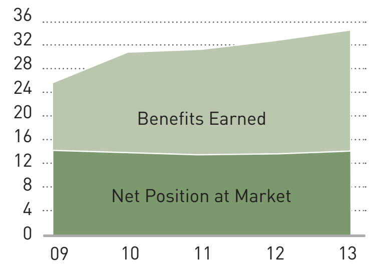
(A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 7.75% 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.

TESTS OF FINANCIAL SOUNDNESS

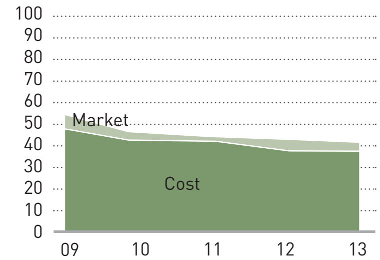
BENEFITS COVERED BY NET POSITION AT COST
Dollars (millions)



BENEFITS COVERED BY NET POSITION AT MARKET/ACTUARIAL VALUE[A]
Dollars (millions)



FUNDING RATIOS
Percentage



Percentage of Benefits Covered by Net Position
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 Position/ Actuarial Value of Assets (B)	% of Benefits Covered by Net Position/Actuarial Value of Assets {1}	{2}	{3}
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	–
2011	6,007.4	18,918.1	6,588.8	13,945.7	100.0	42.0	–
2012	5,962.4	20,651.4	6,556.4	13,949.9	100.0	38.7	–
2013	5,830.1	22,099.9	6,443.1	14,262.6	100.0	38.2	–

(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 7.75% 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 position are used, the percent of benefits covered for category 2 is 37.5.

Payroll Percentages: Fiscal Year 2004-2013 ($ millions)

		Unfunded Accrued Benefit Cost		Employer Cost					Employer Contributions	
Fiscal Year	Member Payroll	Amount	% of Payroll	Normal Cost (A)	% of Payroll	Amortization of Unfunded Liability	Total (B)	% of Payroll	Emp Cont.	% of Payroll
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
2011	3,460.8	17,568.6	507.6	463.6	13.4	1,055.6	1,519.2	43.9	773.6	22.4
2012	3,477.2	19,220.3	552.8	465.6	13.4	1,236.0	1,701.6	48.9	985.8	28.4
2013	3,533.9	20,110.5	569.1	454.6	12.9	1,339.9	1,794.4	50.8	1,401.5	39.7

(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
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
2011	48,903	4,207	169,921,275	1,740	(40,835,477)	51,370	1,619,615,689	31,528	6.0
2012	51,370	4,782	191,103,116	1,620	(39,279,398)	54,532	1,771,439,407	32,484	3.0
2013	54,532	4,529	184,293,143	1,832	(46,183,430)	57,229	1,909,495,120	33,366	2.7

(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.

SURS2013

BUILDING A SUSTAINABLE FUTURE

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2013

INTRODUCTION TO STATISTICAL SECTION

The tables in this section present detailed information on benefit payments and recipients, member and employer contributions, financial trends and the largest SURS employers.

Section Contents

FINANCIAL SCHEDULES

Changes in Plan Net Position - 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.

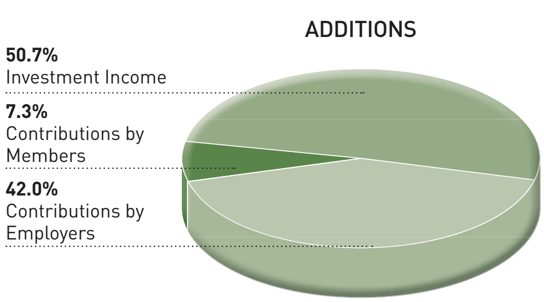
Additions

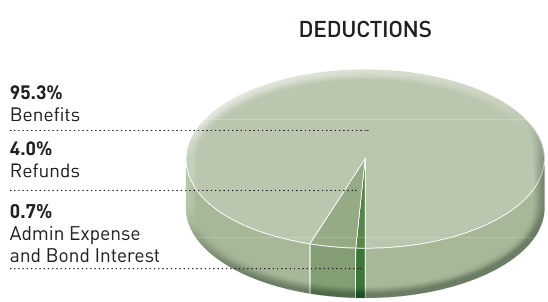
Fiscal Year	Contributions by Members	Investment Income (Loss)	Contributions by Employers Amount	Contributions by Employers % of Payroll	Total
2004	$ 243.8	$ 1,832.4	$1,757.5	96.9%	$ 3,833.7
2005	251.9	1,279.6	285.4	9.7	1,817.0
2006	252.9	1,532.1	180.0	5.9	1,965.0
2007	262.4	2,517.5	261.1	8.2	3,041.0
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	1,653.8	696.6	19.9	2,625.4
2011	260.2	2,801.1	773.6	22.4	3,834.9
2012	258.2	9.1	985.8	28.4	1,253.1
2013	245.1	1,694.8	1,401.5	39.7	3,341.4

Deductions (A)

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in Plan Net Position
2004	$ 908.2	$ 41.5	$12.3	$ 962.0	$ 2,871.7
2005	994.2	46.0	12.8	1,053.0	764.0
2006	1,080.2	47.8	12.2	1,140.2	824.8
2007	1,169.0	49.7	11.7	1,230.4	1,810.6
2008	1,267.4	53.3	12.1	1,332.8	(1,399.4)
2009	1,362.7	51.9	12.9	1,427.5	(3,562.1)
2010	1,468.8	56.0	12.1	1,536.9	1,088.6
2011	1,598.6	71.5	12.3	1,682.4	2,152.5
2012	1,735.3	73.5	13.2	1,822.0	(568.9)
2013	1,914.5	81.5	13.4	2009.4	1,332.0

(A) Breakdown of deductions into benefit and refund types has been revised for the 10-year period according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.





FINANCIAL SCHEDULES

Schedule of Benefit and Refund Deductions - Defined Benefit Plan
10-Year Summary ($ millions)

Benefit Deductions by Type (A)

Fiscal Year	Retirement & DRA	Survivor	Disabilty	Death	Portable Refund (ER match)	Total
2004	$ 824.4	$ 60.5	$ 16.7	$ 1.2	$ 5.4	$ 908.2
2005	904.1	65.2	17.5	1.5	5.9	994.2
2006	981.5	70.6	17.5	2.5	8.1	1,080.2
2007	1,065.5	76.8	17.6	1.9	7.2	1,169.0
2008	1,159.5	81.8	16.8	2.2	7.1	1,267.4
2009	1,249.7	87.6	16.8	2.5	6.1	1,362.7
2010	1,349.9	94.3	16.1	1.6	6.9	1,468.8
2011	1,468.1	101.1	16.4	2.2	10.8	1,598.6
2012	1,597.5	109.0	15.9	1.7	11.2	1,735.3
2013	1,767.8	116.9	15.9	2.4	11.5	1,914.5

Refund Deductions by Type (A)

Fiscal Year	Withdrawals	Survivor Ins Refunds	Death Benefits	Portable Lump Sum Retirement	Total
2004	$ 23.6	$ 5.5	$ 10.5	$ 1.9	$ 41.5
2005	24.0	5.9	12.5	3.6	46.0
2006	28.0	6.5	10.8	2.5	47.8
2007	27.1	7.1	10.7	4.8	49.7
2008	29.0	8.9	11.3	4.1	53.3
2009	27.8	8.7	12.8	2.6	51.9
2010	31.5	8.9	9.9	5.7	56.0
2011	38.8	9.3	14.5	8.9	71.5
2012	42.4	11.5	9.8	9.8	73.5
2013	43.4	11.8	15.8	10.5	81.5

(A) Breakdown of deductions into benefit and refund types has been revised for the 10-year period according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.

FINANCIAL SCHEDULES

Changes in Plan Net Position - Defined Contribution 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 Amount	Contributions by Employers % of Payroll	Total
2004	$ 31.3	$ 32.9	$ 25.8	7.6%	$ 90.0
2005	33.7	22.3	27.4	7.6	83.4
2006	39.5	34.7	29.6	7.6	103.8
2007	41.7	80.3	33.3	7.6	155.3
2008	46.0	(39.1)	38.9	7.6	45.8
2009	48.8	(116.4)	38.3	7.6	(29.3)
2010	48.6	71.5	43.1	7.6	163.2
2011	49.8	172.5	44.8	7.6	267.1
2012	54.1	16.7	45.9	7.6	116.7
2013	59.9	147.5	49.2	7.6	256.6

Deductions (A)

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest (B)	Total	Changes in Plan Net Position
2004	$ 0.7	$ 4.7	$ -	$ 5.4	$ 84.6
2005	0.8	7.5	-	8.3	75.1
2006	1.0	9.0	-	10.0	93.8
2007	2.7	12.6	-	15.3	140.0
2008	2.9	10.5	-	13.4	32.4
2009	4.1	9.4	-	13.5	(42.8)
2010	6.0	10.5	0.3	16.8	146.4
2011	10.0	16.2	0.3	26.5	240.6
2012	13.3	20.7	0.4	34.4	82.3
2013	19.6	20.1	0.4	40.1	216.5

(A) Breakdown of deductions into benefit and refund types has been revised for the 10-year period according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.

(B) Until FY 2010, SMP administrative expenses were included with the defined benefit plan totals.

STATISTICAL ANALYSIS

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

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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
2011	7,578	709	4,489	42,682	401
2012	7,870	715	4,618	45,548	399
2013	8,001	688	4,528	48,142	398

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

Fiscal Year	HR & Admin	Inv & Acctg	Member Svcs & Outreach	IS & Support Svcs	SMP	Total
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
2011	10.55	12.80	62.00	29.75	3.70	118.80
2012	9.90	9.65	65.80	28.75	3.70	117.80
2013	10.90	10.65	69.00	26.75	3.70	121.00

BENEFIT SUMMARY

Schedule of New Benefit Payments - Defined Benefit Plan
July 1, 2012 through June 30, 2013

	Retirement		Disability		Survivors	
Age	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	–	$ –	–	$ –	6	$ 238
10-14	–	–	–	–	5	171
15-19	–	–	–	–	11	420
20-24	–	–	–	–	8	533
25-29	–	–	2	1,348	–	–
30-34	–	–	6	1,549	–	–
35-39	–	–	10	2,020	4	218
40-44	–	–	15	1,789	5	120
45-49	14	3,421	25	1,743	6	411
50-54	127	3,813	35	2,012	34	1,171
55-59	1,088	2,544	28	1,934	35	1,191
60-64	1,382	2,426	40	1,883	53	1,504
65-69	825	2,274	9	2,426	78	1,544
70-74	230	2,551	4	1,440	85	1,715
Over 74	86	2,536	1	635	272	1,583
Totals	3,752	$ 2,488	175	$ 1,890	602	$ 1,450

Average Age - Retirement 60.0 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						
	0–10	11–15	16–20	21–25	26–29	30+	Total
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
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
Fiscal Year 2011							
Number of Retirees	11,081	5,979	6,019	6,821	5,838	6,944	42,682
Avg Monthly Annuity	$ 866	1,423	2,373	3,541	4,628	5,874	2,913
Final Average Salary	$ 34,140	37,607	46,721	55,154	63,436	70,158	50,029
Avg Credited Service							19.47

BENEFIT SUMMARY

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

	Years of Credited Service						
	0–10	11–15	16–20	21–25	26–29	30+	Total
Fiscal Year 2012							
Number of Retirees	11,989	6,453	6,437	7,377	6,218	7,074	45,548
Avg Monthly Annuity	$ 897	1,493	2,472	3,680	4,785	6,076	2,990
Final Average Salary	$ 35,381	38,835	48,172	56,995	65,027	71,922	51,306
Avg Credited Service							19.31
Fiscal Year 2013							
Number of Retirees	12,053	6,970	6,949	8,136	6,796	7,238	48,142
Avg Monthly Annuity	$ 729	1,553	2,565	3,807	4,914	6,248	3,054
Final Average Salary	$ 36,402	40,045	49,467	58,882	66,942	73,074	52,500
Avg Credited Service							19.11

Number of Covered Employees by Employer
As of June 30, 2013

Employer	Number of Employees in DB plan	Number of Employees in SMP	Total Number of Covered Employees
University of Illinois - Chicago	11,609	1,904	13,513
University of Illinois - Urbana	10,076	2,180	12,256
City Colleges of Chicago	4,956	338	5,294
Southern Illinois University - Carbondale	4,206	694	4,900
Northern Illinois University	2,814	615	3,429
Illinois State University	2,788	532	3,320
College of DuPage	2,073	293	2,366
Southern Illinois University - Edwardsville	2,055	348	2,403
Western Illinois University	1,654	308	1,962
Eastern Illinois University	1,594	248	1,842
All other employers	26,731	3,286	30,017
Total	70,556	10,746	81,302

BENEFIT SUMMARY

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan
For the Year Ended June 30, 2013

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
$0 - 200	3,135	1,164	1,192	-	84	1	1	693
201 - 400	4,828	1,498	2,243	-	127	10	6	944
401 - 600	3,839	1,039	1,564	-	52	36	10	1,138
601 - 800	3,466	939	1,353	-	22	98	13	1,041
801 - 1000	2,806	754	1,290	-	4	106	24	628
1,001 - 1,200	2,398	572	1,255	-	1	55	65	450
1,201 - 1,400	2,273	627	1,180	-	-	25	71	370
1,401 - 1,600	2,162	507	1,137	-	-	13	131	374
1,601 - 1,800	2,123	510	1,169	-	-	13	109	322
1,801 - 2,000	1,916	458	1,109	-	-	11	54	284
2,001 - 2,200	1,785	405	1,080	1	-	6	43	250
2,201 - 2,400	1,768	411	1,096	2	-	9	24	226
2,401 - 2,600	1,621	344	1,069	1	-	3	25	179
2,601 - 2,800	1,553	340	1,014	3	-	2	13	181
2,801 - 3,000	1,472	341	938	5	-	2	15	171
3,001 - 3,200	1,367	332	878	5	-	1	12	139
3,201 - 3,400	1,216	303	806	4	1	2	12	88
3,401 - 3,600	1,172	340	707	11	2	4	10	98
3,601 - 3,800	1,022	311	623	9	-	-	2	77
3,801 - 4,000	963	279	594	12	1	-	13	64
4,001 - 4,200	894	318	517	9	-	-	3	47
4,201 - 4,400	891	298	524	13	-	-	13	43
4,401 - 4,600	798	276	474	10	-	-	1	37
4,601 - 4,800	806	255	513	7	-	-	6	25
4,801 - 5,000	758	270	445	8	-	-	4	31
5,001 - 5,200	692	257	420	6	-	-	-	9
5,201 - 5,400	643	240	383	5	-	-	3	12
5,401 - 5,600	617	231	369	7	-	-	1	9
5,601 - 5,800	601	202	381	6	-	-	1	11
5,801 - 6,000	581	210	350	8	-	-	1	12
Over 6,000	7,063	3,154	3,832	26	-	1	2	48
Total	57,229	17,185	30,505	158	294	398	688	8,001

(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(l) 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

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