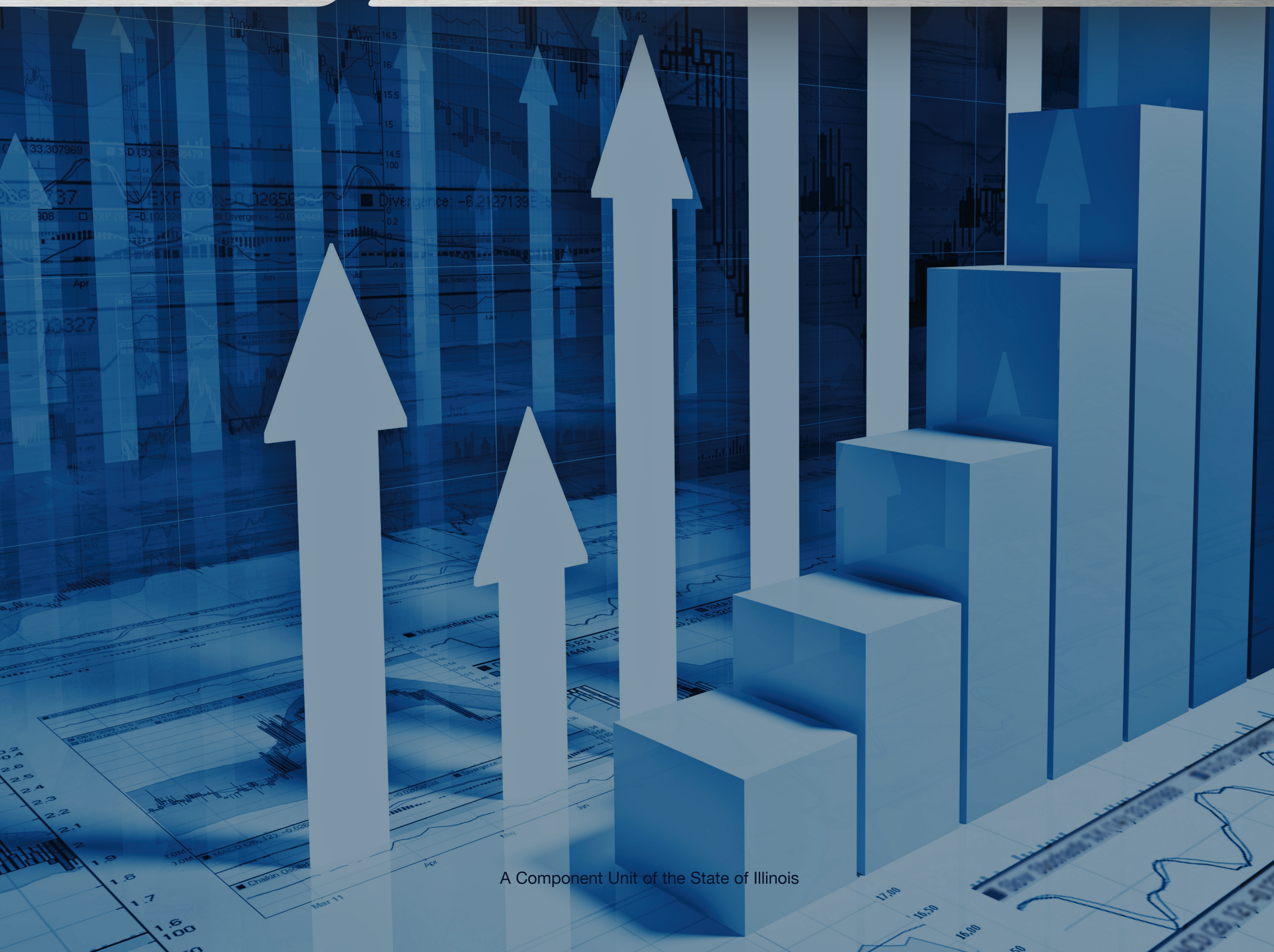
SURS
STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2014

2014 PERFORMANCE



A Component Unit of the State of Illinois

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Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014
A Component Unit of the State of Illinois
All Financial Information Prepared by SURS Finance Division

SURS Member Satisfaction remained exceptionally high even in the midst of the state pension and insurance reforms of FY 2014.

95% Overall Satisfaction Rating – combined Call Center, Front Desk and Counseling Services

SURS 2014

INTRODUCTORY

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2014

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, 2013

Executive Director/CEO

Message from Our Executive Director

January 7, 2015

We had an impressive year in 2014. For the second year in a row, we produced strong investment returns. We also received our full annual contribution from the State of Illinois and completed a significant number of operational improvement projects to enhance service.

The fund earned a strong 18.2% return (net of investment fees), increasing defined benefit plan net position to $17.4 billion. Investment income and net appreciation totaled $2.7 billion for the year. Long term, SURS portfolio earned an average return of 7.8% over the last 10 years, 8.9% since 1988, and 10.0% for the 30-year period.

The 2014 investment gains were achieved amid improving economic conditions and a strong equity market. 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 fund's 18.0% 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.

Notwithstanding record service requests caused by the passage of pension reform, we delivered exceptional service to over 224,000 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 completed the CEM (Cost Effectiveness Measurement) Benchmarking survey 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, SURS did receive the full statutory contribution by August 31, 2014. Favorable investment returns and consistent funding from the State for the third consecutive year have resulted in an improvement in our funding ratio.

In addition to pursuing asset growth and excellent service, we have made progress during the past year on the following priorities:
- Diversification of the portfolio
- Improvements in productivity and quality control
- Expansion of our member and employer outreach programs
- Investment in education and training for the staff
- Improvements in enterprise risk management

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 0.08% 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 in 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

William E. Mabe
Executive Director

Letter of Transmittal

State Universities Retirement System of Illinois
Serving Illinois Community Colleges and Universities
1901 Fox Drive • Champaign, IL 61820
1-800-ASK SURS • (217) 378-8800 (C-U)
(217) 378-9800 (FAX)

January 7, 2015

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

I am pleased to present the 73rd 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, 2014.

"Performance" is the theme for this year's publication. Our mission is to secure and deliver the retirement benefits promised to our members. The staff continued to work to strengthen the System, improve office operations, enhance the investment program and safeguard the assets of the System. The academic disciplines that our colleges and universities instill into future generations build a sustainable future. We are dedicated to improving our service delivery to our members while ensuring the long-term stability of the System.

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.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. SURS' internal controls over financial reporting are designed to provide reasonable assurance regarding safekeeping of assets and reliability of financial records in accordance with generally accepted accounting principles. These controls include appropriate segregation of duties and responsibilities, and sound practices in the performance of those duties. The cost of a control should not exceed the benefits likely to be derived. The valuation of costs and benefits requires estimates and judgments by management. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of controls.

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 2014 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 18 of the 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 employees, survivors and other beneficiaries of those employees of the state universities, community colleges, and certain other state educational and scientific agencies. SURS services 65 employers and 224,000 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 two sources: the General Revenue 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 in accordance with the Pension Code. The determination of the total employer contributions for fiscal year 2014 was based on Public Act 98-0017 which appropriated $1,509.8 million. The Pension Code sets forth the manner of calculating the statutory contribution under the statutory funding plan. The statutory funding plan requires the State to contribute annually an amount equal to a constant percent of pensionable (capped) payroll necessary to allow the System to achieve a 90% Funded Ratio by fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions. Further information is presented in the Required Supplementary Schedules related to employer contributions and plan net position as a percentage of total pension liability.

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 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 plan net position increased from $15.0 to $17.4 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 18.2%, net of fees, for the year ended June 30, 2014. The SURS investment program has a long-term horizon. The returns, net of fees, are 10.1% over the last three years and 7.8% over the last 10 years. The SURS defined contribution plan net position increased from $1.3 billion to $1.6 billion.

For the fiscal year 2015, the System has shown a negative return of 0.1% through October 31, 2014, bringing total investments, net of fees, to approximately $17.0 billion.

Legislation

1) Public Act 97-0695, signed into law on June 12, 2012, reformed state retiree health insurance. A lawsuit was filed challenging the constitutionality of the bill. In compliance with the legislation, SURS began withholding 1% or 2% of retiree and survivor annuities effective July 1, 2013. On June 27, 2014, the Illinois Central Management Service (CMS) filed an emergency administrative rule amending the legislation to allow the withholding percentage to increase to 2% or 4%, respectively. The emergency rule was subsequently withdrawn requiring SURS to immediately revert back to withholding 1% or 2%. Subsequently, the Illinois Supreme Court ruled that subsidized health care premiums are protected under the Illinois Constitution. The pending lawsuit was remanded back to the lower court. (On August 28, 2014, the judge ordered the state to stop deducting the monthly percentage-of-annuity health premiums from retiree and survivor annuities.)

2) Public Act 98-0092, signed by the Governor on July 17, 2013, brought the Tier 2 retirement plan into the SURS article. The act also clarified that Trustee election balloting may be conducted by phone or electronic ballot.

3) Public Act 98-0433, signed by the Governor on August 16, 2013, provides that an Illinois public pension fund's contracts for investment services shall be awarded by the board using a competitive process similar to the procurement of professional and artistic services under the Illinois Procurement Code.

4) Public Act 98-0596, signed by the Governor on November 19, 2013, clarified that SURS Tier 1 members migrating to any reciprocal system or fund after January 1, 2011, are to be treated as Tier 1 members within those systems and funds and that the vesting requirements, conditions, and lump sum payment for Tier 1 survivor beneficiaries also apply to Tier 2 survivor beneficiaries.

5) Public Act 98-0598, signed by the Governor on December 5, 2013, eliminated SURS' ability to select outside counsel to represent the System during litigation. In most cases, the System is to be represented by the Illinois Attorney General. However, if the SURS board files a mandamus action against the State for delinquent payment, then it may select outside legal counsel.

6) Public Act 98-0599, signed by the Governor on December 5, 2013, provides a comprehensive change to the plan design. The main elements of the package include:

Letter of Transmittal

- Reduction of the Automatic Annual Increase for current and future Tier 1 retirees
- Automatic Annual Increase deferments for future Tier 1 retirees
- Capping pensionable earnings for Tier 1 participants
- Delaying the retirement age for current Tier 1 state workers under age 45
- Eliminating the use of sick and vacation days for service credit or pensionable earnings for future participants
- Changes to the Effective Rate of Interest
- Changing the interest rate used for money purchase factors
- Reduction of employee contributions (1%) for Tier 1 participants
- Employer Funding enforcement
- Increased funding formula plus supplemental payments
- The option for 5% of present Tier 1 participants to join a new defined-contribution plan

On May 14, 2014, the Illinois Circuit Court granted a temporary restraining order and a preliminary injunction stopping implementation of Public Act 98-0599. In accordance with the order, SURS will continue administering contributions and benefits as the law existed prior to the amendment by Public Act 98-0599 until otherwise ordered by the court. On November 21, 2014, the judge entered a final declaratory judgment that Public Act 98-0599 is unconstitutional and void in its entirety.

Major Initiatives

The past year was a challenging one for the State Universities Retirement System and its members. Many of our projects this year focused on communicating to our members and employers the impact of legislation, reviewing the financial stability of the System and assessing the appropriateness of the asset allocation in relationship to the expected liabilities and cash flow. SURS will continue to be the trusted source of information and guidance.

Pension Reform (Public Act 98-0599) Outreach

- Conducted 78 campus visits with an estimated attendance of 9,100
- Provided 3,800 one-on-one counseling sessions
- Provided 1,068 written estimates
- Provided 38 group counseling sessions reaching 700 members
- Conducted six webinars with 2,795 individuals in attendance
- Provided eight additional website enhancements, including an online estimator, recorded webinar/video, and a Frequently Asked Questions reference sheet
- Conducted six employer seminars throughout the state reaching 220 employer representatives

Medicare Advantage

Beginning November 12, 2013, more than 24,000 SURS annuitants were required to select a Medicare Advantage provider within 30 days. An “increase-in-traffic” plan of action was developed. The SURS call center handled 17,862 calls and more than 3,250 members visited our office in Champaign during that period. The insurance team processed all of the enrollment forms in-house and on schedule.

Asset Allocation Study

A new asset allocation policy target was approved. The policy is designed to achieve the long-term required objectives of the system. The asset allocation reflects a diversified portfolio, which will perform well in a variety of economic conditions and will help reduce the portfolio’s overall volatility.

Website Redesign

The SURS website was modified to include a “Life Events” section. The information in this section is segmented based on the various needs members might encounter as they progress through life, such as selecting a retirement plan, disability, and retirement.

Benchmarking Study

For the first time, in 2014 SURS participated in the CEM (Cost Effectiveness Measurement) Benchmarking study to evaluate our cost structure and our service delivery systems as compared to other larger pension systems throughout the country. More analysis of the results will be done in the coming year to determine how we can best use this information to further improve service to our members and employers.

Letter of Transmittal

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, 2013. This is the thirtieth 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, 2014, 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 second year of her three-year term; Mr. Andrew Matthews, who concluded the second year of his six-year term; Ms. Dorinda Miller, who concluded the second year of her six-year term; and Mr. Antonio Vasquez, who concluded the fifth year of his six-year term. Serving as annuitant-elected trustees are Mr. Mitchell Vogel, who concluded the fifth year of his six-year term, and Dr. John Engstrom, who concluded the second year of his six-year term. Serving upon appointment by the Governor is Mr. Richard Figueroa, who concluded the second year of his three-year term; Mr. Paul R.T. Johnson, Jr., who concluded the second year of his six-year term; Mr. Craig McCrohon, who concluded the second year of his six-year term, and Mr. Peter Newell who concluded the first three months of his fifteen-month term. As called for by Public Act 96-0006, the chairperson of the SURS Board of Trustees, Ms. Lindsay Anderson, is appointed the 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. Their cooperation is significant to the success of SURS. We thank all those whose impact in Illinois' universities and colleges guide the future. 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

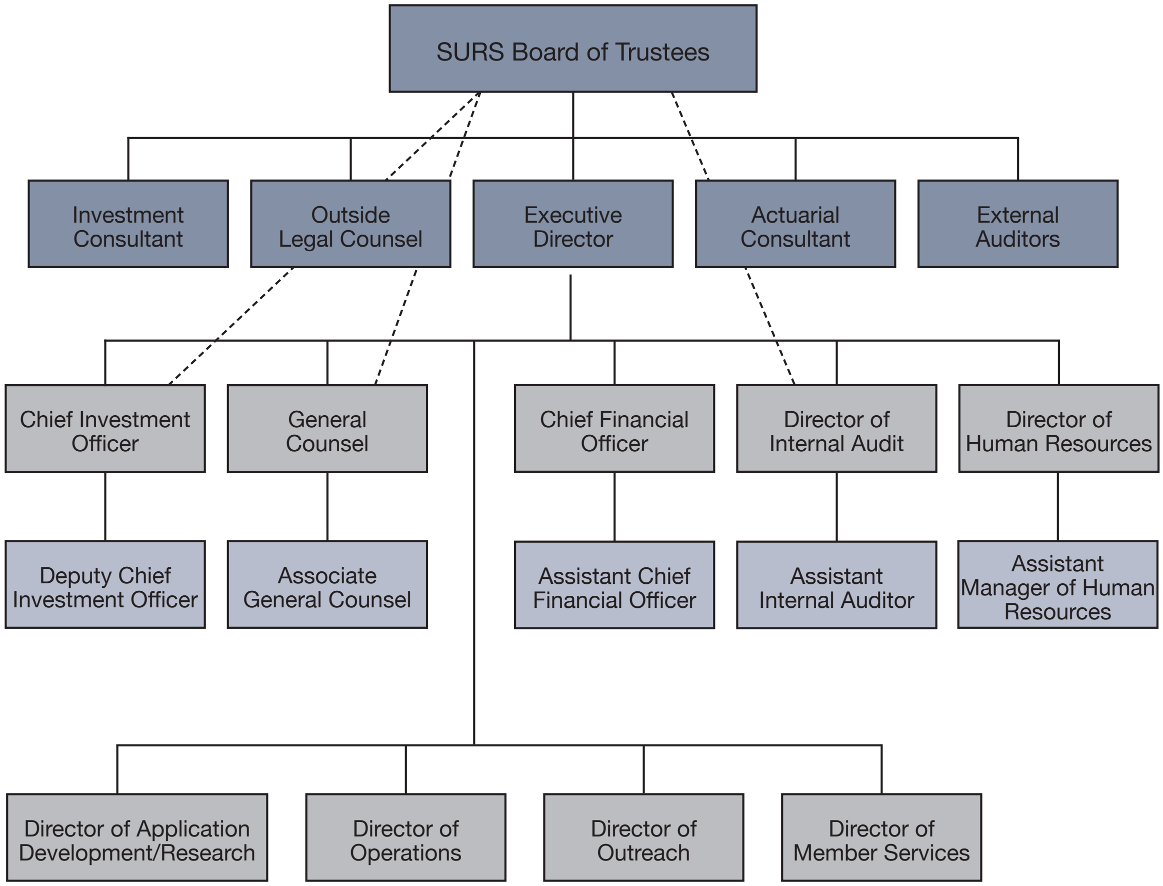
Board of Trustees

Administrative Staff

Front Row (left to right)
Director of Outreach Pam Butler, Director of Human Resources Brenda Dunn, Director of Internal Audit Steve Hayward, Director of Member Services Angela Lieb, and Chief Financial Officer Phyllis Walker.

Back Row (left to right)
Director of Operations M. Christopher Hansen, Executive Director William E. Mabe, Director of Application Development & Research Douglas J. Steele, General Counsel Michael B. Weinstein, Chief Investment Officer Daniel L. Allen, and Deputy Chief Investment Officer Douglas Wesley.

Organizational Chart



Consulting and Professional Services

Actuary

Gabriel, Roeder, Smith & Co. – 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 & Other Consultants

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

Henneman Engineering, Inc. – Champaign, Illinois

MRC Information Technology, Inc. – Omaha, Nebraska

Ratio Architects, Inc. – Champaign, Illinois

Sirius Computer Solutions, Inc. – Dallas, Texas

The Segal Company, Ltd. – Chicago, Illinois

Vision Solutions, Inc. – Palatine, Illinois

Master Custodian & Performance Measurement

The Northern Trust Company – Chicago, Illinois

Investment Consultant

NEPC, LLC – Boston, Massachusetts

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

Fairview Capital Partners – West Hartford, Connecticut

Franklin Templeton Real Estate Advisors – New York, New York

GlobeFlex Capital, L.P. – San Diego, California

Heitman – Chicago, Illinois

Jacobs Levy Equity Management – Florham Park, New Jersey

JP Morgan Chase Bank, N.A. – New York, New York

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 Asset Management – Chicago, Illinois

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

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

$18.9

BILLION IN ASSETS

SURS assets increased to $17.4 billion in the defined benefit plan and $1.6 billion in the defined contribution plan. Assets increased by 14% over FY 2013.

SURS 2014

FINANCIAL

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Supporting Schedules

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2014

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 Statement 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, 2014, 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 fiduciary net position of the State Universities Retirement System of Illinois as of June 30, 2014, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II, Section J on page 28 of the financial statements, in 2014, the System adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. As required by Statement No. 67, the actuarially determined pension liability is dependent on several assumptions including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. These assumptions are discussed in Note V of the financial statements on page 40. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information:
We have previously audited the System's 2013, financial statements, and we expressed an unmodified audit opinion in our report dated December 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 18 through 21 and the schedule of changes in the employer net pension liability and related ratios, the schedule of the net pension liability, the schedule of contributions from employers and other contributing entities, the schedule of investment returns, and the notes to the requirement supplementary information on pages 43 through 45 be presented to supplement the basic 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.

Independent Auditors' Report

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, 2014 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.

The other supplementary information for the year ended June 30, 2014 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, 2014 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, 2014. 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, 2013 (not presented herein), and have issued our report thereon dated December 18, 2013, which contained an unmodified opinion on those financial statements. The accompanying supplementary information which consisted of supporting schedules, for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the 2013 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, 2013.

McGladrey LLP

Schaumburg, Illinois
January 7, 2015

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, 2014, with comparative reporting entity totals for the year ended June 30, 2013. Please read this section in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements, and other information that are presented in the Financial Section of the Comprehensive Annual Financial Report.

Financial Highlights

- Contributions from the state and employers were $1,560 million, an increase of $109 million, or 7.5% from the previous fiscal year 2013.
- The System's benefit payments increased by $87 million or 4.5% for fiscal year 2014.
- The System's return on investment, net of investment management fees, was 18.2% for fiscal year 2014.

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, 2014 and the Statement of Changes in Plan Net Position for the year ended June 30, 2014. 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, 2014 and 2013. The Statement of Plan Net Position presents the assets on hand as of June 30, 2014 and 2013. 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, 2014 and 2013.
- 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 net pension liability, employer contributions, and investment returns.
- 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 204,334 members in its defined benefit plan and 19,782 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 $16.3 billion as of June 30, 2013 to $18.9 billion as of June 30, 2014, 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)	2014	2013	Change Amount	Change %
Cash and short-term investments	$ 792.3	$ 564.6	$ 227.7	40.3
Receivables and prepaid expenses	163.3	329.0	(165.7)	(50.4)
Pending investment sales	444.2	388.6	55.6	14.3
Investments and securities lending collateral	18,900.5	16,355.3	2,545.2	15.6
Capital assets, net	6.1	6.2	(0.1)	(0.9)
Total assets	20,306.4	17,643.7	2,662.7	15.1
Payable to brokers-unsettled trades	635.1	666.4	(31.3)	(4.7)
Securities lending collateral	664.3	646.9	17.4	2.7
Other liabilities	30.9	34.0	(3.1)	(9.0)
Total liabilities	1,330.4	1,347.3	(16.9)	(1.3)
Total plan net position	$ 18,976.0	$ 16,296.4	$ 2,679.6	16.4

Overall, net position increased by $2.7 billion, or 16.4%, mainly due to the increase in investments attributable to the positive return on defined benefit plan investments of 18.2%. The decrease in receivables and prepaid expenses is largely due to the decrease of $159.1 million in the appropriations receivable from the State of Illinois.

The investment allocation strategy for the plans making up the reporting entity as of June 30, 2014, and 2013 is as follows:

Investment Allocation Strategy

	2014	2013
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	55.5%	69.0%
Fixed income	43.1	30.0
Real estate	1.4	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.

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)	2014	2013	Change Amount	Change %
Employer contributions	$ 50.2	$ 47.9	$ 2.3	4.9
Non-employer contributing entity contributions	1,509.8	1,402.8	107.0	7.6
Member contributions	348.6	305.1	43.5	14.3
Net investment income/(loss)	2,914.2	1,842.3	1,071.9	58.2
Total additions	4,822.8	3,598.1	1,224.7	34.0
Benefits	2,021.2	1,934.1	87.1	4.5
Refunds	107.7	101.6	6.1	6.0
Administrative expense	14.3	13.9	0.4	2.9
Total deductions	2,143.2	2,049.6	93.6	4.6
Net increase/(decrease) in plan net position	$ 2,679.6	$ 1,548.5	$ 1,131.1	73.0

Additions

Additions to plan net position are in the form of employer, member, and non-employer contributing entity contributions and investment income or losses. For fiscal year 2014, non-member contributions increased by $109 million due to higher contributions from the State of Illinois as required by Public Act 88-0593. Member contributions increased by $43.5 million or 14.3%.

The investment net income for fiscal year 2014 was $2.9 billion for the System, representing a $1.1 billion increase from the prior year. For the defined benefit plan, the overall rate of return was 18.2% (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	18.2%	10.1%	13.7%	7.8%	8.9%

The total rate of return over a 20-year period of 8.9% was higher compared to the actuarial rate of return assumption of 7.75% in effect for fiscal year 2014. 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. The System Board of Trustees authorized a change in the assumed rate of investment return from 7.75% to 7.25% effective June 30, 2014.

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. The total deductions for fiscal year 2014 were $2.1 billion, an increase of $93.6 million or 4.6% over expenses for 2013. This increase is primarily due to the $87.1 million increase in defined benefit plan retirement and survivor annuity payments, and a $6.1 million increase in portable lump sum distributions and refunds. Administrative expenses increased by $0.4 million or 2.9% from fiscal year 2013 to 2014.

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 were adopted as of June 30, 2011. Public Act 96-0889 caps Tier 2 participants' earnings at $110,631 in 2014 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. As a result of an economic study completed in June 2014, the assumed rate of investment return was reduced from 7.75% to 7.25% effective June 30, 2014.

The employer contribution for fiscal year 2015, mainly provided by the State of Illinois, will increase by approximately $34 million or 2%. Public Act 98-0599 was signed December 5, 2013. This legislation includes pension reform that will provide for additional state funding and reduce future actuarial accrued liabilities. 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 the legislation states that the State will provide additional supplemental payments, beginning fiscal year 2016. 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. Public Act 98-0599 also includes a change to the Automatic Annual Increase (COLA), pensionable earnings limitation, and the money purchase formula. On May 14, 2014, the Sangamon County Circuit Court granted a temporary restraining order and a preliminary injunction stopping implementation of Public Act 98-0599. In accordance with the order, SURS will continue administering contributions and benefits as the law existed prior to amendment by Public Act 98-0599 until otherwise ordered by the court.

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. The changes of Public Act 98-0599 will impact benefit payments if held as constitutional. 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, 2014
With Comparative Reporting Entity Totals as of June 30, 2013

	2014			2013
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	$ 792,286,594	$ -	$ 792,286,594	$ 564,599,292
Receivables				
Members	8,890,114	3,102,136	11,992,250	14,702,522
Non-employer contributing entity	107,504,925	1,793,126	109,298,051	268,449,257
Federal, trust funds, and other	1,735,747	16,231	1,751,978	6,430,263
Pending investment sales	444,237,505	-	444,237,505	388,643,715
Interest and dividends	40,106,288	-	40,106,288	39,318,325
Total receivables	602,474,579	4,911,493	607,386,072	717,544,082
Prepaid expenses	124,042	-	124,042	116,380
Investments, at fair value				
Equity investments	11,949,682,690	60,888,458	12,010,571,148	10,320,326,214
Fixed income investments	4,070,551,894	27,090,851	4,097,642,745	3,825,328,939
Real estate investments	635,941,600	1,420,174	637,361,774	382,755,515
Mutual fund and variable annuities	-	1,490,380,389	1,490,380,389	1,179,889,253
Total investments	16,656,176,184	1,579,779,872	18,235,956,056	15,708,299,921
Securities lending collateral	664,501,026	-	664,501,026	646,999,435
Capital assets, at cost, net of accumulated depreciation $18,437,341 and $17,989,458 respectively	6,143,069	-	6,143,069	6,215,304
Total assets	**18,721,705,494**	**1,584,691,365**	**20,306,396,859**	**17,643,774,414**
Liabilities				
Benefits payable	9,869,469	-	9,869,469	7,262,371
Refunds payable	5,319,941	-	5,319,941	6,112,384
Securities lending collateral	664,335,138	-	664,335,138	646,877,066
Payable to brokers for unsettled trades	635,098,360	-	635,098,360	666,401,158
Administrative expenses payable	15,759,454	-	15,759,454	20,679,277
Total liabilities	**1,330,382,362**	**-**	**1,330,382,362**	**1,347,332,256**
Plan net position	**$ 17,391,323,132**	**$ 1,584,691,365**	**$ 18,976,014,497**	**$ 16,296,442,158**

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, 2014
With Comparative Reporting Entity Totals For the Year Ended June 30, 2013

	2014			2013
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	$ 43,898,604	$ 6,360,802	$ 50,259,406	$ 47,920,295
Non-employer contributing entity	1,458,965,014	50,800,986	1,509,766,000	1,402,800,000
Member	283,081,326	65,531,140	348,612,466	305,079,175
Total Contributions	1,785,944,944	122,692,928	1,908,637,872	1,755,799,470
Investment Income				
Net appreciation in fair value of investments	2,403,714,880	246,288,507	2,650,003,387	1,549,836,544
Interest	97,719,525	-	97,719,525	100,489,294
Dividends	214,220,387	-	214,220,387	237,085,587
Securities lending	4,147,244	-	4,147,244	4,404,538
	2,719,802,036	246,288,507	2,966,090,543	1,891,815,963
Less investment expense				
Asset management expense	51,526,391	-	51,526,391	49,174,215
Securities lending expense	375,242	-	375,242	373,983
Net investment income	2,667,900,403	246,288,507	2,914,188,910	1,842,267,765
Total additions	**4,453,845,347**	**368,981,435**	**4,822,826,782**	**3,598,067,235**
Deductions				
Benefits	2,002,869,428	18,376,445	2,021,245,873	1,934,136,239
Refunds of contributions	82,897,092	24,813,848	107,710,940	101,598,796
Administrative expense	13,857,522	440,108	14,297,630	13,852,565
Total deductions	**2,099,624,042**	**43,630,401**	**2,143,254,443**	**2,049,587,600**
Net increase	**2,354,221,305**	**325,351,034**	**2,679,572,339**	**1,548,479,635**
Plan net position at beginning of year	15,037,101,827	1,259,340,331	16,296,442,158	14,747,962,523
Plan net position at end of year	**$ 17,391,323,132**	**$ 1,584,691,365**	**$ 18,976,014,497**	**$ 16,296,442,158**

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

Notes to the Financial Statements

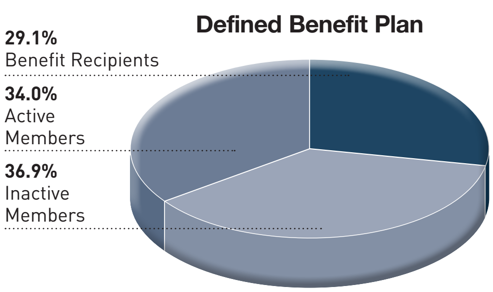
I. Description of SURS

The State Universities Retirement System (SURS or the System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan. The SURS Board of Trustees consists of six elected and five appointed board members. Legislation effective January 1, 1998, required 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, 2014, 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, 2014, as defined in the *Illinois Compiled Statutes*. Interested parties should refer to the SURS Member Guide or the Statutes for more complete information.

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



At June 30, 2014 and 2013, the number of participating employers was:

	2014	2013
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**15**	15
State Agencies	**2**	2
	65	65

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

1. Membership

Participation is required as a condition of employment. Employees are ineligible to participate if (a) employed less than full-time and attending classes with an employer; (b) receiving a retirement annuity from SURS; or (c) excluded by subdivision (a)(7)(f) or (a)(19) of Section 210 of the Federal Social Security Act from the definition of employment given in that Section.

At June 30, 2014 and 2013, defined benefit plan membership consisted of:

	2014	2013
Benefit Recipients	**59,406**	57,229
Active Members	**69,436**	70,556
Inactive Members	**75,492**	74,569
	204,334	202,354

2. Benefit Provisions

A traditional benefit plan was established in 1941. Public Act 90-0448 was enacted effective January 1, 1998, which established an alternative defined benefit program known as the portable benefit package. This 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, 2014.

Notes to the Financial Statements

	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.

Notes to the Financial Statements

B. 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 90-0448. 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, 2014 and 2013, the number of SMP participating employers was:

	2014	2013
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**13**	13
State Agencies	**1**	1
	62	62

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

At June 30, 2014 and 2013, the SMP membership consisted of:

	2014	2013
Benefit Recipients	**381**	334
Active Members	**11,409**	10,746
Inactive Members	**7,992**	7,627
	19,782	18,707

1. 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.

2. 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 90-0448.

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

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

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

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

Notes to the Financial Statements

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, 2014, 2013, and 2012 were $969,137, $928,614, and $996,330, respectively, equal to the required contributions for each year.

II. 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, employer, and non-employer contributing entity (State of Illinois) 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 total pension liability for the defined benefit plan and to determine the actuarially determined contribution.

D. Risks and Uncertainties

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is 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. Cash and Short-Term Investments

Included in the $792,286,594 of cash and short-term investments presented in the Statement of Plan Net Position is $325,158,336 of short-term investments with original maturities less than 90 days. For purposes of the various data tables presented in Note IV, this group of short-term investments is included as part of fixed income investments. Short-term investments are generally reported using cost basis measures, which approximate fair value.

F. Investments

Investments are governed by Chapter 40, Act 5, Articles 1 and 15, of the *Illinois Compiled Statutes*. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. Purchases and sales of securities are recorded on a trade-date basis. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date.

Notes to the Financial Statements

For the defined benefit plan, investments are generally reported at fair value. Marketable securities (stocks, bonds, warrants, and options) are traded on public exchanges. The Northern Trust Company, SURS' custodial bank, establishes these prices using third-party pricing services. Generally, these values are reported at the last reported sales price. Certain investments that do not have an established market value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the CFA Institute (formerly known as the Association for Investment Management Research) or other industry standards, values non-marketable securities (real estate and venture capital). These methods generally include detailed property level appraisals and discounted cash flow analysis.

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

G. 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.

H. 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 non-employer contribution as determined by the annual actuarial valuation and appropriated by the State of Illinois.

I. 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, 2013, from which the summarized comparative information was derived.

J. New Accounting Pronouncements

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. This statement was implemented for the System beginning with 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. This statement was implemented for the System beginning with 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 has begun the implementation of this statement for the employers of the System beginning with their year ending June 30, 2015.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, established accounting and financial reporting standards for mergers, acquisitions, and transfers operations. It provides guidance on how to determine the gain or loss on disposal of government operations. It applies to all state and local government entities. This statement is required to be implemented prospectively for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2014. This statement is not considered to have a material impact on the System's financial statements.

GASB Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees, was established for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. non-exchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. This statement was implemented for the System beginning with its year ending June 30, 2014.

Notes to the Financial Statements

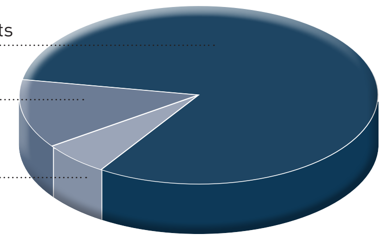
GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, was established to provide that at transition of GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources only for pension contributions made subsequent to the measurement date of the beginning net pension liability, but before the start of the government's fiscal year. SURS has begun implementation of this statement for the employers simultaneously with Statement No. 68. This statement is not considered to have a material impact on the System's financial statements.

III. 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 7.0% for the year ended June 30, 2014. 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 6.75% for the year ended June 30, 2014 and for the year ended June 30, 2015.

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 (non-employer contributing entity) and the normal cost for employers. An actuarial experience study is performed every 5 years to determine the assumptions to be used in the annual valuation. 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 the State (non-employer contributing entity) contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. The statutory funding plan consisted of two parts: 1) a ramp-up period from 1996 to 2010 and 2) 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

Notes to the Financial Statements

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. The fiscal year 2014 state contributions were $1,509,766,000. The employer normal cost calculation is based on the same actuarial results, assumptions and methods used to calculate the non-employer contributing entity contributions. This is the employer contribution rate that is to be applied to all earnings paid from federal, grant and trust funds. The Board of Trustees of the State Universities Retirement System has adopted 11.91% of covered earnings as the employer normal cost for fiscal year 2014. The fiscal year 2014 employer contributions were $50,259,406.

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.

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, 2014 are as follows:

Employee contributions	$ 6,094,911,510
Benefits from employee and employer contributions	11,296,411,622
Total Net Position	**$ 17,391,323,132**

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 member are at a rate of 7.6% of the member's gross earnings, less the amount retained by SURS (0.4% as of July 1, 2013) to provide disability benefits. The amounts credited are paid into the member's account. The State of Illinois (non-employer contributing entity) shall make the employer contribution to SURS on behalf of the SMP employers on a monthly basis in accordance with the applicable provisions of the Illinois Pension Code and the State Pension Funds Continuing Appropriation Act.

Notes to the Financial Statements

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 2014, the investment income credited to these balances was $12,892,856.

Balances in these designated accounts as of June 30, 2014 are as follows:

Employee contributions	$ 1,495,284,817
Disability benefits	82,510,210
Employer forfeitures	6,896,338
Total Net Position	**$ 1,584,691,365**

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.

IV. 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 A1 rating by Moody's, and an AA/AA- rating by Fitch. At June 30, 2014, the carrying amount of cash was $467,128,258 and the bank balance was $474,260,625 of which $24,036,308 was foreign currency deposits and was exposed to custodial credit risk. The remaining $325,158,336 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.

Notes to the Financial Statements

Investment Commitments

Alternative investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to private equity limited partnerships of approximately $579.7 million as of June 30, 2014. The System had outstanding commitments to real estate partnerships of approximately $144.8 million and to infrastructure partnerships of approximately $8.9 million at June 30, 2014.

Investments

The carrying values of investments by type at June 30, 2014 are summarized below:

Equity investments	
U.S. equities	$ 8,649,033,272
Non-U.S. equities	2,522,700,786
U.S. private equity	1,030,980,877
Non-U.S. private equity	95,712,833
Equity derivatives	(287,856,620)
Fixed income investments	
U.S. government obligations	1,475,463,291
U.S. agency obligations	679,948,640
U.S. corporate fixed income	1,368,244,793
U.S. fixed income, other	37,743,374
Non-U.S. fixed income securities	487,260,993
U.S. short term investments	574,409,222
Non-U.S. short term investments	(206,430,763)
U.S. fixed income derivatives	7,233,085
Non-U.S. fixed income derivatives	(1,071,554)
Real estate investments	
Real estate	637,361,774
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	1,490,380,389
Total Investments	**$ 18,561,114,392**

(A) Fixed income investments presented in this table include $325,158,336 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 $156,662,022 of short-term bills and notes with maturities greater than 90 days.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. SURS has adopted a formal policy specific to custodial credit risk. At June 30, 2014, no investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue. SURS has not adopted a formal policy specific to concentration of credit risk. However, this area is addressed with each of the relevant investment managers in the Investment Management Agreement between the parties. The System's investment portfolios are managed by professional investment management firms. These firms must maintain diversified portfolios and must comply with risk management guidelines specific to each of their investment management agreements. Excluding U.S. government and agency issues, the portfolios are limited to a 5% allocation in any single investment grade U.S. issuer. Allocation limits also apply to international issuers. At June 30, 2014, 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, 2014 are as follows:

Notes to the Financial Statements

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	$ 119,601,035	$ 18,341,600	$ 137,942,635
AA+	1,046,279,627	8,944,183	1,055,223,810
AA	43,890,234	2,256,160	46,146,394
AA-	28,156,330	16,349,223	44,505,553
A+	46,802,883	14,587,868	61,390,751
A	75,276,459	32,564,941	107,841,400
A-	134,530,240	42,000,791	176,531,031
BBB+	114,901,579	50,739,643	165,641,222
BBB	83,452,585	150,287,687	233,740,272
BBB-	70,237,937	40,726,954	110,964,891
BB+	23,936,955	10,833,404	34,770,359
BB	41,407,579	10,418,299	51,825,878
BB-	27,147,101	14,136,184	41,283,285
B+	6,605,044	2,578,090	9,183,134
B	1,950,775	5,715,667	7,666,442
B-	9,961,992	-	9,961,992
CCC+	888,000	-	888,000
CCC	22,733,768	-	22,733,768
CCC-	6,536,000	-	6,536,000
CC	3,514,095	-	3,514,095
D	5,820,210	654,750	6,474,960
Not Rated **	182,327,042	77,279,701	259,606,743
Total Credit Risk: Debt Securities	$ 2,095,957,470	$ 498,415,145	$ 2,594,372,615
U.S. Government & Agencies *	1,475,731,283	-	1,475,731,283
Total Debt Securities Investments	**$ 3,571,688,753**	**$ 498,415,145**	**$ 4,070,103,898**

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.
** Domestic includes $143,538,909 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, 2014, the segmented time distribution of the various investment types of debt securities of the System are as follows:

		Maturities in Years				
Type	2014 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*	$ 2,537,623,960	$ 493,928,704	$ 545,488,500	$ 721,064,085	$ 295,710,096	$ 481,432,575
U.S. Corporate Fixed Income **	1,034,064,793	61,806,173	332,526,480	264,400,779	50,600,646	324,730,715
Non-U.S. Fixed Income	498,415,145	40,315,057	294,343,946	101,305,963	20,736,251	41,713,928
Total	**$ 4,070,103,898**	**$ 596,049,934**	**$1,172,358,926**	**$ 1,086,770,827**	**$ 367,046,993**	**$ 847,877,218**

* Includes $21,605,972 from self-managed plan mutual fund.
** Includes $121,932,937 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, 2014 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	$ 84,158,833	$ 4,173,731	$ 88,332,564
Brazilian real	8,579,051	20,913,051	29,492,102
British pound sterling	388,221,690	5,188,764	393,410,454
Canadian dollar	92,903,508	(8,749,565)	84,153,943
Chinese yuan renminbi	-	(13,973)	(13,973)
Colombian peso	-	413	413
Danish krone	33,063,559	-	33,063,559
Euro	555,860,161	18,456,488	574,316,649
Hong Kong dollar	95,350,686	3,336,537	98,687,223
Indonesian rupiah	749,065	-	749,065
Japanese yen	318,409,958	(663,030)	317,746,928
Malaysian ringgit	9,561,477	155,797	9,717,274
Mexican peso	11,088,372	7,631,843	18,720,215
New Israeli shekel	8,135,727	7,186	8,142,913
New Taiwan dollar	34,793,505	107,927	34,901,432
New Zealand dollar	2,920,839	212,950	3,133,789
Norwegian krone	25,353,990	36	25,354,026
Philippine peso	669,164	-	669,164
Polish zloty	2,088,053	1,738,848	3,826,901
Singapore dollar	28,242,586	129,988	28,372,574
South African rand	23,999,859	140	23,999,999
South Korean won	15,661,022	13,191,299	28,852,321
Swedish krona	48,657,517	(48,124)	48,609,393
Swiss franc	143,871,972	111,865	143,983,837
Thai baht	3,490,278	-	3,490,278
Turkish lira	4,101,217	(8,756,918)	(4,655,701)
United Arab Emirates dirham	4,358,281	-	4,358,281
Total securities subject to foreign currency risk	**$ 1,944,290,370**	**$ 57,125,253**	**$ 2,001,415,623**
Foreign investments denominated in U.S. Dollars	**729,389,193**	**222,633,421**	**952,022,614**
Total foreign investment securities	**$ 2,673,679,563**	**$ 279,758,674**	**$ 2,953,438,237**

* Includes Swaps, Options and Short-Term Investments

Notes to the Financial Statements

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, 2014, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions. At June 30, 2014, SURS' investments in derivatives had the following balances:

	Notional Value 2014	Fair Value 2014	Change in Fair Value
Forwards	$ -	$ (1,423,333)	$ (1,000,346)
Rights and Warrants	$ 419,904	$ 43,550	$ (30,834)
Futures			
Equity			
Long	287,856,620	444,545	1,238,155
Short	-	-	(26,280)
Fixed Income			
Long	845,552,557	227,706	175,352
Short	(57,342,945)	(20,491)	(34,371)
Total Futures	$ 1,076,066,232	$ 651,760	$ 1,352,856
Options			
Fixed Income			
Call	(86,897,898)	(395,373)	(287,400)
Put	(41,397,898)	(37,770)	163,606
Cash and Cash Equivalent			
Call	(34,081,559)	(586,263)	(586,263)
Put	12,603,000	238,014	247,060
Swaptions			
Call	(34,900,000)	(215,759)	(203,441)
Put	(105,009,311)	(59,901)	2,101,424
Total Options	$ (289,683,666)	$ (1,057,052)	$ 1,434,986
Swaps			
Credit Default			
Buying Protection	57,881,088	(1,116,811)	(438,859)
Selling Protection	151,304,335	3,334,950	1,924,224
Inflation-linked			
Pay Fixed	59,100,000	109,041	418,985
Receive Fixed	5,613,515	225,526	49,641
Interest Rate			
Pay Fixed	-	-	(55,857)
Receive Fixed	1,013,502,395	(2,064,511)	(10,521,919)
Total Return	18,568	6,730,388	3,443,383
Total Swaps	$ 1,287,419,901	$ 7,218,583	$ (5,180,402)

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, 2014, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2014	Change In Fair Value
Australian dollar	$ 30,843	$ (197,443)	$ (166,600)	$ (166,113)
Brazilian real	424,675	(460,308)	(35,633)	(26,938)
British pound sterling	157,906	(592,845)	(434,939)	(428,122)
Canadian dollar	-	(216,062)	(216,062)	(216,062)
Chinese yuan renminbi	28,123	(128,090)	(99,967)	(103,528)
Colombian peso	-	(3,742)	(3,742)	(3,742)
Danish krone	2,732	-	2,732	2,732
Euro	689,231	(1,310,105)	(620,874)	(343,821)
Hong Kong dollar	61	-	61	19
Indian rupee	-	-	-	1,255
Japanese yen	26,661	(65,751)	(39,090)	(104,729)
Malaysian ringgit	-	-	-	(2,302)
Mexican peso	31,810	(243,562)	(211,752)	(207,556)
New Israeli shekel	-	-	-	29,877
New Zealand dollar	-	(114,713)	(114,713)	(114,713)
Norwegian krone	-	-	-	(22)
Polish zloty	-	(10,529)	(10,529)	(10,529)
Singapore dollar	-	-	-	(551)
South Korean won	668,152	-	668,152	668,152
Swedish krona	5,062	(3,513)	1,549	1,549
Swiss franc	3,161	(1,037)	2,124	2,124
Turkish lira	-	(81,918)	(81,918)	(81,436)
Total securities subject to foreign currency risk	**$ 2,068,417**	**$ (3,429,618)**	**$ (1,361,201)**	**$ (1,104,456)**
Foreign investments denominated in U.S. dollars	**65,099**	**(127,231)**	**(62,132)**	**104,110**
Total foreign investment securities	**$ 2,133,516**	**$ (3,556,849)**	**$ (1,423,333)**	**$ (1,000,346)**

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

Notes to the Financial Statements

agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability on the System's financial statements. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

SURS fixed income managers invest in swaps and swaptions to manage exposure to credit, 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 2014	**Fair Value 2014**	**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	$ 77,767,902	$ 1,554,786	$ 131,148	$ 1,401,981	$ 21,657	$ -	$ -	$ 1,174,352
Credit Default	3,500,000	38,270	40,046	(1,776)	-	-	-	291
Credit Default	127,917,521	625,083	-	625,671	(588)	-	-	310,722
Total, Credit Default	209,185,423	2,218,139	171,194	2,025,876	21,069	-	-	1,485,365
Inflation-Linked	64,713,515	334,567	-	150,539	184,028	-	-	468,626
Interest Rate	90,353,774	(201,270)	(204,366)	142,851	(171,810)	-	32,055	2,981,933
Interest Rate	8,294,149	309,339	-	309,339	-	-	-	293,261
Interest Rate	914,717,557	(2,172,581)	-	4,768,604	(4,603,120)	(210,050)	(2,128,015)	(13,852,971)
Total, Interest Rate	1,013,365,480	(2,064,512)	(204,366)	5,220,794	(4,774,930)	(210,050)	(2,095,960)	(10,577,777)
Total Return	18,568	6,730,388	6,730,388	-	-	-	-	3,443,383
Total Swaps	**$1,287,282,986**	**$ 7,218,582**	**$ 6,697,216**	**$ 7,397,209**	**$ (4,569,833)**	**$ (210,050)**	**$ (2,095,960)**	**$ (5,180,403)**
Swaptions	**$ (134,709,311)**	**$ (259,099)**	**$ (137,437)**	**$ (121,662)**	**$ -**	**$ -**	**$ -**	**$ 1,914,517**
	(5,200,000)	**(16,561)**	**(16,561)**	**-**	**-**	**-**	**-**	**(16,534)**
	$ (139,909,311)	**$ (275,660)**	**$ (153,998)**	**$ (121,662)**	**$ -**	**$ -**	**$ -**	**$ 1,897,983**
Forwards	**$ -**	**$ (1,423,332)**	**$ (1,053,946)**	**$ (369,386)**	**$ -**	**$ -**	**$ -**	**$ (1,000,345)**

	Fair Value 2014	**Counterparty Credit Rating**
Swaps		
Credit Default	$ 1,554,786	A
Credit Default	38,270	AA
Credit Default	625,083	No Rating
Total, Credit Default	2,218,139	
Inflation-Linked	334,567	A
Interest Rate	(201,270)	A
Interest Rate	309,339	AA
Interest Rate	(2,172,581)	No Rating
Total, Interest Rate	(2,064,512)	
Total Return	6,730,388	A
Total Swaps	**$ 7,218,582**	
Swaptions	**$ (259,099)**	A
	(16,561)	No Rating
	$ (275,660)	
Forwards	**$ (1,423,332)**	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 2014	Fair Value 2014	Pay Fixed / Receive Fixed
1.7275% to 2.50%	US CPI Urban Consumers NSA[1]	$ 59,100,000	$ 109,041	pay fixed
		$ 59,100,000	$ 109,041	
6MEUR-EURIBOR-Act/360-Bloomberg[2]	0.55% to 2.75%	$ 25,740,019	$ (2,185,932)	receive fixed
AUD-BBR-BBSW-Bloomberg 3M[3]	3.50%	300,993,761	1,256,197	receive fixed
AUD-BBR-BBSW-Bloomberg 6M[4]	4.0% to 4.75%	161,492,733	286,654	receive fixed
Brazil Cetip Interbank Deposit[5]	8.15% to 11.68%	26,887,722	(1,003,979)	receive fixed
Federal Fund Effective Rate US[6]	0.25%	20,500,000	(174,254)	receive fixed
France CPI Ex Tobacco Household[7]	1.95% to 2.1075%	5,613,515	225,526	receive fixed
JPY-LIBOR-BBA-Bloomberg 6M[8]	1.00%	5,725,285	(205,429)	receive fixed
MEXICO INTERBANK TIIE 28 DAY[9]	5.60%	19,162,877	695,624	receive fixed
USD-LIBOR-BBA-Bloomberg 3M[10]	1.50% to 3.50%	453,000,000	(733,393)	receive fixed
		$1,019,115,912	$ (1,838,985)	

1 Consumer Price Index All Urban Consumers Not Seasonally Adjusted (CPI NSA)
2 Euro Interbank Offered Rate (EURIBOR)
3,4 Australian Bank Bill Short Term (BBSW)
5 Brazil Cetip Interbank Deposit (CDI)
6 U.S. Federal Funds Rate
7 France Consumer Price Index excluding Tobacco
8,10 London Interbank Offered Rate (LIBOR)
9 Mexico Interbank Tasa de Interest Interbancaria de Equilibrio (TIIE)

Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. The maximum loss that would be recognized at June 30, 2014, if all counterparties fail to perform as contracted is $21.3 million. This maximum exposure is reduced by approximately $3.4 million in collateral held and $16.5 million in liabilities, resulting in approximately $1.4 million net exposure to credit risk.

Notes to the Financial Statements

Securities Lending

The SURS Board of Trustees policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Deutsche Bank AG New York, the System's third party agent lender in fiscal year 2014, 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 1.06 days. Cash collateral is invested in the indemnified repurchase agreements which at year end had a weighted average final maturity of 17.29 days, a weighted average reset of 7.24 days, and a fair value of $664.5 million.

Collateral as of June 30, 2014 ($ millions)

Securities on loan as of June 30, 2014	$ 646.4
Fair value of cash collateral invested	$ 664.5
Fair value of collateral received	$ 664.3
Change in fair value*	$ 0.2

*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, 2014, the SMP had investments of $1,579,779,872.
A detailed schedule (unaudited) of the funds and balances at June 30, 2014 is located in the Investment Section of The Comprehensive Annual Financial Report.

V. Net Pension Liability

The net pension liability for the SURS defined benefit plan as of June 30, 2014 is as follows:

Employer Net Pension Liability ($ millions)

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability
2014	$ 39,182.3	$ 17,391.3	$ 21,791.0	44.39%

The net pension liability represents the defined benefit plan's total pension liability determined in accordance with GASB Statement No. 67, less the plan net position. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in March 2011 and the next experience study is scheduled to be conducted in February 2015. An economic assumption study was performed June 2014.

The total pension liability as of June 30, 2014 is based on the results of an actuarial valuation date of June 30, 2013 and rolled forward using generally accepted actuarial procedures. A summary of the actuarial methods and assumptions used in the latest actuarial valuation are presented on the following page.

Notes to the Financial Statements

Summary of Actuarial Assumptions:

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Single discount rate	7.09%
Expected rate of return*	7.25%
Municipal bond rate	4.29%
Inflation	2.75%
Projected salary increases	3.75% to 12.0% including inflation
Post-retirement cost of living adjustments	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 changed from 7.75 percent in fiscal year 2013 to 7.25% in fiscal year 2014 by action of the System Board of Trustees.

Single Discount Rate

A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected return on pension plan investments of 7.25% and a municipal bond rate of 4.29% based on the weekly rate closest to, but not later than, the measurement date of the 20-year Bond Buyer Index as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Estimated contributions, of which the majority of the contributions (approximately 95%) is provided by the State of Illinois, are projected to be $1.8 billion in 2015 and growing up to $3.1 billion in 2046 based on current statutory requirements for current members. Based on these assumptions, the pension plan's net position and future contributions were sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability calculated using a single discount rate of 7.09%, as well as impact on the net pension liability of increasing the single discount rate by 1% and decreasing the single discount rate by 1%.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption as of June 30, 2014 ($ millions)

	1% Decrease 6.09%	Current Discount Rate 7.09%	1% Increase 8.09%
Net Pension Liability	$ 26,583.7	$ 21,791.0	$ 17,796.6

Long-Term Expected Rate of Return

The asset allocation of investments within the defined benefit portfolio is approved by the Board of Trustees in accordance with SURS Investment Policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the defined benefit pension plan. The adjacent table displays the Board approved asset allocation policy for fiscal year 2014 and the long-term expected real rates of return. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in accordance with the Actuarial Standards of Practices (ASOP) 27 Section 3.6.2(a) which includes best estimate ranges of expected future real rates of return, developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Asset Class	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
U.S. Equity	31.0%	7.65%
Private Equity	6.0	8.65
Non-U.S. Equity	21.0	7.85
Global Equity	8.0	7.90
Fixed Income	19.0	2.50
Treasury-Inflation-Protected Securities (TIPS)	4.0	2.30
Real Estate		
REITs	4.0	6.20
Direct Real Estate	6.0	6.20
Opportunity Fund	1.0	2.50
Total	**100.0%**	**5.00%**
Inflation		**2.75**
Expected Geometrical Normal Return		**7.75%**

Notes to the Financial Statements

For the year ended June 30, 2014 the annual money-weighted rate of return on defined benefit plan investments, net of fees was 18.2%. The money weighted rate of return expresses investment performance, net of fees, adjusted for the changing amounts actually invested.

Funding Status and Progress
The funding status of the plan and schedule of funding progress may be found in the Actuarial Section of this report beginning on 85.

VI. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$ 531,834	$ –	$ –	$ 531,834
Office building	7,344,054	–	–	7,344,054
Information system equipment & software	14,223,682	1,665,524	3,179	15,886,027
Furniture and fixtures	2,105,192	(1,286,015)	682	818,495
	24,204,762	379,509	3,861	24,580,410
Less accumulated depreciation:				
Office building	2,680,512	213,957	–	2,894,469
Information system equipment & software	13,203,562	1,576,150	3,179	14,776,533
Furniture and fixtures	2,105,384	(1,338,363)	682	766,339
	17,989,458	451,744	3,861	18,437,341
	$ 6,215,304	$ (72,235)	$ -	$ 6,143,069

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

VII. Compensated Absences

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is 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, 2014, the System had a liability of $1,185,897 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, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$ 1,124,330	$ 763,308	$ 701,741	$ 1,185,897	$ 70,000

Notes to the Financial Statements

VIII. Insurance Coverage
The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The employee health claims are administered through 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.

IX. Post-Employment Benefits
The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, Stratton Building, Room 720, Springfield, Illinois, 62706-4100.

X. Lease Agreements
The System leases office space in Naperville for its Northern Counseling Center. The commitment for this lease is $17,928 for fiscal year 2014 and $22,836 for fiscal year 2015. In addition, the System began leasing office space in Springfield for its legislative staff. The fiscal year 2015 commitment for this lease is $7,200.

XI. Subsequent Event
On December 5, 2013, Governor Quinn signed Senate Bill 1 (Public Act 98-0599) into law, which provided for significant pension reform. The pension reform included a reduction of the Automatic Annual Increase, the capping of pensionable earnings of Tier 1 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. The law was to take into effect no earlier than June 1, 2014.

On January 2, 2014, a lawsuit was filed in Circuit Court, which challenged the constitutionality of the pension reform law. A court injunction was issued May 2014 to delay the implementation of the new pension reform law.

On November 21, 2014, the Circuit Court ruled that Public Act 98-0599 was unconstitutional and void in its entirety. The State of Illinois has filed an appeal of the ruling directly to the Supreme Court.

Required Supplementary Information

Schedule of Changes in Employer Net Pension Liability and Related Ratios as of June 30, 2014

Total Pension Liability	
Service cost	$ 675,257,078
Interest on net pension liability	2,643,353,237
Changes in benefit terms	-
Differences between expected and actual experience	130,585,622
Changes in assumptions	-
Benefit payments	(2,002,869,428)
Refunds of member accounts	(82,897,092)
Net change in pension liability	1,363,429,417
Total Pension Liability - Beginning	37,818,876,854
Total Pension Liability - Ending	**$ 39,182,306,271**
Plan Net Position	
Member contributions	$283,081,326
Employer contributions	43,898,604
Non-employer contributing entity contributions	1,458,965,014
Net investment income	2,667,900,403
Benefit payments	(2,002,869,428)
Refunds of member accounts	(82,897,092)
Non investment administrative expenses	(13,857,522)
Net change in plan fiduciary net position	2,354,221,305
Plan Net Position - Beginning	15,037,101,827
Plan Net Position - Ending	**$ 17,391,323,132**
Net Pension Liability - Ending	**$ 21,790,983,139**

Schedule of Net Pension Liability as of June 30, 2014 ($ millions)

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$ 39,182.3	$ 17,391.3	$ 21,791.0	44.39%	$ 3,522.2	618.67%

Note: The System implemented GASB statement No. 67 in fiscal year 2014. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

Required Supplementary Information

Schedule of Contributions from Employers and Other Contributing Entities ($ thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution Employers	Actual Contribution Other Contributing Entities	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	$ 607,765	$ 38,004	$ 247,419	$ 322,342	$ 2,939,185	9.71%
2006	662,041	37,822	142,196	482,023	3,054,100	5.89
2007	705,900	37,079	224,064	444,757	3,180,985	8.21
2008	707,537	38,031	306,914	362,592	3,303,220	10.44
2009	874,032	34,360	417,257	422,415	3,463,922	13.04
2010	1,003,331	34,166	662,429	306,736	3,491,071	19.95
2011	1,259,048	36,547	737,048	485,453	3,460,838	22.35
2012	1,443,348	45,596	940,219	457,533	3,477,166	28.35
2013	1,549,287	41,874	1,359,607	147,806	3,533,858	39.66
2014	1,560,524	43,899	1,458,965	57,660	3,522,246	42.67

Schedule of Investment Returns (A)

2014 18.15%

(A) Annual money-weighted rate of return, net of investment fees

Note: The System implemented GASB statement No. 67 in fiscal year 2014. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

Notes to Required Supplementary Information

Schedule of Changes in Net Pension Liability
The covered employee payroll is equal to the defined benefit payroll from June 30, 2013 valuation rolled forward with one year of wage inflation at 3.75%. The beginning of the year total pension liability uses a single discount rate of 7.12% and the end of the year total pension liability uses a single discount rate of 7.09%. The difference between the actual and expected experience includes the impact of this change in the single discount rate based on the long-term municipal bond rate of 4.63% as of June 27, 2013 and 4.29% as of June 26, 2014.

Actuarial Assumptions and Methods Used in Determining Contributions

Valuation Date	June 30, 2013 Actuarially determined contribution is calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions will be made.
Valuation Method	Projected Unit Credit
Amortization Method	The Statutory Contribution is equal to the level percentage of pay contributions determined so that the Plan attains a 90% funded ratio by the end of 2045.
Remaining Amortization Period	Not applicable. While an amortization payment is not directly calculated, it represents the difference between the total statutory contribution and the employer normal cost contribution.
Asset Valuation Method	5 year smoothed market
Inflation	2.75%
Salary Increases	3.75% to 12.0% including inflation
Investment Rate of Return	7.25% beginning with the actuarial valuation as of June 30, 2014.
Retirement Age	Experience-based table of rates. Last updated for the 2011 valuation pursuant to an experience study of the period 2006 - 2010.
Mortality	RP2000 Combined Mortality table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.
Other Notes	Benefit changes as a result of Public Act 98-0599 were not recognized in the Total Pension Liability as of June 30, 2014. The statutory contribution for fiscal year ending June 30, 2014 was determined in the valuation as of June 30, 2012 and the statutory contribution for fiscal year ending June 30, 2015 was determined in the valuation as of June 30, 2013. All other contributions are projected using current assumptions.

Supporting Schedules

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2014 and 2013

	2014	2013
Defined benefit plan		
Personnel services		
Salary and wages	$ 7,262,675	$ 6,883,931
Retirement contributions	837,909	798,725
Insurance and payroll taxes	2,423,171	2,538,592
	10,523,755	10,221,248
Professional Services		
Computer services	511,421	627,453
Medical consultation	10,435	10,962
Technical and actuarial	693,143	546,518
Legal services	208,625	211,674
	1,423,624	1,396,607
Communications		
Postage	284,673	306,641
Printing and copying	64,143	94,906
Telephone	119,238	71,491
	468,054	473,038
Other Services		
Equipment repairs, rental and maintenance	84,534	70,441
Building operations, maintenance, office rental	247,786	278,769
Surety bonds and insurance	264,438	249,081
Memberships and subscriptions	51,815	56,216
Transportation, travel and conferences	147,426	125,319
Education	34,915	7,335
EDP supplies and equipment	105,068	74,945
Office Supplies	54,363	53,955
	990,345	916,061
Depreciation and amortization	**451,744**	**419,540**
Total administrative expenses - DB Plan	**$ 13,857,522**	**$ 13,426,494**
Self Managed Plan		
Salary and wages	274,700	266,204
Retirement contributions	89,265	93,210
Insurance and payroll taxes	36,700	35,326
Technical and actuarial	24,086	6,000
Postage	11,766	20,665
Memberships and subscriptions	600	600
Transportation, travel and conferences	1,847	986
Printing and copying	1,144	3,080
Total administrative expenses - SMP	**$ 440,108**	**$ 426,071**
Total administrative expenses	**$ 14,297,630**	**$ 13,852,565**

Supporting Schedules

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2014 and 2013

	2014	2013
Defined benefit plan		
Technical and Actuarial Services:		
Alpha Controls & Services	$ 3,152	$ -
Aurico	3,103	4,350
Berns Clancy and Associates	4,620	2,800
Berwyn Group	4,200	3,988
Carle Clinic & Hospital	1,160	90
CEM Benchmarking	40,000	-
Clifton Larson & Allen	29,000	-
Economic Research	-	4,989
Gabriel, Roeder, Smith & Co.	345,364	305,026
Governmental Consulting Solutions	60,000	60,000
Henneman Engineering, Inc.	15,169	17,136
Hoemann Photography	50	-
ICS/Merrill	245	2,940
INFRE	125	125
Janet Jones & Associates	42,000	42,000
McLagan	-	2,750
Miscellaneous	688	825
Open position advertising/ Recruitment	460	5,110
Payscale	5,000	-
Propio	480	132
Ratio Architects	4,938	-
Segal	9,571	-
The Northern Trust	78,965	75,913
Thompson McClellan Photography	340	340
Waters Consulting	26,027	-
Woolard Marketing Consultants	18,486	18,004
	693,143	546,518
Legal Services		
Areawide Reporting Services	1,401	2,350
Burke, Burns & Pinelli	114,170	77,810
Internal Revenue Service	5,375	-
Investors Responsibility Support Services	25,000	25,000
Katten Muchin Rosenman	21,613	58,518
Mayer, Brown, Rowe & Maw	1,431	1,639
Thomas, Mamer & Haughey	21,049	23,348
Winters, Featherstun, et al	18,586	23,009
	208,625	211,674
Self-Managed Plan		
Technical and Actuarial Services		
Callan Associates Inc.	6,000	6,000
NEPC, LLC	18,086	-
	24,086	6,000
Total consultant payments	**$ 925,854**	**$ 764,192**

Supporting Schedules

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2014 and 2013

	2014	2013
Investment manager		
Aberdeen Asset Management	$ -	$ 965,147
Adams Street Partners	5,106,182	4,628,222
Alinda Capital Partners	427,254	1,026,632
Angelo Gordon GECC	-	368,650
Ativo Capital Management	420,083	364,791
BlackRock Institutional Trust Company	4,888,196	2,291,969
Calamos Advisors	1,423,084	1,562,942
CastleArk Management	678,964	449,445
CBRE Clarion Real Estate Securities	1,157,619	1,095,485
Channing Capital Management	617,841	507,765
Chicago Equity Partners	500,910	477,836
Dune Capital Management	1,464,416	550,187
EARNEST Partners	267,364	166,398
Fiduciary Management Associates	579,405	476,564
Franklin Templeton Real Estate Advisors	835,563	850,917
Garcia Hamilton & Associates	129,697	76,483
GlobeFlex Capital, L.P.	2,055,723	1,836,287
Herndon Capital Management	536,938	492,768
Holland Capital Management	253,843	207,607
Jacobs Levy Equity Management	1,200,963	1,115,866
LM Capital Group	216,953	132,835
Lombardia Capital Partners	577,227	275,841
Longfellow Investment Management	76,667	69,568
Macquarie Capital	695,864	600,000
Martin Currie, Inc.	811,114	726,311
Mesirow Financial Investment Management	330,000	325,253
Mondrian Investment Partners	754,132	608,112
Muller and Monroe Asset Management	267,519	304,125
NCM Capital Management	-	129,457
Neuberger Berman	451,046	572,891
New Century Advisors	204,015	163,919
Northern Trust Asset Management	184,367	146,816
Oaktree Capital Management	-	117,746
Pacific Investment Management Company	4,209,319	4,211,528
Pantheon Ventures	2,046,052	2,160,091
Piedmont Investment Advisors	572,174	465,268
Profit Investment Management	163,671	157,588
Progress Investment Management Company	2,955,159	2,425,773
Pugh Capital Management	205,704	171,347
Pyramis Global Advisors Trust Company	1,655,039	1,829,382
RhumbLine Advisers	170,496	198,655
RLJ Western Asset Management	-	125,484
RREEF	117,936	2,866,318
Smith Graham & Company	129,260	103,277
State Street Global Advisors	58,851	68,954
Strategic Global Advisors	467,546	381,428
T. Rowe Price	2,667,107	2,139,187
Taplin, Canida & Habacht	189,850	130,752
TCW Metropolitan West Asset Management	701,648	1,477,649
UBS Realty Investors	2,690,072	1,839,541
Wellington Management Company	2,067,323	1,495,495
Total investment management fees	48,180,156	45,932,552
Master Trustee & Custodian		
The Northern Trust Company	1,513,732	1,297,175
Investment Consultant, Measurement & Counsel		
Callan Associates Inc.	160,500	396,000
Katten Muchin Rosenman	2,398	243,792
Mayer, Brown, Rowe & Maw	79,805	6,006
NEPC, LLC	284,020	-
Total investment fees	526,723	645,798
Investment Administrative Expenses		
Personnel	1,080,096	1,097,346
Resources and Travel	178,808	155,019
Performance Measurement and Database	46,876	46,325
Total administrative expenses	1,305,780	1,298,690
Total investment expenses	**$ 51,526,391**	**$ 49,174,215**

Supporting Schedules

Defined Benefit Plan
Summary Schedule of Cash Receipts and Disbursements
For the Year Ended June 30, 2014 ($ in millions)

Beginning cash and short-term investments balance	$ 564.6
Receipts	
Member contributions	287.6
Employer contributions	1,662.0
Investment income	2,719.0
Investments redeemed	17,678.4
Total receipts	22,347.0
Disbursements	
Benefit payments	2,011.9
Administrative expenses	13.3
Investment expenses	51.4
Fixed asset purchases	0.4
Refunds	72.0
SMP balance transfers	2.5
Investments purchased	19,967.8
Total disbursements	22,119.3
Ending cash and short-term investments balance	$ 792.3

18.2%

RATE OF RETURN

SURS investments generated an outstanding 18.2% rate of return for FY 2014.

The return exceeded benchmark levels and was well in excess of the 7.75% assumed rate of return in effect until June 30, 2014.

SURS 2014

INVESTMENT

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 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, 2013 through June 30, 2014.

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

Report of Investment Activity

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)

Investment Department

January 7, 2015

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 2014. SURS administers and oversees a large, public defined benefit investment program with assets currently in excess of $17 billion for the fiscal year ending June 30, 2014. In addition, the Self-Managed Plan (SMP), a defined contribution plan offered to members, continues to increase in size with assets of approximately $1.5 billion.

SURS investment performance for the fiscal year ended June 30, 2014 was excellent, returning 18.2%, 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 2014, the System's funding ratio, based on the market value of assets, increased from 43.7% to 46.4%. The funding ratio utilizing the asset smoothing valuation methodology adopted per legislation in 2009 increased for the fiscal year to 42.3% from 41.5%.

At the June 2014 meeting, at the recommendation of the actuary and the investment consultant, the Board of Trustees reduced the assumed rate of investment return from 7.75% to 7.25%. The rate of 7.75% had been utilized since fiscal year 2010, and prior to then, 8.5% since fiscal year 1997. Despite favorable long-term investment performance exceeding the assumed rate of return, SURS funding ratio continues to lag many of its peers. This shortfall is due to inadequate funding from the State over time. However, it is encouraging to note that SURS received the full fiscal year 2014 annual statutory contribution of $1,509.8 million, in addition to the fiscal year 2013 and 2012 annual statutory contributions. The recent funding, at levels consistent with the annual required contribution (ARC), demonstrates renewed actions by the legislature to assist in improving the severe underfunding status of SURS.

During the year, SURS conducted a search for the general investment consultant relationship. The search process resulted in the selection of NEPC by the Board, effective November 1, 2013. Following the selection, NEPC and staff immediately began the preparation of an asset/liability study.

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 conducted during fiscal year 2014. NEPC, with the assistance of SURS investment staff, presented the results, which were approved by the Board of Trustees in June 2014.

The outcomes of the study resulted in a modification of the investment strategy from previous years. As a means of reducing equity risk in the portfolio, additional strategies will be employed to reallocate some assets to other investible areas. The plan approved includes additions to emerging market debt, commodities and hedged strategies, while maintaining current allocations to private equity and real estate. Modifications to the portfolio are anticipated to occur over the next twelve to twenty-four months to allow a smooth transition.

Report of Investment Activity

Longer-term investment performance remains favorable. Over the past five-, ten-, and twenty-year periods, the SURS portfolio has earned 13.7%, 7.8% and 8.9% annualized rates of return, respectively, net of investment management fees. For longer time periods, the twenty-five and thirty year portfolio returns are also strong, with returns of 8.6% and 10.0%, respectively.

Outputs – Fiscal Year Ending June 30, 2014
The commitment to diversity at SURS remains constant. The allocation utilizing minority-, female-, and persons with a disability-owned investment managers is currently 24.5% of the SURS Investment Program, approximating $4.3 billion in assets. An Emerging Manager and Diversity Matters Subcommittee was initiated during the fiscal year to identify additional opportunities for minority, female and persons with a disability-owned firms in the SURS Investment Program. Subsequently, a Board Diversity Workshop was conducted in the fall of 2014 to invite discussion and dialog among the Trustees, staff and investment consultant.

A three-year, private equity funding plan was approved by the Board in fiscal year 2014 to continue investing in the asset class. The multi-year program was approved by the Board, $850 million in total, with planned allocations of $250 million for calendar year 2015, $300 million for calendar year 2016 and $300 million for calendar year 2017. Continuous investing is necessary to maintain the target allocation and vintage year diversification of the private equity portfolio. During the year, an additional $100 million commitment was approved by the Board.

SURS is continuously exploring avenues to more effectively monitor and manage the overall risk of the portfolio. Currently, the 60% target public equity allocation provides approximately 90% of the overall portfolio volatility. The recently approved asset allocation strategy is designed to reduce the target public equity exposure over time to a 50% level.

In summary, a number of key accomplishments were achieved during fiscal year 2014, several of which are documented below. The Investment Section of this Report provides further information regarding the Investment Program.

- The defined benefit portfolio produced favorable investment performance for fiscal year 2014, delivering a return of 18.2%, net of investment management fees.
- Total combined fund assets in the defined benefit and defined contribution plans are in excess of $18 billion, with the SURS investment program continuing its ranking as one of the largest 100 pension plans in the United States.
- Conducted a general investment consultant provider search.
- Assisted in an actuarial provider search.
- Conducted a cash overlay manager search to assist in managing operational cash portfolio levels consistent with the asset allocation targets approved by the Board.
- Private Equity Asset Class – During the year, $100 million in additional commitments in domestic and global strategies were approved by the Board.
- Private Equity Emerging Manager Fund of Funds – The Lincoln Fund, a $75 million program approved during fiscal year 2013 with Fairview Capital, designed to identify strategies managed by minority, female and persons with a disability-owned general partners, has been initiated with investments planned during 2014, 2015, and 2016.
- Infrastructure – During the year, a $50 million commitment was approved.
- Enhancement of Risk Management Oversight Practices – Quarterly reporting from the custodian provides increased monitoring and oversight of financial risk within the SURS Investment Portfolio.
- The Self-Managed Plan (SMP) completed its sixteenth year of existence, currently approximating $1.5 billion in member assets. The SMP includes a minority-owned investment firm as a fund choice option for members, which has been in place since the inception of the Program in 1998.

Report of Investment Activity

SURS is continuously addressing challenges and concerns regarding the funding status of the Defined Benefit Plan. SURS is currently 46.4% funded as of June 30, 2014 and will pay approximately $2.1 billion in benefit payments during fiscal year 2015. Favorable investment performance alone will not be sufficient to ease the existing funding gap. SURS interacts 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 2015 Investment Plan is posted on the SURS web site.

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, but realizes the challenge of adequate funding is constant. 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,

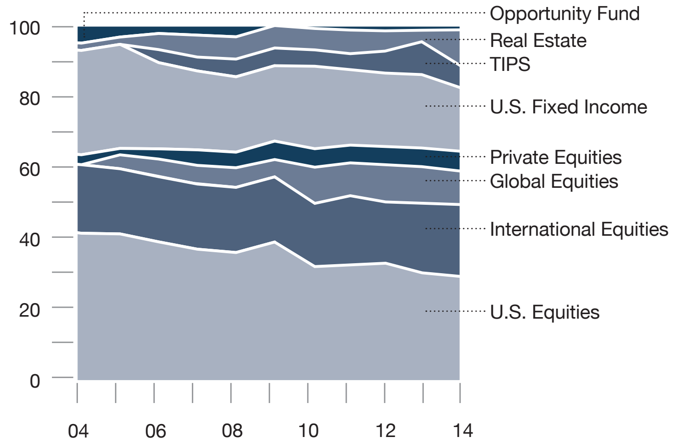
Daniel L. Allen
Chief Investment Officer

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

Asset Allocation History
% of Total Fund

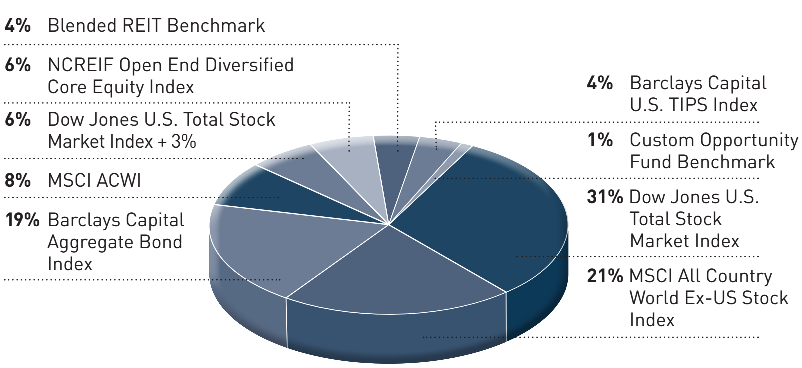


The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Periodically, asset allocation studies are conducted and the results of these studies guide the setting of investment policy. An asset/liability study completed in June 2014 resulted in slight modifications to SURS' asset allocation targets, and incorporated three additional asset classes to be gradually implemented in coordination with the actual transition of assets. The modified long-term strategic asset allocation targets are: 23.0% of the total fund invested in U.S. equities, 19.0% in non-U.S. equities, 8.0% in global equities, 6.0% in private equities, 19.0% in fixed income, 3.0% in emerging markets debt, 4.0% in treasury inflation-protected securities (TIPS), 10.0% in real estate investment trust securities (REITs) and direct real estate (through funds), 5.0% in hedged equities, 1.0% in the Opportunity Fund and 2.0% in commodities. These strategic asset allocation targets will be implemented over time to allow for proper diversification into emerging markets debt, hedged equities, commodities and direct real estate through funds. The graph titled Asset Allocation History details the various investment policy changes during the past 10 years.

Investment Objectives

The investment objective of the total portfolio is to produce annualized investment returns, net of all management fees, which exceed the return of a composite market benchmark or policy portfolio. The policy portfolio is comprised of market indices, which are consistent with the overall investment policy. The policy portfolio reflects a passive implementation of the investment policy. The strategic policy portfolio is comprised of the following benchmarks.

Policy Portfolio
as of June 30, 2014



Investment Summary

Asset Class	Benchmark	Strategic Policy Portfolio
U.S. Equity	Dow Jones U.S. Total Stock Market Index	23.0%
Non-U.S. Equity	Morgan Stanley All Country World Ex-U.S. Index	19.0
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
Emerging Markets Debt	New Allocation: Benchmark To Be Determined	3.0
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
Hedged Strategies	New Allocation: Benchmark To Be Determined	5.0
Opportunity Fund	Custom benchmark of the combined investments	1.0
Commodities	Bloomberg Commodity Index	2.0
		100.0%

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 Investorforce Public DB Funds > $1 Billion Index.

Investment Strategies

■ Diversification

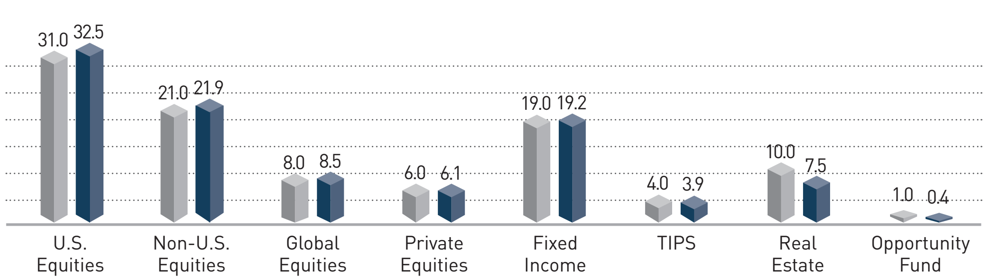
SURS invests in multiple asset classes utilizing various investment managers and strategies as a method to ensure overall fund diversification. As of June 30, 2014, the System had retained the services of 48 investment management firms, several of which manage multiple mandates, and an additional 21 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 73% in equities, 23% in fixed income, and 4% in direct real estate through funds, as compared with the target allocations of 68%, 26%, and 6%, respectively. Staff is gradually implementing the policy target allocations that were approved by the Board on June 13, 2014, through the strategic transition of assets among investment managers and planned searches.

Policy vs. Actual

Percentage



Investment Results

Long-Term Investment Results

The 10-year period ended June 30, 2014, provided returns that have matched the overall benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 7.8%. As shown in the investment results table, over the long term, SURS total fund returns are consistent with its market goal (policy portfolio) and more favorable than the median public pension funds benchmark.

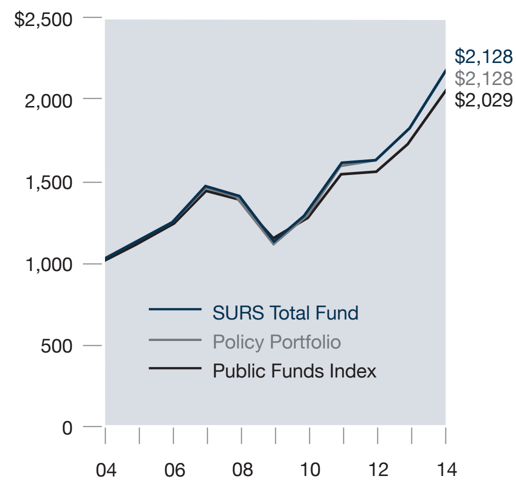
This consistent performance is best illustrated by the growth of $1,000 invested in SURS total fund, the policy portfolio and median public funds index during the past 10 years. The ending points indicate that $1,000 invested in SURS total fund would have grown to $2,128, while the same $1,000 invested in the policy portfolio and median public funds index would have grown to $2,128 and $2,029, respectively.

Fiscal Year 2014 Results

For the fiscal year ended June 30, 2014, SURS total fund returned 18.2%, outpacing the market goal, or policy portfolio by 0.2%. SURS' one-year return exceeded that of the median public pension fund return, as measured by the Investorforce Public DB > $1 Billion Index, by 0.6%. For the period, seven of the nine asset class portfolios, including non-U.S. equity, global equity, core/core plus/absolute return 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		
	2010	2011	2012	2013	2014	3 YR	5 YR	10 YR
Total Fund								
SURS	15.0%	23.8%	0.5%	12.5%	18.2%	10.1%	13.7%	7.8%
Policy Portfolio	16.0	23.4	1.7	12.4	18.0	10.4	14.0	7.8
Public Funds Index	11.8	20.9	0.7	11.9	17.6	9.9	12.4	7.3
CPI-U	1.0	3.6	1.7	1.8	2.1	1.8	2.0	2.3
U.S. Equity								
SURS	17.8	33.8	2.9	21.9	24.8	16.1	19.8	8.2
Dow Jones U.S. Total Stock Market	16.1	32.4	4.0	21.5	25.0	16.4	19.4	8.4
Non-U.S. Equity								
SURS	7.8	31.2	(13.5)	15.0	22.4	6.8	11.5	7.5
MSCI All Country World Index Ex-U.S.	10.4	29.7	(14.6)	13.6	21.8	5.7	11.1	7.7
Global Equity								
SURS	12.6	29.9	(5.8)	15.1	24.3	10.5	14.5	7.0
Performance Benchmark	11.8	30.1	(6.5)	16.6	22.9	10.3	14.3	7.2
Private Equity (1)								
SURS	18.5	19.8	8.4	7.1	18.7	10.9	14.6	11.7
Dow Jones U.S. Total Stock Market + 3%	57.6	22.7	12.3	17.5	25.6	17.6	25.0	11.0
Fixed Income								
SURS	14.5	5.2	6.7	0.8	4.4	3.9	6.2	5.8
Performance Benchmark (3)	9.5	3.9	7.5	(0.7)	4.4	3.7	4.9	5.1
TIPS								
SURS	11.6	7.9	12.0	(4.4)	4.9	3.9	6.2	5.7
Performance Benchmark	9.5	7.7	11.7	(4.8)	4.4	3.6	5.6	5.1
Direct Real Estate (2)								
SURS	(6.4)	19.2	12.5	9.8	14.6	12.1	8.5	4.9
Performance Benchmark	(18.8)	19.0	13.6	9.7	13.5	12.2	6.4	5.7
Real Estate (REITs)								
SURS	41.5	34.7	7.2	10.1	14.1	10.4	20.7	9.1
Performance Benchmark	42.7	34.1	7.7	10.0	13.4	10.4	20.8	8.5
Opportunity Fund								
SURS	44.7	22.2	2.6	27.0	8.1	12.1	20.0	11.1
Performance Benchmark	33.5	11.0	10.3	6.2	1.5	5.5	11.4	4.3

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

Investment Results

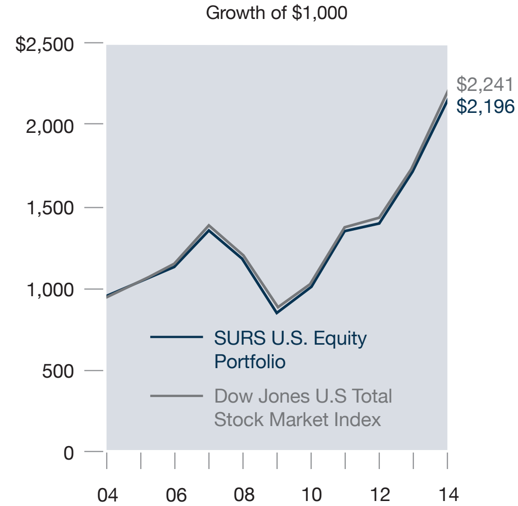
U.S. Equities

For the fiscal year 2014, SURS U.S. equity portfolio returned 24.8%. SURS portfolio underperformed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 0.2%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 25.0%. All segments of the U.S. equity market posted positive returns. Growth outperformed value stocks, while small cap outpaced large cap stocks. As a result of enhancements implemented 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 $2,196 (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 $2,241.

	FY 2014	3 YR	5 YR	10 YR
SURS	**24.8%**	**16.1%**	**19.8%**	**8.2%**
DJ U.S. TSM	25.0	16.4	19.4	8.4
DJ U.S. Large Cap TSM	24.9	16.5	19.0	8.2
DJ U.S. Large Cap Growth TSM	29.7	16.7	19.1	8.4
DJ U.S. Large Cap Value TSM	21.2	16.3	18.3	7.5
DJ U.S. Small Cap TSM	26.4	16.3	22.7	10.6
DJ U.S. Small Cap Growth TSM	28.0	16.3	23.0	11.2
DJ U.S. Small Cap Value TSM	24.8	16.2	22.4	9.8
S&P 500	24.6	16.6	`18.8	7.8
Russell 3000	25.2	16.5	19.3	8.2
Russell 2000	23.6	14.6	20.2	8.7

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



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
Apple Inc	1,796,164	$166,917,521
Exxon Mobil Corp	843,943	84,968,181
Microsoft Corp	2,020,384	84,250,013
Johnson & Johnson	696,765	72,895,554
Wells Fargo & Co	1,115,630	58,637,513
JP Morgan Chase & Co	1,013,321	58,387,556
Chevron Corp	446,467	58,286,267
General Electric Co	1,904,679	50,054,964
Procter & Gamble	597,901	46,989,040
Pfizer Inc	1,556,515	46,197,365

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

Investment Results

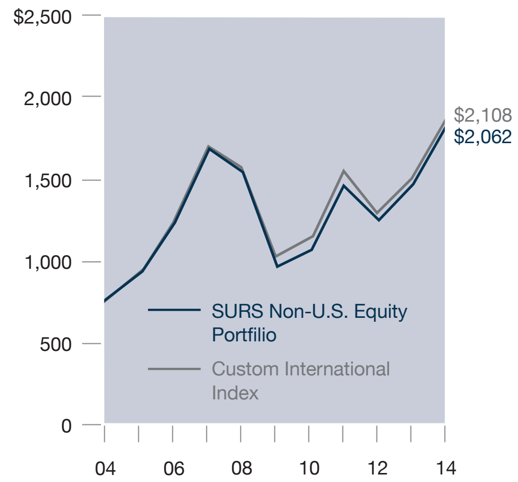
Non-U.S. Equities

For fiscal year 2014, SURS non-U.S. equity portfolio returned 22.4%, surpassing its benchmark return by 0.6%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, rose 21.8% 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 $2,062 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $2,108.

	FY 2014	3 YR	5 YR	10 YR
SURS	**22.4%**	**6.8%**	**11.5%**	**7.5%**
MSCI ACWI Ex-US	21.8	5.7	11.1	7.7
MSCI EAFE	23.6	8.1	11.8	6.9
MSCI Emerging Markets	14.3	(0.4)	9.2	11.9

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



TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
BG Group (United Kingdom)	1,417,449	$29,931,772
Royal Dutch Shell (United Kingdom)	657,518	27,203,964
Novartis AG (Switzerland)	277,044	25,086,415
Sanofi (France)	235,474	25,011,731
Anheuser-Busch Inbev (Belgium)	211,359	24,279,163
Roche Holdings AG (Switzerland)	79,640	23,753,699
BP (United Kingdom)	2,547,535	22,428,544
Total (France)	269,616	19,483,459
Novo-Nordisk (Denmark)	407,310	18,745,296
AIA Group (Hong Kong)	3,518,000	17,679,989

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

Investment Results

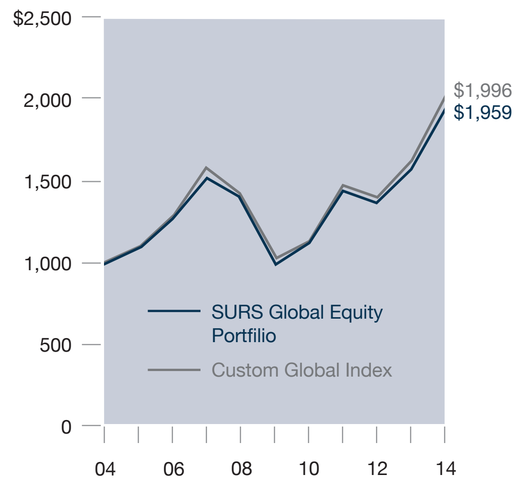
Global Equities

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 surpassed its benchmark by 1.4% for the fiscal year, returning 24.3%. 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.

The accompanying chart indicates the growth of $1,000 invested in the global equity markets during the past 10 years. The ending points indicate that $1,000 invested in SURS global equity portfolio would have grown to $1,959 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,996.

	FY 2014	3 YR	5 YR	10 YR
SURS	**24.3%**	**10.5%**	**14.5%**	**7.0%**
MSCI ACWI	22.9	10.3	14.3	7.5
MSCI World	24.0	11.8	15.0	7.2
Dow Jones U.S. Total Stock Market	25.0	16.4	19.4	8.4
MSCI EAFE	23.6	8.1	11.8	6.9
MSCI ACWI Ex US	21.8	5.7	11.1	7.7

Global Equity Portfolio
Growth of $1,000



Private Equities

SURS private equity portfolio posted a positive return of 18.7% during fiscal year 2014. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +3%, returned 25.6%. As of June 30, 2014, the valuation of SURS private equity portfolio was $1.060 billion, representing 6.1% 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 $2.605 billion has been committed to these funds, and of this amount approximately $2.111 billion has been invested. In addition, during this same period, SURS has received more than $2.457 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. 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 2014	3 YR	5 YR	10 YR	Since Inception
SURS	**18.7%**	**10.9%**	**14.6%**	**11.7%**	**21.7%**
Performance Benchmark	25.6	17.6	25.0	11.0	13.6

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

Investment Results

Fixed Income

The SURS fixed income portfolio returned 4.4% for fiscal year 2014, matching the 4.4% 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. sectors. This asset class has proven to be the most consistent asset of all the portfolios, generating above benchmark returns in 23 of the past 26 fiscal years.

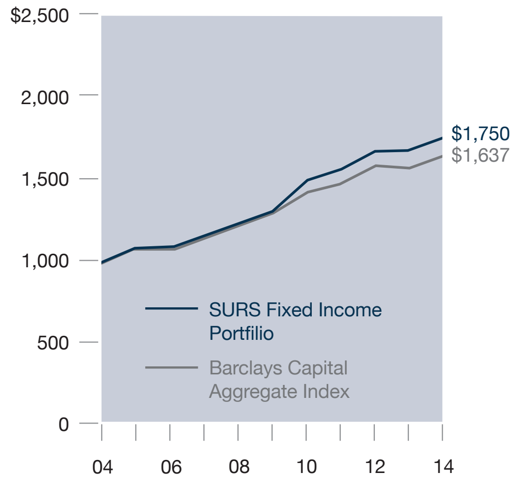
During fiscal year 2013, an asset structure analysis of the asset class was conducted. The restructuring process included the implementation of an unconstrained fixed income investment strategy into the portfolio as well as a rebalancing of the assets managed by the existing investment manager lineup.

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 below indicates, SURS portfolio has consistently added value over each of the longer-term periods presented.

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 $1,750 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,637.

	FY 2014	3 YR	5 YR	10 YR
SURS	**4.4%**	**3.9%**	**6.2%**	**5.8%**
Barclays Capital Aggregate	4.4	3.7	4.9	4.9
Barclays Capital Universal	5.2	4.2	5.6	5.3
Long Term Govt.	6.4	8.7	7.4	7.2
Intermediate Govt.	1.5	2.0	2.8	3.9
Long Term Corp.	13.4	9.9	11.3	7.6
Intermediate Corp.	5.6	4.9	7.0	5.4
Mortgage-Backed	4.7	2.8	3.9	4.9

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
U.S. Treasury Notes	AA+	2.500	May 15, 2024	146,180,000	145,974,471
U.S. Treasury Inflation Index Notes	AA+	0.125	July 15, 2022	53,745,000	55,776,902
U.S. Treasury Inflation Index Notes	AA+	0.125	January 15, 2022	42,835,000	45,159,880
U.S. Treasury Inflation Index Notes	AA+	0.125	January 15, 2023	42,350,000	43,342,231
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2025	28,385,000	43,244,940
U.S. Treasury Inflation Index Bonds	AA+	1.750	January 15, 2028	30,255,000	39,411,354
U.S. Treasury Inflation Index Notes	AA+	0.625	January 15, 2024	37,000,000	38,951,643
U.S. Treasury Inflation Index Notes	AA+	1.125	January 15, 2021	32,985,000	38,717,505
U.S. Treasury Inflation Index Notes	AA+	0.125	April 15, 2016	30,340,000	33,438,030
U.S. Treasury Inflation Index Bonds	AA+	2.000	January 15, 2026	23,080,000	32,477,054

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

Investment Results

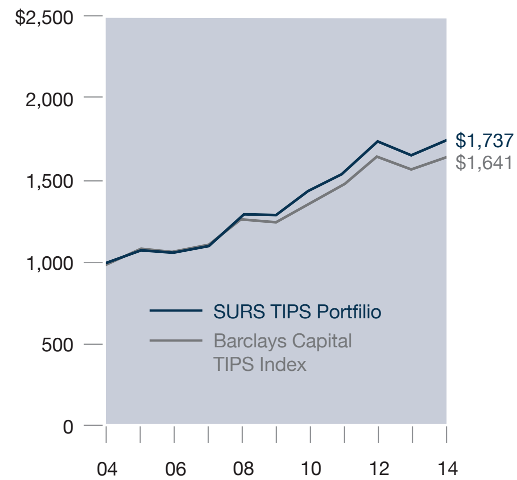
Treasury Inflation-Protected Securities (TIPS)

During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2014, TIPS accounted for a 3.9% allocation of the total fund. The TIPS portfolio returned 4.9% for fiscal year 2014, exceeding its Barclays Capital U.S. TIPS benchmark by 0.5%. The portfolio's three-, five-, and ten-year returns outpaced the annualized benchmark returns by 0.3%, 0.6% and 0.6%, respectively.

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 $1,737 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,641.

	FY 2014	3 YR	5 YR	10 YR
SURS	**4.9%**	**3.9%**	**6.2%**	**5.7%**
Performance Benchmark	4.4	3.6	5.6	5.1

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 $737 million has been committed to direct real estate funds, and of this amount approximately $596 million has been invested. The direct real estate portfolio returned 14.6% for the fiscal year, outperforming its benchmark by 1.1%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned 13.5% for the same period. The returns from this asset class lag one quarter due to the time frame associated with data collection for both accounting and performance reporting purposes.

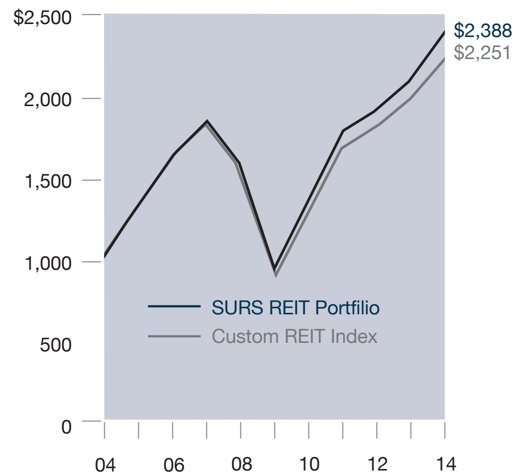
SURS total REITs portfolio increased 14.1% during the fiscal year, outperforming its benchmark, a blend of the Dow Jones U.S. Select Real Estate Securites Index and the FTSE EPRA/NAREIT Developed Index, by 0.7%. The portfolio's three-year return matched the benchmark return and the five-year return trailed the benchmark return by 0.1% on an annualized basis.

The accompanying chart indicates the growth of $1,000 invested in the REITs market during the past 10 years. The ending points indicate that $1,000 invested in SURS REITs portfolio would have increased to $2,388 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $2,251.

	FY 2014	3 YR	5 YR	10 YR
SURS	**14.6%**	**12.1%**	**8.5%**	**4.9%**
NCREIF ODCE Index	13.5	12.2	6.4	5.7

	FY 2014	3 YR	5 YR	10 YR
SURS	**14.1%**	**10.4%**	**20.7%**	**9.1%**
Performance Benchmark	13.4	10.4	20.8	8.5
Dow Jones U.S. Select Real Estate Securities	13.3	11.2	23.8	9.3
FTSE EPRA/NAREIT Developed Index	13.5	9.4	0.4	-
FTSE EPRA/NAREIT Developed Ex-U.S.	14.8	8.6	(0.7)	-

REITs Portfolio
Growth of $1,000



Investment Results

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, 2014, there was one type of investment in the portfolio: an infrastructure portfolio. SURS has committed $80 million to the infrastructure portfolio.

The Opportunity Fund returned 8.1% during the fiscal year, surpassing its custom benchmark return by 6.6%. 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 2014	3 YR	5 YR	10 YR
SURS	**8.1%**	**12.1%**	**20.0%**	**11.1%**
Performance Benchmark	1.5	5.5	11.4	4.3

Self-Managed Plan

Fiscal year 2014 marks the sixteenth complete year of the Self-Managed Plan (SMP). As of June 30, 2014, the SMP had accumulated plan assets of $1.58 billion. This represents an increase of approximately $325 million since the end of fiscal year 2013. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of $232 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 72% equity, 27% fixed income, and 1% real estate. This was a 3% 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, 2014

	U.S. Equity	Non-U.S. Equity	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio Class 2	$ -	$ -	$ 25,731,589	$ -	$ -	$ 25,731,589
Spartan U.S. Bond Index Institutional	-	-	22,439,570	-	-	22,439,570
PIMCO Total Return Institutional	-	-	32,732,566	-	-	32,732,566
Fidelity Four In One Index	-	-	-	13,290,223	-	13,290,223
Fidelity Puritan Class K	-	-	-	177,159,223	-	177,159,223
Ariel Fund Institutional	27,441,109	-	-	-	-	27,441,109
American Beacon Large Cap Value Inst.	7,846,418	-	-	-	-	7,846,418
Buffalo Small Cap	14,172,028	-	-	-	-	14,172,028
Hartford Capital Appreciation Y	36,740,582	-	-	-	-	36,740,582
Fidelity Growth Company Class K	71,871,125	-	-	-	-	71,871,125
Spartan Extended Market Index Advantage	29,278,524	-	-	-	-	29,278,524
Fidelity Contrafund Class K	81,209,795	-	-	-	-	81,209,795
Fidelity Low Priced Stock Class K	43,308,830	-	-	-	-	43,308,830
Spartan Total Market Index Institutional	19,943,361	-	-	-	-	19,943,361
Spartan 500 Index Institutional	80,810,845	-	-	-	-	80,810,845
Fidelity Diversified International Class K	-	40,287,054	-	-	-	40,287,054
Spartan International Index Institutional	-	17,477,755	-	-	-	17,477,755
Fidelity Worldwide	-	22,225,796	-	-	-	22,225,796
Fidelity Real Estate Investment	-	-	-	-	11,921,425	11,921,425
Fidelity Freedom K 2000 (1)	-	-	-	281,648	-	281,648
Fidelity Freedom K 2005 (1)	-	-	-	218,914	-	218,914
Fidelity Freedom K 2010 (1)	-	-	-	1,830,174	-	1,830,174
Fidelity Freedom K 2015 (1)	-	-	-	5,806,925	-	5,806,925
Fidelity Freedom K 2020 (1)	-	-	-	13,074,005	-	13,074,005
Fidelity Freedom K 2025 (1)	-	-	-	15,568,882	-	15,568,882
Fidelity Freedom K 2030 (1)	-	-	-	19,381,543	-	19,381,543
Fidelity Freedom K 2035 (1)	-	-	-	15,933,379	-	15,933,379
Fidelity Freedom K 2040 (1)	-	-	-	16,404,758	-	16,404,758
Fidelity Freedom K 2045 (1)	-	-	-	8,462,031	-	8,462,031
Fidelity Freedom K 2050 (1)	-	-	-	5,237,519	-	5,237,519
Fidelity Freedom K 2055 (1)	-	-	-	1,134,543	-	1,134,543
Fidelity Freedom K Income	-	-	-	1,603,063	-	1,603,063
Fidelity Total	**412,622,617**	**79,990,605**	**80,903,725**	**295,386,830**	**11,921,425**	**880,825,202**
						59.1%
TIAA-CREF Funds						
CREF Money Market Account	-	-	19,088,963	-	-	19,088,963
TIAA Traditional Annuity	-	-	86,483,099	-	-	86,483,099
CREF Bond Market Account	-	-	41,029,212	-	-	41,029,212
CREF Inflation-Linked Bond Account	-	-	21,605,972	-	-	21,605,972
CREF Social Choice Account	-	-	-	47,944,499	-	47,944,499
CREF Equity Index Account	67,128,805	-	-	-	-	67,128,805
CREF Growth Account (2)	370,460	-	-	-	-	370,460
CREF Stock Account	144,157,930	-	-	-	-	144,157,930
CREF Global Equities Account	-	48,799,535	-	-	-	48,799,535
TIAA Real Estate Account	-	-	-	-	8,426,543	8,426,543
TIAA-CREF Large-Cap Growth Index Institution	74,889,617	-	-	-	-	74,889,617
TIAA-CREF Lifecycle Fund 2010 - Institutional	-	-	-	808,613	-	808,613
TIAA-CREF Lifecycle Fund 2015 - Institutional	-	-	-	3,541,337	-	3,541,337
TIAA-CREF Lifecycle Fund 2020 - Institutional	-	-	-	4,436,844	-	4,436,844
TIAA-CREF Lifecycle Fund 2025 - Institutional	-	-	-	5,705,248	-	5,705,248
TIAA-CREF Lifecycle Fund 2030 - Institutional	-	-	-	8,291,460	-	8,291,460
TIAA-CREF Lifecycle Fund 2035 - Institutional	-	-	-	7,656,970	-	7,656,970
TIAA-CREF Lifecycle Fund 2040 - Institutional	-	-	-	11,811,036	-	11,811,036
TIAA-CREF Lifecycle Fund 2045 - Institutional	-	-	-	4,108,841	-	4,108,841
TIAA-CREF Lifecycle Fund 2050 - Institutional	-	-	-	1,968,902	-	1,968,902
TIAA-CREF Lifecycle Fund 2055 - Institutional	-	-	-	522,129	-	522,129
TIAA-CREF Lifecycle Retirement Inc - Institution	-	-	-	779,172	-	779,172
TIAA-CREF Total	**286,546,812**	**48,799,535**	**168,207,246**	**97,575,051**	**8,426,543**	**609,555,187**
						40.9%
GRAND TOTALS	**$699,169,429**	**$128,790,140**	**$249,110,971**	**$392,961,881**	**$20,347,968**	**$1,490,380,389**
	46.9%	**8.6%**	**16.7%**	**26.4%**	**1.4%**	**100.0%**
SMP Forfeiture Reserve (3)						**6,896,338**
SMP Disability Reserve (3)						**82,503,145**
Total SMP Investments						**$1,579,779,872**

1. As of June 30, 2014, 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, 2014 ($ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
U.S. Equity Managers - Passive					
Northern Trust Asset Management	$1,973,175	$ -	$ -	$1,973,175	11%
RhumbLine Advisers	1,180,855	-	-	1,180,855	7%
Subtotal	3,154,030	-	-	3,154,030	18%
Non-U.S. Equity Managers - Passive					
BTC Custom International Fund	1,640,503	-	-	1,640,503	9%
BTC Emerging Markets Fund	183,909	-	-	183,909	1%
Subtotal	1,824,412	-	-	1,824,412	11%
U.S. Equity Managers - Active					
CastleArk Management	108,447	-	-	108,447	1%
Channing Capital Management	115,357	-	-	115,357	1%
EARNEST Partners	101,897	-	-	101,897	1%
Fiduciary Management Associates	101,466	-	-	101,466	1%
Holland Capital Management	98,059	-	-	98,059	1%
Jacobs Levy Equity Management	375,841	-	-	375,841	2%
Lombardia Capital Partners	107,139	-	-	107,139	1%
Pacific Investment - StocksPlus	371,555	-	-	371,555	2%
Piedmont Investment Advisors	375,604	-	-	375,604	2%
Progress Emerging Managers	371,897	-	-	371,897	2%
T. Rowe Price	372,179	-	-	372,179	2%
Subtotal	2,499,441	-	-	2,499,441	14%
Non-U.S. Equity Managers - Active					
Ativo Capital Management	108,011	-	-	108,011	1%
BTC International Alpha Tilts	470,119	-	-	470,119	3%
GlobeFlex Capital	226,849	-	-	226,849	1%
Herndon Capital Management	169,714	-	-	169,714	1%
Martin Currie	198,447	-	-	198,447	1%
Progress Emerging Managers	181,690	-	-	181,690	1%
Pyramis Global Advisors	517,748	-	-	517,748	3%
Strategic Global Advisors	99,697	-	-	99,697	1%
Subtotal	1,972,275	-	-	1,972,275	11%
Global Equity Managers - Active					
Calamos Investments	336,153	-	-	336,153	2%
Mondrian Investment Partners	383,481	-	-	383,481	2%
T. Rowe Price	352,903	-	-	352,903	2%
Wellington Management	404,555	-	-	404,555	2%
Subtotal	1,477,092	-	-	1,477,092	9%
Private Equity Managers					
Adams Street Partners	191,111	-	-	191,111	1%
Adams Street 2014 Global Fund	9,073	-	-	9,073	0%
Adams Street 2013 Global Fund	13,460	-	-	13,460	0%
Adams Street 2012 Global Fund	19,762	-	-	19,762	0%
Adams Street 2009 Global Offering	66,148	-	-	66,148	0%
Adams Street 2008 Global Offering	75,877	-	-	75,877	0%
Adams Street 2007 Global Oppor Ptf	93,390	-	-	93,390	1%
Adams Street Global Oppor Secondary	6,193	-	-	6,193	0%
Adams Street Global Secondary Fund 5	4,259	-	-	4,259	0%
Adams Street 2004 Non-U.S. Fund	34,828	-	-	34,828	0%
Fairview Lincoln Fund I	1,247	-	-	1,247	0%
Muller and Monroe ILPEFF	11,926	-	-	11,926	0%
Muller and Monroe MPEFF	17,378	-	-	17,378	0%
Pantheon Europe Fund III	37,072	-	-	37,072	0%
Pantheon Europe Fund VI	30,779	-	-	30,779	0%
Pantheon Europe Fund VII	16,228	-	-	16,228	0%
Pantheon Global	1,099	-	-	1,099	0%
Pantheon Global Secondary Fund II	8,211	-	-	8,211	2%
Pantheon USA IX	32,571	-	-	32,571	0%
Pantheon USA VIII	89,075	-	-	89,075	1%
Pantheon Ventures, Inc.	318,032	-	-	318,032	0%
Subtotal	1,077,719	-	-	1,077,719	6%

Asset Allocation

Defined Benefit Plan Asset Allocation
June 30, 2014 ($ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
Fixed Income Managers - Passive					
Cash	$ -	$ 225,822	$ -	$ 225,822	1%
State Street Global Advisors	-	398,331	-	398,331	2%
Subtotal	-	624,153	-	624,153	4%
Fixed Income Managers - Active					
Chicago Equity Partners	-	313,001	-	313,001	2%
Garcia Hamilton & Associates	-	97,235	-	97,235	1%
LM Capital Group	-	149,157	-	149,157	1%
Neuberger Berman	-	315,594	-	315,594	2%
Pacific Investment	-	435,156	-	435,156	3%
Pacific Investment Unconstrained	-	434,114	-	434,114	3%
Progress Emerging Managers	-	117,395	-	117,395	1%
Pugh Capital Management	-	150,187	-	150,187	1%
Smith Graham & Company	-	96,820	-	96,820	1%
Taplin Canida & Habacht	-	128,320	-	128,320	1%
TCW Metropolitan West Asset Mgmt	-	470,915	-	470,915	3%
Subtotal	-	2,707,894	-	2,707,894	16%
Treasury Inflation-Protected Securities - Active					
Longfellow Investment Management	-	167,889	-	167,889	1%
New Century Advisors	-	165,634	-	165,634	1%
Pacific Investment - U.S. TIPS	-	337,497	-	337,497	2%
Subtotal	-	671,020	-	671,020	4%
Direct Real Estate					
Dune Real Estate Parallel Fund II	-	-	29,597	29,597	0%
Dune Real Estate Fund III	-	-	45,751	45,751	0%
Franklin Templeton EMREFF	-	-	48,046	48,046	0%
Franklin Templeton FTPREF	-	-	21,260	21,260	0%
Heitman America Real Estate Trust	-	-	-	-	0%
JPMCB Strategic Property Fund	-	-	151,754	151,754	1%
Mesirow MFIRE II	-	-	35,692	35,692	0%
RREEF America III Fund	-	-	14,122	14,122	0%
RREEF West Funds	-	-	147	147	0%
UBS Trumbull Property Fund	-	-	293,135	293,135	2%
Subtotal	-	-	639,504	639,504	4%
Real Estate Investment Securities: U.S. - Passive					
BTC	116,900	-	-	116,900	1%
Subtotal	116,900	-	-	116,900	1%
Real Estate Investment Securities: U.S. - Active					
CBRE Clarion Real Estate Securities	138,053	-	-	138,053	1%
Subtotal	138,053	-	-	138,053	1%
Real Estate Investment Securities: Global					
BTC	311,788	-	-	311,788	2%
CBRE Clarion Real Estate Securities	103,493	-	-	103,493	1%
Subtotal	415,281	-	-	415,281	2%
Opportunity Fund					
Alinda Capital Partners	38,703	-	-	38,703	0%
Macquarie Capital	30,094	-	-	30,094	0%
Subtotal	68,797	-	-	68,797	0%
SMP Forfeiture/Disability Reserves (B)	(60,888)	(27,091)	(1,420)	(89,399)	(1)%
TOTAL FUND	**$12,683,112**	**$3,975,976**	**$638,084**	**$17,297,172(A)**	**100%**
% OF TOTAL FUND (C)	**73.3%**	**23.0%**	**3.7%**	**100.0%**	

(A) Amount includes net pending transactions of ($190,861) and accrued investment income receivable of $39,570.
(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, 2014

	2014		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 184,016	8,228,725	$ 0.02
ITG (Investment Technology Group)	124,255	18,755,368	0.01
Bank of New York ConvergEx Execution	92,692	3,242,232	0.03
Cabrera Capital Markets	65,479	2,310,238	0.03
Cheevers & Company	64,983	4,354,132	0.01
Goldman Sachs	54,309	1,870,688	0.03
Williams Capital Group	51,531	2,167,984	0.02
JP Morgan Chase & Company	45,886	1,629,553	0.03
Piper Jaffray & Company	42,718	1,432,302	0.03
CAPIS (Capital Institutional Services)	40,330	1,225,236	0.03
CastleOak Securities	36,170	1,164,277	0.03
William Blair & Company	34,047	1,034,130	0.03
Credit Suisse	33,700	1,253,888	0.03
Merrill Lynch	27,658	1,311,664	0.02
Citigroup Global Markets	27,207	1,332,714	0.02
Liquidnet	26,826	1,430,049	0.02
Stifel, Nicolaus & Company	24,967	756,961	0.03
Deutsche Bank	24,373	878,735	0.03
Stephens	23,650	752,046	0.03
Robert W. Baird & Company	23,264	684,420	0.03
BOE Securities	22,611	1,129,758	0.02
Morgan Stanley	21,466	726,575	0.03
Craig-Hallum	21,326	759,092	0.03
Cantor Fitzgerald	19,591	737,300	0.03
Valdes & Moreno	18,798	474,713	0.04
Topeka Capital Markets	18,284	592,361	0.03
M Ramsey King Securities	17,010	663,025	0.03
Abel/Noser	16,456	394,555	0.04
Jefferies & Company	15,576	427,364	0.04
Interstate Group	15,559	458,265	0.03
KeyBanc Capital Markets	15,437	406,734	0.04
Andes Capital Group	13,640	321,019	0.04
Bloomberg Tradebook	13,093	460,729	0.03
JonesTrading Institutional Services	13,006	569,252	0.02
Wedbush Morgan Securities	11,776	348,409	0.03
Northland Securities	11,667	387,942	0.03
Instinet	11,300	575,268	0.02
Barclays	10,542	452,938	0.02
BTIG (Bass Trading International Group)	9,491	388,449	0.02
MR Beal & Company	9,360	291,740	0.03
JMP Securities	7,711	215,412	0.04
Wunderlich Securities	7,564	217,208	0.03
Oppenheimer & Company	7,422	231,201	0.03
Drexel Hamilton	7,341	170,463	0.04
Sanford C. Bernstein	6,633	324,189	0.02
Blaylock Robert Van	6,601	224,215	0.03
Knight Execution & Clearing Services	6,426	370,073	0.02
Cowen & Company	6,263	193,054	0.03
Canaccord Adams	5,878	171,033	0.03
BMO Capital Markets	5,813	187,000	0.03
All Other Brokers	171,554	5,832,020	0.03
Grand Totals, All Brokers	**$ 1,593,256**	**74,516,698**	**$ 0.02**

Supporting Schedules

Top 50 Brokers and Total International Equity Investment Commissions
For the Year Ended June 30, 2014

Investment Brokerage Firm	2014 Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 244,119	34,257,476	$ 0.01
UBS	182,913	30,522,996	0.01
Barclays	97,134	18,817,334	0.01
Goldman Sachs	96,621	8,204,966	0.01
North South Capital	91,273	6,265,026	0.01
Bank of New York ConvergEx Execution	87,434	13,024,713	0.01
Cheevers & Company	66,041	39,859,142	-
Credit Suisse	64,532	4,662,034	0.01
Instinet	61,909	13,603,906	-
Deutsche Bank	59,384	5,409,439	0.01
Cabrera Capital Markets	56,522	8,230,352	0.01
MR Beal & Company	49,765	2,817,142	0.02
Penserra Securities	48,337	4,322,664	0.01
JP Morgan Chase & Company	47,647	3,028,442	0.02
M Ramsey King Securities	40,269	3,056,049	0.01
Macquarie Securities	40,170	2,004,580	0.02
Citigroup Global Markets	39,481	3,631,973	0.01
Morgan Stanley	37,758	2,091,994	0.02
Bank of America	35,848	1,672,166	0.02
Merrill Lynch	34,906	3,930,548	0.01
Jefferies & Company	34,806	4,721,945	0.01
Daiwa Securities Group	30,126	5,702,503	0.01
ITG (Investment Technology Group)	26,392	2,232,539	0.01
Melvin Securities	24,479	1,269,055	0.02
Exane	24,380	967,849	0.03
Calyon	24,117	1,719,981	0.01
BNY Mellon	23,140	806,098	0.03
CLSA	22,891	10,597,899	-
Sanford C. Bernstein	21,799	1,641,185	0.01
HSBC	14,562	2,189,585	0.01
BTIG (Bass Trading International Group)	14,025	689,926	0.02
Societe Generale Securities	11,619	480,022	0.02
DBS Vickers Securities	11,500	4,517,220	-
Williams Capital Group	11,144	1,287,052	0.01
Nomura	9,683	314,600	0.03
Redburn Partners	9,200	211,832	0.04
Royal Bank of Canada	8,655	734,727	0.01
Kepler Capital Markets	7,952	317,525	0.03
Credit Lyonnais	7,416	862,657	0.01
Mitsubishi UFJ Securities	6,499	170,100	0.04
BMO Capital Markets	5,860	204,050	0.03
Liquidnet	5,852	692,339	0.01
Divine Capital Markets	5,730	190,990	0.03
Mizuho Securities	4,612	149,450	0.03
Bank of China International	4,562	1,480,300	-
Investec Securities	4,134	427,332	0.01
ABG Sundal Collier Norge Asa	4,038	222,900	0.02
Goodbody	3,999	1,689,788	-
Wallachbeth Capital	3,570	713,880	0.01
Joh. Berenberg, Gossler & Company	2,866	122,490	0.02
All Other Brokers	44,958	6,705,939	0.01
Grand Totals, All Brokers	**$ 1,916,629**	**263,446,700**	**$ 0.01**

Supporting Schedules

Top 50 Brokers and Total Global Equity Investment Commissions
For the Year Ended June 30, 2014

	2014		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Morgan Stanley	$ 105,401	11,088,279	$ 0.01
Cabrera Capital Markets	94,875	3,847,348	0.02
Goldman Sachs	94,813	5,781,755	0.02
Citigroup Global Markets	90,512	6,805,415	0.01
Bank of America	88,940	3,378,122	0.03
UBS	84,511	9,135,719	0.01
Loop Capital Markets	82,161	2,750,112	0.03
Deutsche Bank	64,150	5,650,652	0.01
Credit Suisse	54,648	7,028,320	0.01
JP Morgan Chase & Company	48,167	5,690,719	0.01
Sanford C. Bernstein	33,954	3,205,845	0.01
Barclays	31,538	1,504,920	0.02
Merrill Lynch	23,985	2,847,748	0.01
HSBC	23,918	1,769,678	0.01
Telsey Advisory Group	23,220	664,866	0.03
RBC Capital Markets	21,508	1,861,544	0.01
Blaylock Robert Van	21,346	560,500	0.04
Williams Capital Group	21,220	777,184	0.03
Credit Agricole	18,380	3,094,867	0.01
Macquarie Securities	16,809	1,780,305	0.01
CLSA	15,904	1,785,916	0.01
Bank of America Securities	15,851	1,166,929	0.01
Bloomberg Tradebook	11,634	883,203	0.01
Nomura	11,386	1,548,362	0.01
N+1 Group (Nmas 1)	11,246	4,010,504	0.00
Societe Generale Securities	11,133	239,950	0.05
M Ramsey King Securities	10,375	374,125	0.03
Academy Securities	10,119	288,658	0.04
ITG (Investment Technology Group)	8,773	1,656,202	0.01
Drexel Hamilton	8,333	238,060	0.04
Banco Itau	7,509	761,200	0.01
Jefferies & Company	6,686	1,052,753	0.01
Exane	6,503	584,236	0.01
Daiwa Securities Group	6,484	521,311	0.01
CL King & Associates	6,452	192,001	0.03
Fidentiis Equities S.V. S.A.	5,674	1,269,718	0.00
Santander Investment Securities	5,661	303,313	0.02
Stifel, Nicolaus & Company	5,535	157,530	0.04
Jones & Associates	5,294	62,302	0.08
Redburn Partners	5,269	815,814	0.01
Raymond James & Associates	4,968	137,910	0.04
BTG Pactual	4,862	598,400	0.01
BMO Capital Markets	4,774	166,120	0.03
BNP Paribas	4,716	215,267	0.02
Credit Lyonnais	4,516	220,900	0.02
Keefe, Bruyette & Woods	4,102	142,504	0.03
Instinet	4,082	445,498	0.01
Joh. Berenberg, Gossler & Company	3,566	17,614	0.20
BBVA Bolsa S.V. S.A.	3,312	969,149	-
Pacific Crest Securities	3,295	84,700	0.04
All Other Brokers	100,990	9,634,173	0.01
Grand Totals, All Brokers	**$ 1,363,060**	**109,768,220**	**$ 0.01**

Supporting Schedules

All Brokers and Total REIT Investment Commissions
For the Year Ended June 30, 2014

	2014		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Cheevers & Company	$ 35,204	782,310	$ 0.05
UBS	9,571	1,794,661	0.01
JP Morgan Chase & Company	7,960	1,778,068	-
Merrill Lynch	7,578	1,087,487	0.01
Citigroup Global Markets	5,105	929,987	0.01
Morgan Stanley	4,053	475,366	0.01
Deutsche Bank	3,724	232,066	0.02
Green Street Advisors	3,086	84,172	0.04
Macquarie Securities	3,010	1,236,074	-
Stifel, Nicolaus & Company	2,492	55,380	0.05
Goldman Sachs	2,248	223,468	0.01
ITG (Investment Technology Group)	2,053	68,430	0.03
Credit Suisse	2,043	561,254	-
RBC Capital Markets	2,042	49,700	0.04
Raymond James & Associates	1,939	43,100	0.05
MKM Partners	1,919	69,100	0.03
ISI Group	1,881	41,800	0.05
Jefferies & Company	1,687	92,469	0.02
Kempen & Company	1,682	47,862	0.04
Standard Chartered	1,631	731,276	-
Credit Lyonnais	1,508	422,247	-
Robert W. Baird & Company	1,244	114,200	0.01
Wells Fargo Advisors	1,136	34,700	0.03
Evercore Partners	990	24,760	0.04
Sumitomo Mitsui Banking Corporation	732	9,661	0.08
ABN Amro	549	12,206	0.04
DBS Vickers Securities	506	148,000	-
Instinet	388	7,248	0.05
Societe Generale Securities	359	3,000	0.12
Barclays	329	7,300	0.05
Exane	324	7,636	0.04
Mizuho Securities	318	4,625	0.07
Daiwa Securities Group	316	823	0.38
Oriel Securities	257	26,724	0.01
BMO Capital Markets	209	19,100	0.01
Commonwealth Securities	199	39,222	0.01
Genuity Capital Markets	184	4,800	0.04
JMP Securities	108	2,400	0.05
Itau Securities	102	5,400	0.02
Oppenheimer & Company	99	2,200	0.05
ABG Sundal Collier Norge Asa	90	4,660	0.02
Espirito Santo Investment Bank	66	5,108	0.01
KeyBanc Capital Markets	63	1,400	0.05
Sandler O'Neil and Partners	32	700	0.05
Grand Totals, All Brokers	**$ 111,016**	**11,292,150**	**$ 0.01**

Supporting Schedules

Top 50 Brokers and Total Fixed Income Investment Brokerage
For the Year Ended June 30, 2014

Investment Brokerage Firm	2014 Market Value Traded
CastleOak Securities	$ 1,638,243,206
Goldman Sachs	1,255,475,197
Barclays	1,123,179,651
Credit Suisse	832,203,406
JP Morgan Chase & Company	746,457,943
Loop Capital Markets	633,924,508
Nomura	617,947,552
Deutsche Bank	615,083,367
Citigroup Global Markets	603,231,786
Toussaint Capital Partners	564,482,437
Morgan Stanley	500,279,061
Wells Fargo Advisors	428,080,083
Bank of America	355,151,812
Merrill Lynch	353,003,182
RBS Securities	205,474,404
Citibank	203,473,350
Bank of New York ConvergEx Execution	186,887,730
BNP Paribas	169,845,360
Royal Bank of Canada	163,174,384
Mizuho Securities	126,587,991
Lebenthal & Company	126,493,767
HSBC	99,641,505
Cabrera Capital Markets	99,304,713
Jefferies & Company	77,798,701
MR Beal & Company	68,698,085
Bank of America Securities	67,271,950
UBS	62,771,544
SG Americas Securities	58,298,283
Royal Bank of Scotland	52,863,607
Williams Capital Group	52,487,214
Banco Santander	49,009,051
First Tennessee	43,424,248
Daiwa Securities Group	29,992,300
Credit Agricole	27,454,012
Mischler Financial Group	25,985,998
RBC Capital Markets	25,551,694
MFR Securities	24,030,717
Scotia Capital	20,260,635
BNY Mellon	16,403,635
UniCredit Banca Mobiliare S.p.A.	15,540,689
Commerzbank	14,242,200
Bank of Nova Scotia	14,216,402
FTN Financial Capital Markets	9,795,281
Blaylock Robert Van	8,457,100
BB&T	8,401,061
Cantor Fitzgerald	8,397,439
Robert W. Baird & Company	8,315,534
State Street Bank & Trust	7,659,517
GX Clarke & Company	7,292,707
RBC Dain Rauscher	7,269,397
All Other Brokers	147,924,407
Grand Total, All Brokers	**$12,607,439,803**

Supporting Schedules

Top 50 Brokers and Total TIPS Investment Brokerage
For the Year Ended June 30, 2014

Investment Brokerage Firm	2014 Market Value Traded
Barclays	$ 191,629,079
BNP Paribas	125,960,027
Deutsche Bank	118,712,900
RBS Securities	104,696,516
Citigroup Global Markets	68,930,889
Goldman Sachs	65,196,663
UBS	61,615,814
CastleOak Securities	55,509,866
Mesirow Financial	50,708,354
Morgan Stanley	45,813,307
Nomura	40,189,857
JP Morgan Chase & Company	39,199,672
Toussaint Capital Partners	31,197,221
Banca IMI Securities	26,178,886
Bank of America	24,291,229
Drexel Hamilton	22,504,586
Jefferies & Company	22,481,518
Societe Generale Securities	21,876,012
HSBC	21,655,634
Credit Suisse	19,899,064
Cabrera Capital Markets	15,079,271
TD Securities	10,112,296
Lebenthal & Company	7,999,377
Royal Bank of Canada	7,096,362
Mizuho Securities	3,897,031
Westpac Group	3,716,734
MR Beal & Company	3,699,838
ANZ Securities	3,595,283
Banco Santander	3,377,067
RBC Dain Rauscher	3,077,448
Cantor Fitzgerald	2,959,980
Merrill Lynch	2,770,814
Credit Agricole	2,729,253
Scotia Capital	2,482,337
First Ballantyne	2,183,905
Royal Bank of Scotland	1,946,117
SG Americas Securities	1,805,642
Banco Bradesco	1,154,422
First Tryon Securities	1,017,291
Carolina Capital Markets	815,036
Stifel, Nicolaus & Company	768,791
BMO Capital Markets	757,564
Natixis Securities Americas	719,728
Commonwealth Securities	653,412
Sierra Pacific Securities	575,373
Sterne Agee & Leach	501,412
SumRidge Partners	462,685
Janney Montgomery Scott	426,715
UniCredit Banca Mobiliare S.p.A.	283,591
Cecabank S.A.	221,258
All Other Brokers	904,328
Grand Total, All Brokers	**$1,246,037,455**

$1.51

BILLION STATE CONTRIBUTION

SURS received the full FY 2014 Statutory State Contribution.

SURS 2014

ACTUARIAL

Letter of Certification

GRS Gabriel Roeder Smith & Company
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January 7, 2015

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, 2014. 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 7.25% (7.75% prior to fiscal year 2015) 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 7.75% to 7.25% first effective with the valuation as of June 30, 2014. 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 to calculate the actuarial liabilities, including the economic and demographic assumptions, the actuarial cost method and asset method, are in accordance with Actuarial Standards of Practice and are set by the Board. Calculations performed for GASB Statement Number 67 were performed in accordance with the requirements under the Statement, including use of the Entry Age Normal Cost Method and a single discount rate of 7.09% for fiscal year June 30, 2014. Liabilities as of June 30, 2013, projected to June 30, 2014, were used for the GASB 67 schedules.

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, 2014, 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.

Leslie Thompson, Amy Williams, and Lance Weiss 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.

Under the Illinois Compiled Statutes (40 ILCS 5/15-155), the required employer contributions (Statutory Contribution) under the Statutory Funding Plan are calculated by the actuaries on an annual basis. To determine the Statutory Contribution, the actuary calculates the actuarial accrued liability and the actuarial value of assets. The normal cost for the active members is equal to the portion of the actuarial accrued liability assigned to this year. Any shortfall between the actuarial value of assets and the actuarial accrued liability is referred to as the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a 30-year open amortization period.

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 (assumed rate in effect until June 30, 2014) 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

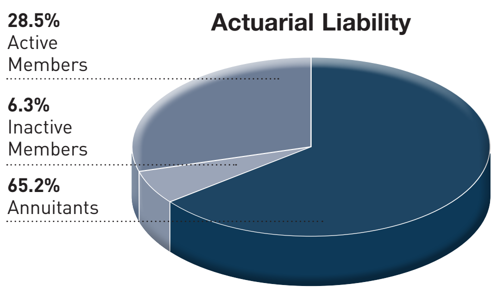
For financial reporting in accordance with the Governmental Accounting Standards Board (GASB) Statements 67 and 68, the entry age actuarial cost method is applied. For purposes of determining the calculation of the employer contribution (funding), the projected unit credit cost method is used as required by Public Act 96-0043. 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 employer normal cost for fiscal year 2014 was 11.91%. 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.

Valuation Results For Fiscal Year Ended June 30, 2014 ($ millions)

Actuarial liability (reserves)	
For members receiving annuities	$ 24,388.6
For inactive members	2,373.6
For active members	10,667.3
Total	37,429.5
Actuarial value of assets available for benefits	15,844.7
Unfunded accrued actuarial liability	$ 21,584.8



As of June 30, 2014, the Unfunded Actuarial Accrued Liability (UAAL) to be amortized was $21,584,801,000.

Actuarial Report

Calculation of Actuarial Value of Assets

Actuarial value of assets, July 1, 2013		$14,262,621.2
Net Investment income/(loss)	2,667,900.4	
Less: Projected investment income at 7.75%	1,153,447.1	
Investment income/(loss) in excess of projected	1,514,453.3	
Less: Deferral to smooth asset values over 5 years	1,211,562.6	
Recognized investment income – current year		302,890.7
Projected investment income		1,153,447.1
Recognized investment gain – prior years		439,433.8
Excess of contributions over disbursements		(313,679.1)
Actuarial value of assets, June 30, 2014		$ 15,844,713.7

Analysis of Financial Experience For Fiscal Year Ended June 30, 2014 ($ millions)

Actuarial (gains) and losses

Investments other than 7.75%	$ (802.4)
Salary increases other than 3.75%	(94.3)
Age and service retirement differences	105.2
Termination differences	21.2
Mortality and disability incidence differences	(6.6)
Benefit recipient differences	1.4
New entrants	79.0
Other actuarial differences	(47.2)
Total actuarial gain	$ (743.7)

Change in the Unfunded Actuarial Accrued Liability ($ millions)

Unfunded actuarial accrued liability at June 30, 2013	$ 20,110.5
Expected increase in unfunded actuarial accrued liability	429.5
Impact of change in investment rate of return assumption	1,788.5
Total actuarial gain	(743.7)
Unfunded actuarial accrued liability at June 30, 2014	$ 21,584.8

Actuarial Report

Summary of Major Actuarial Assumptions

■ Interest

7.25% per annum, compounded annually (adopted by the SURS Board effective June 30, 2014) for funding purposes. The actuarial assumption rate credited to member accounts is 7.00% per annum (adopted by the SURS Board effective June 30, 2013).

■ Net Position

Assets available for benefits are used at market value.

■ Expenses

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

The following assumptions were adopted by the SURS Board effective with the June 30, 2011 actuarial valuation. They were developed based upon an experience study completed in March 2011. These assumptions are the same for financial reporting and funding purposes.

■ 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.

■ Mortality

Mortality rates are based upon the RP2000 Combined Mortality Table, projected with Scale AA to 2017, gender-distinct, 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.

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

Actuarial Report

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.

Retirement Age

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

Other Assumptions

The disability rates are graduated based on age. The Cost of Living Adjustment (COLA) is 3.00% per annum for members hired before January 1, 2011 based on the benefit provision of 3.00% annual compound increases. The assumed rate is 1.37% for members hired on or after January 1, 2011, based on the provision of increases equal to half of the increase in the Consumer Price Index with a maximum increase of 3.00%. The female spouse is assumed to be three years younger than the male spouse.

Annual Compensation Increases

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

Retirement Rates

	Members Hired Before January 1, 2011 and Eligible for		Members Hired On or After January 1, 2011 and Eligible for	
Age	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
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	-

Analysis of Funding

Funding 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 actuarial accrued liability. Annual funding under this plan will occur as a continuing appropriation. This method does not conform with the provisions of GASB 67 and 68 for financial reporting. The Statutory Funding Plan requires the State to contribute annually an amount equal to a constant percent of payroll necessary to allow SURS to achieve a 90% funded ratio by fiscal year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions.

Defined Benefit Plan
Employer Contributions Received in Fiscal Year 2014

State appropriations	$ 1,260,965,014
State pension fund	198,000,000
Federal/trust/employer funds/other	43,898,604
Total	**$ 1,502,863,618**

Reconciliation to Total State Appropriations

Defined Benefit Plan–State	
Appropriations received	$ 1,458,965,014
Defined Contribution Plan–State	
Appropriations received	50,800,986
Total State Appropriations Received	**$ 1,509,766,000**

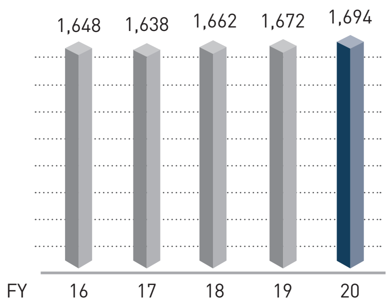
The projected required contribution rates and amounts are as follows:

Fiscal Year	Assumed Percentage of Payroll	Required Payroll ($ billions)	Contribution ($ millions)
2016	36.6%	$ 4.50	$ 1,647.5
2017	35.5%	4.61	1,638.2
2018	35.1%	4.74	1,661.8
2019	34.4%	4.86	1,672.3
2020	33.9%	4.99	1,693.9

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, 2014 actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions and estimates were used:

1) Covered payroll of $4.44 billion for fiscal year 2015.
2) 3.75% per annum rate of increase in covered payroll.
3) Total employer contributions of $1,551,766,000 for fiscal year 2015.

Required Contribution
Dollars (millions)



Analysis of Funding

Schedule of Employer Contributions ($ millions)

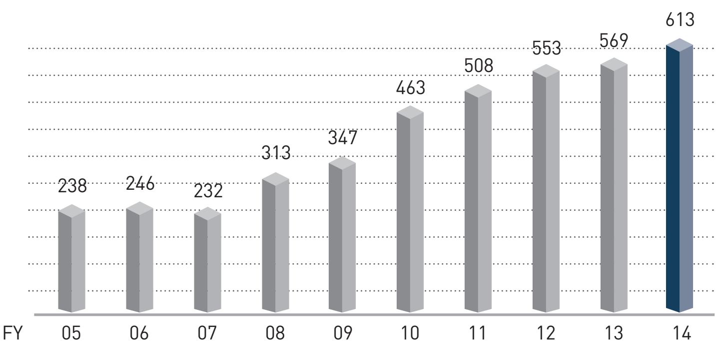
Fiscal** Year	Total ADC*	Member Contributions	Net ER ADC	Actual ER Contributions	ER Contributions as % of Net ADC	Total Contributions as % of Total ADC
2005	$ 859.7	$ 251.9	$ 607.8	$ 285.4	47.0%	62.5%
2006	914.9	252.9	662.0	180.0	27.2	47.3
2007	968.3	262.4	705.9	261.1	37.0	54.1
2008	971.6	264.1	707.5	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
2014	1,843.6	283.1	1,560.5	1,502.9	96.3	96.9

*The source of this schedule is the annual actuarial valuation which is performed for each fiscal year listed.
** Prior to 2014, the ADC was defined in GASB Statements 25 and 27 as the ARC (Annual Required Contribution). The ARC is now defined as the Actuarially Determined Contribution ("ADC").

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.

Unfunded Accrued Liabilities as a % of Payroll

Payroll (%)



An increasing trend indicates a system is becoming financially 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
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
2014	37,429.5	15,844.7	42.3	21,584.8	3,522.2	612.8

(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.

Analysis of Funding

Defined Benefit Plan
Schedule of Funding Progress ($ millions)

Fiscal Year**	Actuarial Value of Assets (A)	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funding Ratio	Covered Payroll	UAAL as % of Covered Payroll
2005	$13,350.3	$ 20,349.9	$ 6,999.6	65.6%	$ 2,939.1	238.1%
2006	14,175.1	21,688.0	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
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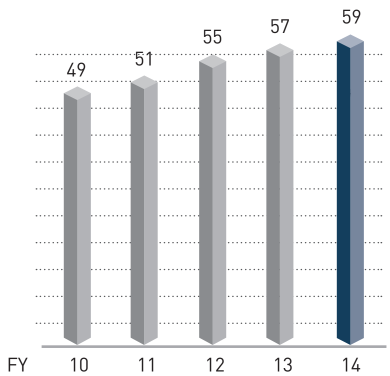
2012	13,949.9	33,170.2	19,220.3	42.1	3,477.2	552.8
2013	14,262.6	34,373.1	20,110.5	41.5	3,533.9	569.1
2014	15,844.7	37,429.5	21,584.8	42.3	3,522.2	612.8

(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 Increases and Decreases of Benefit Recipients
10-Year Summary

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
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
2014	57,229	4,073	1,896	59,406

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
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
2014	29,423	40,013	69,436	(2.3)	48,893	3.7	47.1	9.8

Analysis of Funding

Analysis of Change in Membership
10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
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
2014	70,556	8,962	2,098	91	7,893	69,436

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
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
2014	57,229	4,073	166,748,080	1,896	(51,879,123)	59,406	1,984,416,426	33,404	0.1

(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.

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.

Schedule of Funding: Fiscal Year 2005-2014 ($ millions)

	Funding Requirements				Covered Percentages		
Fiscal Year	Gross ADC {1} (A)	Net ADC {2}(B)	System Expense {3}(C)	Employer Contribution {4}(D)	Gross ADC {5}(E)	Net ADC {6}(F)	System Expense {7}(G)
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
2014	1,843.6	1,560.5	2,016.7	1,502.9	81.5	96.3	74.5

(A) Prior to 2014, the ADC (Actuarially Determined Contribution) was defined in GASB Statements 26 and 27 as the ARC (Annual Required Contribution).
(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).

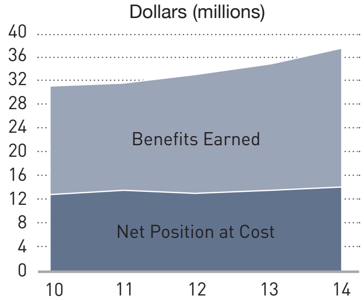
Funding Ratios
10-Year Summary ($ millions)

				Funding Ratio	
Fiscal Year	Net Position at Cost	Net Position at Market/ Actuarial Value of Assets (A)	Actuarial Funding Requirement	Cost	Market/Actuarial
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
2014	14,234.5	15,844.7	37,429.5	38.0	42.3

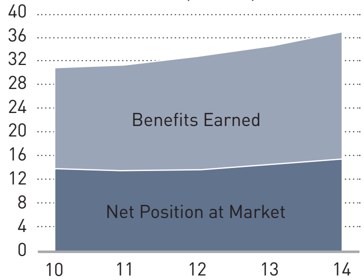
(A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment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

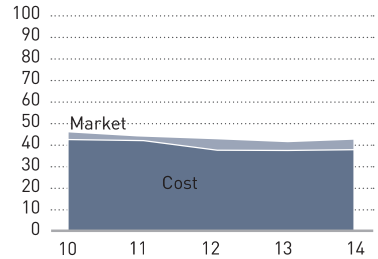
Benefits Covered by Net Position at Cost
Dollars (millions)



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}
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	–
2014	6,094.9	24,388.6	6,946.0	15,844.7	100.0	40.0	–

(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 is used, the percent of benefits covered for category 2 is 46.32.

Tests of Financial Soundness

Payroll Percentages: Fiscal Year 2005-2014 ($ 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
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
2014	3,522.2	21,584.8	612.8	415.1	11.8	1,428.5	1,843.6	52.3	1,502.9	42.7

(A) Actuarially determined normal cost less member contributions.
(B) Prior to 2014, the ADC was defined in GASB Statements 25 and 27 as the ARC (Annual Required Contribution).

Changes in Plan Provisions

Public Act 98-0599, signed by the Governor on December 5, 2013, provides a comprehensive change to the plan design. The main elements of the package include:

- Reduction of the Automatic Annual Increase for current and future Tier 1 retirees
- Automatic Annual Increase deferments for future Tier 1 retirees
- Capping pensionable earnings for Tier 1 participants
- Delaying the retirement age for current Tier 1 state workers under age 45
- Eliminating the use of sick and vacation days for service credit or pensionable earnings for future participants
- Changes to the Effective Rate of Interest
- Changing the interest rate used for money purchase factors
- Reduction of employee contributions (1%) for Tier 1 participants
- Employer Funding enforcement
- Increased funding formula plus supplemental payments
- The option for 5% of present Tier 1 participants to join a new defined-contribution plan

On May 14, 2014, the Illinois Circuit Court granted a temporary restraining order and a preliminary injunction stopping implementation of Public Act 98-0599. In accordance with the order, SURS will continue administering contributions and benefits as the law existed prior to amendment by Public Act 98-0599 until otherwise ordered by the court.

$2.0

BILLION BENEFITS PAID

SURS paid over $2 billion to members in refunds, retirements and disability retirement allowances, as well as survivor, disability and death benefits in FY 2014.

SURS 2014

STATISTICAL

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2014

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

These schedules present historical financial information designed to provide information on the System's progress in accumulating assets to pay benefits when due.

These schedules present summaries of benefit recipients and number of System employees over a 10-year period.

These schedules present information on new benefit payments by type, average benefit payments by years credited service, number of benefit recipients by type, and number of covered employees by employer.

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

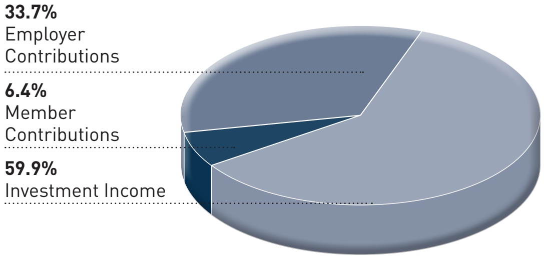
Fiscal Year	Member Contributions	Investment Income (Loss)	Employer Contributions Amount	Employer Contributions % of Payroll	Total
2005	$ 251.9	$ 1,279.6	$ 285.4	9.7%	$ 1,817.0
2006	252.9	1,532.1	180.0	5.9	1,965.0
2007	262.4	2,517.5	261.1	8.2	3,041.0
2008	264.1	(675.7)	345.0	10.4	(66.6)
2009	273.3	(2,859.5)	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
2014	283.1	2,667.9	1,502.8	42.7	4,453.8

Deductions (A)

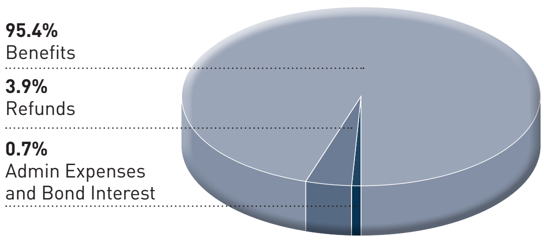
Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in Plan Net Position
2005	$ 994.2	$ 46.0	$12.8	$1,053.0	$ 764.0
2006	1,080.2	47.8	12.2	1,140.2	824.8
2007	1,169.0	49.7	11.7	1,230.4	1,810.6
2008	1,267.4	53.3	12.1	1,332.8	(1,399.4)
2009	1,362.7	51.9	12.9	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	2,009.4	1,332.0
2014	2,002.9	82.9	13.8	2,099.6	2,354.2

(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.

Additions



Deductions



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
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
2014	1,843.0	125.4	16.1	2.2	16.2	2,002.9

Refund Deductions by Type (A)

Fiscal Year	Withdrawals	Survivor Ins Refunds	Death Benefits	Portable Lump Sum Retirement	Total
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
2014	50.4	5.4	12.5	14.6	82.9

(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

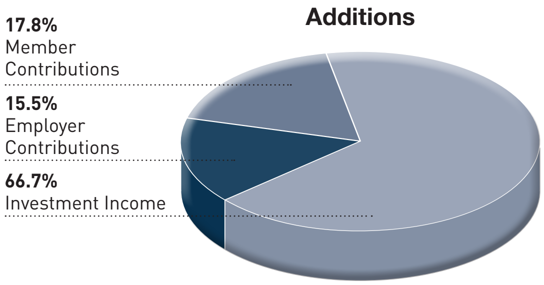
Fiscal Year	Member Contributions	Investment Income (Loss)	Employer Contributions Amount	Employer Contributions % of Payroll	Total
2005	$ 33.7	$ 22.3	$ 27.4	7.6%	$ 83.4
2006	39.5	34.7	29.6	7.6	103.8
2007	41.7	80.3	33.3	7.6	155.3
2008	46.0	(39.1)	38.9	7.6	45.8
2009	48.8	(116.4)	38.3	7.6	(29.3)
2010	48.6	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
2014	65.5	246.3	57.2	7.6	369.0

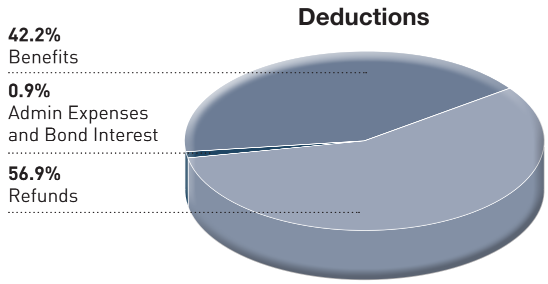
Deductions (A)

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest (B)	Total	Changes in Plan Net Position
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
2014	18.4	24.8	0.4	43.6	325.4

(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
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
2014	8,144	634	4,734	50,237	391

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

Fiscal Year	HR & Admin	Inv & Acctg	Member Svcs & Outreach	IS & Support Svcs	SMP	Total
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
2014	12.00	10.55	67.00	26.25	4.20	120.00

Benefit Summary

Schedule of New Benefit Payments - Defined Benefit Plan
July 1, 2013 through June 30, 2014

	Retirement		Disability		Survivors	
Age	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	–	$ –	–	$ –	5	$ 273
10-14	–	–	–	–	4	363
15-19	–	–	–	–	8	266
20-24	–	–	–	–	5	378
25-29	–	–	–	–	2	136
30-34	–	–	5	1,396	1	954
35-39	–	–	5	1,350	–	–
40-44	–	–	10	1,581	2	336
45-49	12	2,309	19	2,574	7	1,329
50-54	138	3,411	13	1,760	17	866
55-59	947	2,434	38	1,978	32	1,484
60-64	1,167	2,192	27	2,324	47	1,646
65-69	736	2,305	14	1,726	71	1,610
70-74	246	2,179	3	1,634	101	1,632
Over 74	89	2,615	2	1,588	300	1,681
Total	3,335	$ 2,347	136	$ 1,996	602	$ 1,563

Average Age - Retirement 60.2 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 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
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

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 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
Fiscal Year 2014							
Number of Retirees	12,819	7,316	7,197	8,453	7,117	7,335	50,237
Average Monthly Annuity	$ 752	1,597	2,623	3,895	5,026	6,415	3,104
Final Average Salary	$ 37,418	40,779	50,254	59,673	67,783	74,267	53,111
Average Service Credit							18.99

Number of Covered Employees by Employer
As of June 30, 2014

Employer	Number of Employees in DB plan	Number of Employees in SMP	Total Number of Covered Employees
University of Illinois - Chicago	11,439	2,408	13,847
University of Illinois - Urbana	9,922	2,022	11,944
City Colleges of Chicago	5,039	368	5,407
Southern Illinois University - Carbondale	4,064	743	4,807
Illinois State University	2,747	565	3,312
Northern Illinois University	2,740	655	3,395
College of DuPage	2,327	337	2,664
Southern Illinois University - Edwardsville	2,100	377	2,477
Western Illinois University	1,582	312	1,894
Eastern Illinois University	1,434	250	1,684
Remainder of schools	26,042	3,372	29,414
Total	69,436	11,409	80,845

Benefit Summary

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan
For the Year Ended June 30, 2014

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
$0 - 200	3,256	1,250	1,229	-	75	1	-	701
201 - 400	4,949	1,613	2,286	-	114	7	4	925
401 - 600	3,886	1,128	1,582	-	49	30	6	1,091
601 - 800	3,471	987	1,329	-	20	92	14	1,029
801 - 1,000	2,914	818	1,315	-	4	107	20	650
1,001 - 1,200	2,412	645	1,212	-	2	56	45	452
1,201 - 1,400	2,338	658	1,227	-	-	27	56	370
1,401 - 1,600	2,220	602	1,126	-	-	12	118	362
1,601 - 1,800	2,199	579	1,181	-	-	14	102	323
1,801 - 2,000	1,982	492	1,095	-	-	12	76	307
2,001 - 2,200	1,883	485	1,104	1	-	7	42	244
2,201 - 2,400	1,789	443	1,093	1	-	5	23	224
2,401 - 2,600	1,650	396	1,004	2	-	8	21	219
2,601 - 2,800	1,683	390	1,093	1	-	2	20	177
2,801 - 3,000	1,523	358	969	5	-	3	14	174
3,001 - 3,200	1,378	345	861	5	-	-	8	159
3,201 - 3,400	1,342	359	849	4	-	1	8	121
3,401 - 3,600	1,199	354	713	3	3	5	12	109
3,601 - 3,800	1,115	335	663	13	-	1	6	97
3,801 - 4,000	970	312	582	8	-	-	5	63
4,001 - 4,200	953	312	562	11	1	-	6	61
4,201 - 4,400	896	319	501	11	-	-	10	55
4,401 - 4,600	837	295	484	8	-	-	3	47
4,601 - 4,800	800	277	481	11	-	-	4	27
4,801 - 5,000	793	284	469	8	-	-	3	29
5,001 - 5,200	749	270	450	5	-	-	1	23
5,201 - 5,400	678	266	394	7	-	-	1	10
5,401 - 5,600	650	247	381	7	-	-	3	12
5,601 - 5,800	579	218	346	4	-	-	-	11
5,801 - 6,000	611	199	395	8	-	-	-	9
Over 6,000	7,701	3,458	4,145	31	-	1	3	63
Total	59,406	18,694	31,121	154	268	391	634	8,144

(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

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

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