STATE UNIVERSITIES RETIREMENT SYSTEM

2015

The Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2015

A COMPONENT UNIT OF THE STATE OF ILLINOIS

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All Financial Information Prepared by SURS Finance Division


EDUCATING

INTRODUCTORY

Message from Our Executive Director

Letter of Transmittal

Board of Trustees

Administrative Staff

Organizational Chart

Consulting and Professional Services

SURS2015

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, 2014

Executive Director/CEO

MESSAGE FROM OUR EXECUTIVE DIRECTOR

December 21, 2015

2015 was a dynamic year for SURS with the hiring of new executive leadership, the appointment and election of new trustees, an Illinois Supreme Court pension decision, and a global economy with uneven expansion patterns. Through it all, SURS remains a strong administrator of benefits for our members and their families. We received 100% of our statutory contribution from the State of Illinois and continued to enhance our efficient service to members.

In 2015, the investment fund earned a 2.9% return, net of fees. While lower than recent annual returns, the investment fund continues to produce positive long-term returns with a focus on reducing risk in the portfolio. The portfolio has earned an average return of 11.2% over the last five years, 8.2% over the last 20 years, and 9.2% over the last 30 years.

A well-diversified asset allocation continues to help produce positive risk adjusted returns in a global economy that has not maintained consistent growth patterns in recent years. We continue to manage these changing conditions by focusing on risk measurement and monitoring the investment implementation to help assure the financial soundness of the System.

We achieved high levels of customer satisfaction in 2015 as measured by our member surveys and feedback from our members and annuitants. Our focus on the member remains critical to our success and we continue to put an emphasis on meeting the pension benefit needs of all members.

While the defined benefit plan continues to be underfunded because of not consistently receiving full contributions from the State in prior years, solid investment returns and consistency in contributions for the past four years have us on the right path to a strong funded position in the future.

In addition to focusing on investment asset diversification and excellent service, SURS has made progress during the past year in the following areas:

- Improving organizational leadership in operations and compliance
- Updating information technology systems
- Expansion of member education and outreach efforts
- Education and training of staff
- Strategic planning

SURS remains an efficient provider of services with a focus on continuous improvement. The total operating expenses were 0.08% of the System's assets.

Our most valuable resource remains our employees. With the support of the SURS board members and the commitment to strive to be a better organization each year, we look forward to continuing to serve and delivering the retirement benefits promised to our members.

Sincerely,

W. Bryan Lewis
Executive Director

S·U·R·S
STATE UNIVERSITIES RETIREMENT SYSTEM

1901 Fox Drive, Champaign, IL 61820-7333
800-275-7877 • 217-378-8800 • (Fax) 217-378-9800
www.surs.org

December 21, 2015

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

I am pleased to present the 74th 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, 2015.

The System was established for the benefit of the staff members and employees of the state universities, community colleges, and certain other state educational and scientific agencies, and the survivors, dependents, and other beneficiaries of those employees. Our vision is to continue to be a respected leader among public pension funds. The SURS staff strives to deliver the exceptional service our members expect and prudently manage the System's assets. The continuing value of the colleges and universities in the SURS system is clearly evident. Each has a significant impact on their communities. The knowledge, wealth and civic pride generated by these educational institutions enhance the well-being of the students, the communities and the state.

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 report 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 public certified accountants selected by the State Auditor General. This requirement has been complied with, and the independent auditor's unqualified report on the System's 2015 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 xx of the report.

LETTER OF TRANSMITTAL

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 61 employers and 228,000 members and annuitants. The plans administered by SURS include a defined benefit plan established in 1941 and a defined contribution plan established in 1998. SURS is governed by an 11-member Board of Trustees that includes four members elected, two annuitant elected, and five members appointed by the Governor of which the chairperson is the appointed chair of the Illinois Board of Higher Education.

Funding

The State of Illinois, a non-employer contributing entity, 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 2015 was based on Public Act 98-0680, which appropriated $1,544.2 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. As of June 30, 2015, the plan net position as a percentage of the total pension liability was 42.37%. The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2015, the Statutory Funding policy creates a perpetual contribution variance of underfunding the System in earlier years, and in later years that the Statutory contribution would exceed a contribution equal to normal cost plus a 30-year open period level percent of pay amortization of the unfunded liability. Further information is presented in the Required Supplementary Schedules related to employer contributions and the funding of the plan.

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 assets held in trust increased 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 2.9%, net of fees, for the year ended June 30, 2015. The SURS investment program has a long-term horizon. The returns, net of fees, are 11.0% over the last three years and 7.1% over the last 10 years. The SURS defined contribution assets increased from $1.6 billion to $1.7 billion.

The System has shown a negative return of 0.8% through October 31, 2015, bringing total investments to approximately $16.9 billion.

Legislation

1) Public Act 98-1022, signed into law on August 22, 2014, prohibits a contract, oral or written, for investment services, consulting services or commitment to a private market fund from being awarded, beginning January 1, 2015, unless specific information is disclosed regarding the awarded contract. It also required the System to adopt a policy by February 1, 2015, with three separate goals (reviewed annually) to increase utilization of minority investment managers.

2) Public Act 98-1137, signed by the Governor on December 29, 2014, clarifies that the Illinois attorney general can bring civil action to enjoin the payment of pension benefits to any person convicted of a felony in relation to his or her service as an employee under the Illinois Pension Code.
3) Public Act 98-1144, signed by the Governor on December 30, 2014, exempts SURS retirees who receive an annualized retirement annuity of less than $10,000 from the provisions of the Return to Work Policy for Affected Annuitants through Public Act 97-0968.

Major Initiatives

In fiscal year 2015, the SURS staff united to implement legislative changes, strengthen the System and work on programs that would benefit its members. SURS will continue to be the trusted source for information and guidance.

Public Act 97-0695 was signed into law on June 12, 2012, reforming state retiree health insurance. Several lawsuits were filed challenging the constitutionality of this law. Kanerva vs Weems was the consolidated case. On August 28, 2014, the Sangamon County Circuit Court judge ordered the state to stop deducting the monthly percentage-of-annuity health premiums from retiree and survivor annuities. The decision further required the refunding of insurance premiums by June 15, 2015. SURS received approximately $23.4 million from Central Management Services to repay the premiums that were deducted from annuitants' checks from July 1, 2013, through September 1, 2014. SURS staff:

- Reviewed and updated 3,000 addresses in preparation for the Opt-Out Notice mailing
- Processed over 34,000 annuitant insurance refunds
- Issued letters to approximately 2,000 deceased members' beneficiaries

SURS has until June 30, 2016, to return monies that cannot be paid to members to the State Treasurer.

The investment staff implemented a cash overlay program in August 2014. This program provides SURS the ability to efficiently implement changes to asset allocation targets. In addition, the program assists the System in managing daily portfolio cash flows.

Several information technology improvements were made in fiscal year 2015 including:

- Implementing a new method for developing targeted email campaigns to the membership
- Redesigning the Employer Website
- Launching a SURS Facebook page
- Developing and implementing a new procurement/business page
- Creating a board portal for use by the Board and staff. The usage of iPads eliminates the production and mailing of board books.

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, 2014. This is the thirty-first 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.

LETTER OF TRANSMITTAL

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

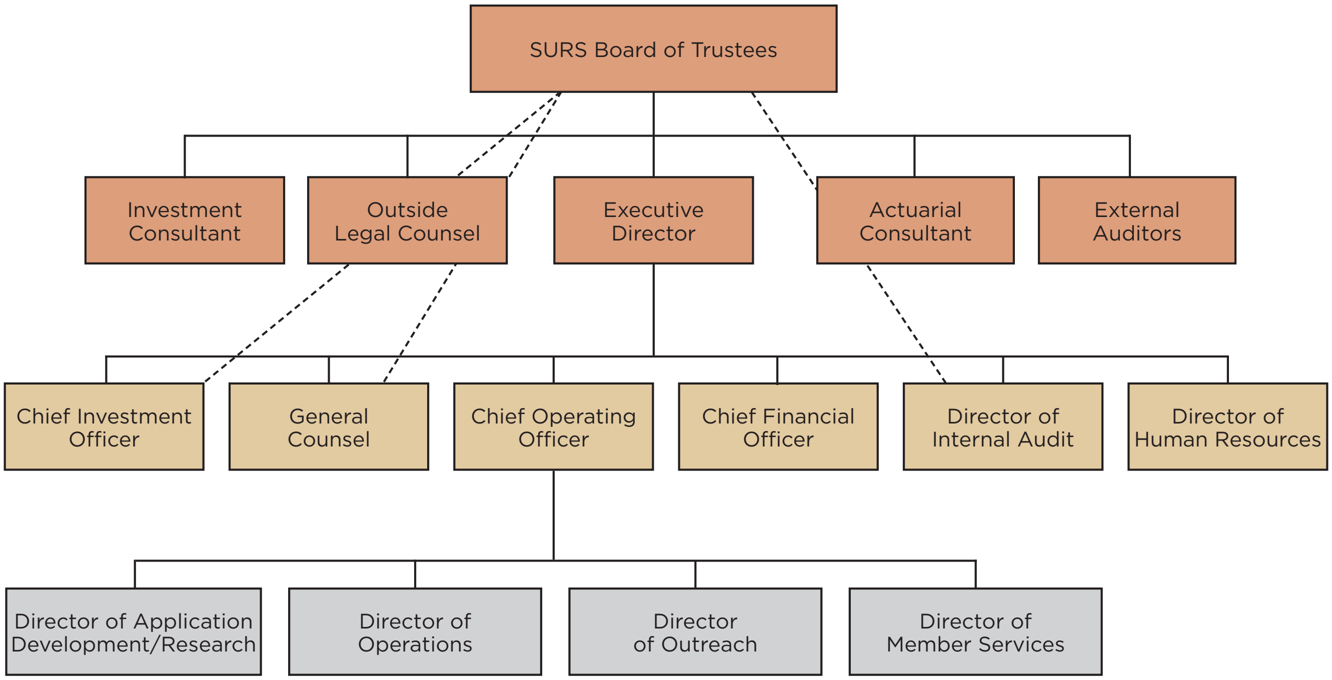
BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

Front Row (left to right)
Deputy Chief Investment Officer Douglas Wesley, Chief Investment Officer Daniel L. Allen, Executive Director W. Bryan Lewis, and Chief Operating Officer Andrew Matthews

Back Row (left to right)
Director of Internal Audit Steven L. Hayward, Chief Financial Officer Phyllis Walker, Director of Human Resources Brenda Dunn, Director of Application Development and Research Douglas J. Steele, Director of Outreach Suzanne Mayer, Director of Member Services Angela Lieb, and Director of Operations M. Christopher Hansen

ORGANIZATIONAL CHART



CONSULTING AND PROFESSIONAL SERVICES

Actuary

Gabriel, Roeder, Smith & Co. – Chicago, Illinois

Auditor

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

Legal Counsel

Burke, Burns & Pinelli, Ltd. – Chicago, Illinois
Chapman and Cutler LLP – Chicago, Illinois
Jackson Walker L.L.P. – Dallas, Texas

Consultants and Other Vendors

Dell Secure Works – Atlanta, Georgia
Document Access Systems - Richmond, Virginia
MRC Information Technology, Inc. – Omaha, Nebraska
Reliable Mechanical Co. – Champaign, Illinois
Schomburg & Schomburg Construction Incorporated – Danville, Illinois
Sirius Computer Solutions – Dallas, Texas
The Hollins Group, Inc. – Chicago, Illinois

Master Custodian and 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
BlueBay Asset Management - London, England
Calamos Advisors - Naperville, Illinois
CastleArk Management - Chicago, Illinois
CBRE Clarion Real Estate Securities - Radnor, Pennsylvania
Chicago Equity Partners - Chicago, Illinois
Colchester Global Investors Limited - London, England
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
JPMorgan Chase Bank, N.A. - New York, New York
Macquarie Capital - New York, New York
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
Brown Capital Management - Baltimore, Maryland
Cheswold Lane Asset Management - West Conshohocken, Pennsylvania
Fortaleza Asset Management - Chicago, Illinois
Garcia Hamilton & Associates - Houston, Texas
GIA Partners - New York, New York
Glovista Investments - Jersey City, New Jersey
Hahn Capital Management - San Francisco, California
Hanoverian Capital - Kennett Square, Pennsylvania
Herndon Capital Management - Atlanta, Georgia
High Pointe Capital Management - Chicago, Illinois
Holland Capital Management - Chicago, Illinois
John Hsu Capital Group - New York, New York
LM Capital Group - San Diego, California
Lombardia Capital Partners - Pasadena, California
Martin Investment Management - Evanston, Illinois
New Century Advisors - Chevy Chase, Maryland
Phocas Financial Corporation - Alameda, California
Piedmont Investment Advisors - Durham, North Carolina
Ramirez Asset Management - New York, New York
StoneRidge Investment Partners - Malvern, Pennsylvania
Strategic Global Advisors - Newport Beach, California

Self-Managed Plan Service Providers

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

REPORTING

FINANCIAL

Independent Auditor's Report

Management's Discussion and Analysis

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Notes to Required Supplementary Information

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SURS2015

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2015

RSM US LLP

Independent Auditor's Report

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 Plan 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, 2015, and the related Statement of Changes in Plan Net Position for the years then ended, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the State Universities Retirement System of Illinois as of June 30, 2015, and the changes in plan net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The actuarially determined pension liability, calculated as required by GASB Statement No. 67, 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 pages 39 and 40. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information:
We have previously audited the System's 2014, financial statements, and we expressed an unmodified audit opinion in our report dated January 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITOR'S REPORT

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 net pension liability, the schedule of contributions from employers and other contributing entities, the schedule of investment returns, and the notes to the required supplementary information on pages 43 through 45 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:
Our audit for the year ended June 30, 2015 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, 2015 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, 2015 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, 2015. 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, 2014 (not presented herein), and have issued our report thereon dated January 7, 2015, which contained an unmodified opinion on those financial statements. The accompanying supplementary information which consisted of supporting schedules, for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the 2014 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, 2014.

RSM US LLP

Schaumburg, Illinois
December 21, 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, 2015, with comparative reporting entity totals for the year ended June 30, 2014. 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 $1,590.9 million, an increase of $30.8 million, or 2.0% from the previous fiscal year 2014.
- The System's benefit payments increased by $139.6 million or 6.9% for fiscal year 2015.
- The System's return on investment, net of investment management fees, was 2.9% for fiscal year 2015.
- The System's net position increased by $240.5 million or 1.3% for fiscal year 2015.

Overview of Financial Statements and Accompanying Information

The Financial Section is comprised of four components: (1) Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information and, (4) Other Supplementary Information.

- The financial statements presented in this report are the Statement of Plan Net Position as of June 30, 2015 and the Statement of Changes in Plan Net Position for the year ended June 30, 2015. The System's assets and liabilities are defined as Plan Net Position. These statements present separate totals for the defined benefit plan and the self-managed plan.
    - The Statement of Plan Net Position details the net position (assets less liabilities equals net position). The Statement of Plan Net Position reports the funds available to pay benefits.
    - The Statement of Changes to Plan Net Position presents the additions and deductions from the plan net position. Over time the increase or decrease in net position is a useful indicator of the health of SURS' financial position.
- 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, and fees paid to consultants.

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 207,385 members in its defined benefit plan and 20,836 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 $19.0 billion as of June 30, 2014 to $19.2 billion as of June 30, 2015. This $0.2 billion change was chiefly due to an increase in investments offset by a decrease in securities lending collateral of $0.1 billion.

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)	2015	2014	Change Amount	Change %
Cash and short-term investments	$ 749.2	$ 792.3	$ (43.1)	(5.4)
Receivables and prepaid expenses	242.0	163.3	78.7	48.2
Pending investment sales	422.7	444.2	(21.5)	(4.8)
Investments and securities lending collateral	19,179.7	18,900.5	279.2	1.5
Capital assets, net	6.2	6.1	0.1	1.6
Total assets	20,599.8	20,306.4	293.4	1.4
Payable to brokers-unsettled trades	600.8	635.2	(34.4)	(5.4)
Securities lending collateral	752.4	664.3	88.1	13.3
Other liabilities	30.1	30.9	(0.8)	(2.6)
Total liabilities	1,383.3	1,330.4	52.9	4.0
Total plan net position	$ 19,216.5	$ 18,976.0	$ 240.5	1.3

Overall, net position increased by $240.5 million, or 1.3%, mainly due to the increase in investments attributable to the positive return on defined benefit plan investments of 2.9%. The increase in receivables and prepaid expenses is largely due to the increase in the receivable from brokers for unsettled trades at fiscal year-end as a result of a larger number of trades outstanding for fiscal year 2015 compared to 2014.

The investment allocation strategy for the plans making up the reporting entity as of June 30, 2015, and 2014 is as follows:

Investment Allocation Strategy

	2015	2014
Defined Benefit Plan		
Equities	50.0%	60.0%
Fixed income	19.0	19.0
Real Estate Investment Trusts	4.0	4.0
Real estate	6.0	6.0
Private equity	6.0	6.0
Hedged strategies	5.0	0.0
Emerging market debt	3.0	0.0
Treasury Inflation Protected Securities	4.0	4.0
Overlay/Commodities	2.0	0.0
Opportunity Fund	1.0	1.0
Total	100.0%	100.0%
Self-Managed Plan		
Equities	55.4%	55.5%
Fixed income	43.0	43.1
Real estate	1.6	1.4
Total	100.0%	100.0%

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 members, and also reflects gains or losses over the past year.

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)	2015	2014	Change Amount	Change %
Employer contributions	$ 46.7	$ 50.2	$ (3.5)	(7.0)
Non-employer contributing entity contributions	1,544.2	1,509.8	34.4	2.3
Member contributions	340.0	348.6	(8.6)	(2.5)
Net investment income	593.6	2,914.2	(2,320.6)	(79.6)
Total additions	2,524.5	4,822.8	(2,298.3)	(49.7)
Benefits	2,160.9	2,021.2	139.7	6.9
Refunds	108.6	107.7	0.9	0.8
Administrative expense	14.5	14.3	0.2	1.4
Total deductions	2,284.0	2,143.2	140.8	6.2
Net increase in plan net position	$ 240.5	$ 2,679.6	$(2,439.1)	(91.0)

Additions

Additions to plan net position are in the form of employer and member contributions and returns on investment funds. For fiscal year 2015, non-employer contributing entity contributions increased by $34.4 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Employer contributions decreased by $3.5 million or 7%. Member contributions decreased by $8.6 million or 2.5%. The investment net income for fiscal year 2015 was $593.6 million for the System, representing a $2.3 billion decrease from the prior year. For the defined benefit plan, the overall rate of return was 2.9% (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	30-year
Annualized Return	2.9%	11.0%	11.2%	7.1%	8.2%	9.2%

The total rate of return over a 30-year period of 9.2% was higher compared to the actuarial rate of return assumption of 7.25% in effect for fiscal year 2015. Under the direction of the Illinois Auditor General, the State Actuary recommends that the Board annually review the interest rates, payroll growth, and inflation assumption should changes in market conditions or plan demographics call for such an adjustment. Public Act 99-0232 signed August 2015 will require SURS to have an experience study performed by the System actuaries every three years.

Deductions

The expenses of the Retirement System relate to the provision of retirement annuities and other benefits, refunds to terminated employees, and the cost of administering the System. These expenses for fiscal year 2015 totaled $2.3 billion, an increase of $140.8 million or 6.6% over expenses for 2014. This increase is primarily due to the $139.7 million increase in defined benefit plan and defined contribution plan retirement and survivor annuity payments. Portable lump sum distributions and refunds increased by $0.9 million or 0.8%. Administrative expenses increased by $0.2 million or 1.4% from fiscal year 2014 to 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Future Outlook

The experience review for the years June 30, 2010 to June 30, 2014, was performed February 2015 and the assumptions adopted as of June 30, 2015. Public Act 96-0889 caps Tier 2 members' earnings at $111,572 in 2015 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 members' earnings decreases the anticipated amount of future payroll and contributions.

The employer contributions for fiscal year 2016, mainly provided by the State of Illinois, will increase by approximately $57.3 million or 3.7%. Public Act 98-0599 was signed December 5, 2013. This legislation included pension reform that will provide for additional state funding and reduce future actuarial accrued liabilities. On May 14, 2014, the Illinois Circuit Court granted a temporary restraining order and a preliminary injunction stopping implementation of Public Act 98-0599. On May 8, 2015, the Illinois Supreme Court issued a unanimous decision affirming the Sangamon County Circuit Court's decision that Public Act 98-0599 is unconstitutional.

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. 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, 2015
With Comparative Reporting Entity Totals as of June 30, 2014

	2015			2014
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	$ 749,161,649	$ -	$ 749,161,649	$ 792,286,594
Receivables				
Members	10,756,647	3,368,018	14,124,665	11,992,250
Non-employer contributing entity	181,777,558	1,910,439	183,687,997	109,298,051
Federal, trust funds, and other	1,772,530	43,160	1,815,690	1,751,978
Pending investment sales	422,748,331	-	422,748,331	444,237,505
Interest and dividends	42,333,100	-	42,333,100	40,106,288
Total receivables	659,388,166	5,321,617	664,709,783	607,386,072
Prepaid expenses	158,059	-	158,059	124,042
Investments, at fair value				
Equity investments	11,243,565,767	63,957,331	11,307,523,098	12,010,571,148
Fixed income investments	4,562,385,463	28,475,297	4,590,860,760	4,097,642,745
Real estate investments	872,952,573	1,652,988	874,605,561	637,361,774
Mutual fund and variable annuities	-	1,654,146,781	1,654,146,781	1,490,380,389
Total investments	16,678,903,803	1,748,232,397	18,427,136,200	18,235,956,056
Securities lending collateral	752,561,440	-	752,561,440	664,501,026
Capital assets, at cost, net of accumulated depreciation $18,627,220 and $18,437,341 respectively	6,169,023	-	6,169,023	6,143,069
Total assets	**18,846,342,140**	**1,753,554,014**	**20,599,896,154**	**20,306,396,859**
Liabilities				
Benefits payable	8,689,007	-	8,689,007	9,869,469
Refunds payable	4,639,366	-	4,639,366	5,319,941
Securities lending collateral	752,410,673	-	752,410,673	664,335,138
Payable to brokers for unsettled trades	600,790,779	-	600,790,779	635,098,360
Administrative expenses payable	16,844,459	-	16,844,459	15,759,454
Total liabilities	**1,383,374,284**	**-**	**1,383,374,284**	**1,330,382,362**
Net Position Restricted for Pensions	**$17,462,967,856**	**$1,753,554,014**	**$ 19,216,521,870**	**$18,976,014,497**

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, 2015
With Comparative Reporting Entity Totals for the Year Ended June 30, 2014

	2015			2014
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	$ 39,933,909	$ 6,724,980	$ 46,658,889	$ 50,259,406
Non-employer contributing entity	1,488,591,489	55,608,511	1,544,200,000	1,509,766,000
Member	267,682,083	72,328,361	340,010,444	348,612,466
Total Contributions	1,796,207,481	134,661,852	1,930,869,333	1,908,637,872
Investment Income				
Net appreciation in fair value of investments	225,279,830	90,461,460	315,741,290	2,650,003,387
Interest	111,077,945	-	111,077,945	97,719,525
Dividends	218,278,974	-	218,278,974	214,220,387
Securities lending	4,690,554	-	4,690,554	4,147,244
	559,327,303	90,461,460	649,788,763	2,966,090,543
Less investment expense				
Asset management expense	55,705,026	-	55,705,026	51,526,391
Securities lending expense	422,320	-	422,320	375,242
Net investment income	503,199,957	90,461,460	593,661,417	2,914,188,910
Total additions	**2,299,407,438**	**225,123,312**	**2,524,530,750**	**4,822,826,782**
Deductions				
Benefits	2,129,977,721	30,865,879	2,160,843,600	2,021,245,873
Refunds of contributions	83,715,720	24,928,401	108,644,121	107,710,940
Administrative expense	14,069,273	466,383	14,535,656	14,297,630
Total deductions	**2,227,762,714**	**56,260,663**	**2,284,023,377**	**2,143,254,443**
Net increase	**71,644,724**	**168,862,649**	**240,507,373**	**2,679,572,339**
Plan Net Position beginning of year	17,391,323,132	1,584,691,365	18,976,014,497	16,296,442,158
Plan Net Position end of Year	**$ 17,462,967,856**	**$1,753,554,014**	**$ 19,216,521,870**	**$ 18,976,014,497**

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

NOTES TO THE FINANCIAL STATEMENTS

I. Description of SURS

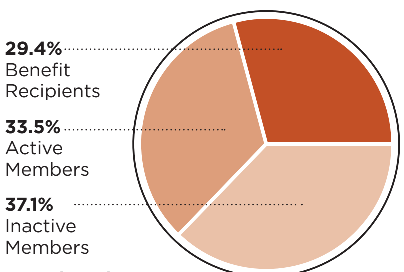
The State Universities Retirement System (SURS or the System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan. The SURS Board of Trustees consists of six elected and five appointed board members. Legislation effective January 1, 1998, required SURS 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 members whose employers elect to make the options available. As of June 30, 2015, the two options available in the defined benefit plan are 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, 2015, 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 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.

Defined Benefit Plan



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, 2015 and 2014, the number of participating employers was:

	2015	2014
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**11**	15
State Agencies	**2**	2
	61	65

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

At June 30, 2015 and 2014, defined benefit plan membership consisted of:

	2015	2014
Benefit Recipients	**61,020**	59,406
Active Members	**69,381**	69,436
Inactive Members	**76,984**	75,492
	207,385	204,334

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, 2015.

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 disability, death, and refund benefits as authorized in Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*.

Disability benefits are payable to all members 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 member 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 member of this System. Under the traditional benefit package, monthly survivor benefits may be paid to eligible survivors if the member 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.

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 members.

At June 30, 2015 and 2014, the number of SMP participating employers was:

	2015	2014
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**8**	13
State Agencies	**2**	1
	58	62

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

At June 30, 2015 and 2014, the SMP membership consisted of:

	2015	2014
Benefit Recipients	**432**	381
Active Members	**11,928**	11,409
Inactive Members	**8,476**	7,992
	20,836	19,782

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 members 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 member; and a 50% or 100% joint and survivor annuity with a guaranteed period of 10, 15, or 20 years as elected by the member.

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

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 and employer contributions are recognized as revenue when due pursuant to statutory or contractual requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plans.

C. Use of Estimates

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and those differences could be material. The System uses an actuary to determine the actuarial accrued liability for the defined benefit plan and to determine the actuarially 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 $749,161,649 of cash and short-term investments presented in the Statement of Plan Net Position is $190,127,869 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 at cost, which approximates 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.

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 Chartered Financial Analyst (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 defined contribution (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 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, 2014, from which the summarized comparative information was derived.

J. New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for the non-contributing entity and SURS employers beginning with their year ended June 30, 2015. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68.

GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective beginning with the System's year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Management is currently evaluating GASB Statement No. 72 and will implement it in the financial statements.

GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67,

NOTES TO THE FINANCIAL STATEMENTS

Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. If the pension is not within the scope of Statement 68, the requirements are effective for financial reporting periods beginning after June 15, 2016. All other pension plans are required to use an effective financial reporting period beginning after June 15, 2015. Management is currently evaluating GASB Statement No. 73 and, if applicable, will implement it in the financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for financial reporting periods beginning after June 15, 2016. This Statement will establish rules on reporting OPEB plans administered as trusts that provide benefits on behalf of governmental entities. This Statement is not considered to have a material impact on the System's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for financial reporting periods beginning after June 15, 2017. This statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Management is currently evaluating GASB Statement No. 75 and, if applicable, will implement it in the financial statements.

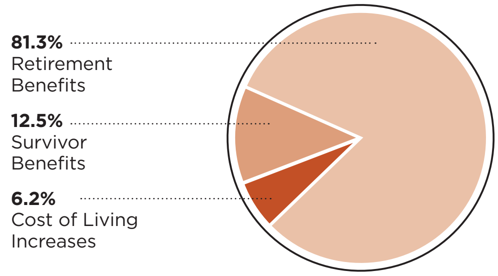
GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for financial reporting periods beginning after June 15, 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) for state and local governments and the framework for selecting those principles. Management is currently evaluating GASB Statement No. 75 and will implement it in the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2015. Management is currently evaluating GASB Statement No. 77 and, if applicable, will implement it in the financial statements.

III. Contributions and Plan Net Position Designations

A. Defined Benefit Plan

Member Contributions



1. **Membership Contributions**
   In accordance with Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, members of the traditional benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for survivor benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. Members of the portable benefit package contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution. These Statutes assign the authority to establish and amend the contribution provisions of the plan to the State Legislature. The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, military service payments, and the employee portion of Early Retirement Option payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases, or unless the payments are made in installments through employer deductions from payroll. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.

2. **Interest Credited on Member Contributions**
For the traditional and portable benefit packages, the interest rate credited is fixed by the Board of Trustees and is 7.0% for the year ended June 30, 2015. 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, 2015 and 7.0% for the year ended June 30, 2016.

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. Public Act 99-0232 requires an actuarial experience study is performed every 3 years to determine the assumptions to be used in the annual valuation. The last actuarial experience study was performed in February 2015. To determine the funding method, Public Act 88-0593 was passed by the Illinois General Assembly in 1994. This Act, which took effect on July 1, 1995, provides a 50-year schedule of State contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. This plan requires the State as the non-employer contributing entity to make continuing appropriations to meet the normal actuarially-determined cost of the System, plus amortize the unfunded accrued liability. The fiscal year 2015 State contributions were $1,488,591,489. The employer normal cost calculation is based on the same actuarial results, assumptions and methods used to calculate the State contribution. 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 11.71% of covered earnings as the employer normal cost for fiscal year 2015. The fiscal year 2015 employer contributions were $39,933,909.

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, 2015 are as follows:

Employee contributions	$ 6,196,585,027
Benefits from employee and employer contributions	11,266,382,829
Total net position	**$ 17,462,967,856**

5. **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.

B. **Self-Managed Plan**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. **Employer Contributions**
   The State of Illinois (non-employer contributing entity) shall make the employer contribution to SURS on behalf of SMP employers on a monthly basis in accordance with the applicable provisions of the Illinois Pension Code. The fiscal year 2015 state contributions were $55,608,511 and employer contributions were $6,724,980. In accordance with Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, employer contributions credited to the SMP participant are at a rate of 7.6% of the member's gross earnings, less the amount retained by SURS to provide disability benefits. Periodically, the SMP disability rate is reviewed. The Board authorized a change in the percentage from 0.4% to 0.3% effective July 1, 2015. The amounts credited are paid into the member's account.

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 2015, the investment income credited to these balances was $2,436,322.

   Balances in these designated accounts as of June 30, 2015 are as follows:

Employee contributions	$ 1,659,468,398
Disability benefits	86,399,199
Employer forfeitures	7,686,417
Total net position	**$ 1,753,554,014**

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. 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 rating by Fitch. At June 30, 2015, the carrying amount of cash was $559,033,779 and the bank balance was $566,649,608 of which $5,632,651 was foreign currency deposits and was exposed to custodial credit risk. The remaining $190,127,869 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. Revisions to Investment Policy sections on asset allocation and rebalancing strategy, selection and retention, performance measurement and reporting, securities litigation policy, and emerging investment managers and broker/dealers were approved on September 19, 2014. The Investment Section of this report contains a summary of these policies. Within the prudent expert framework, the SURS Board of Trustees establishes specific investment guidelines in the investment management agreement of each individual investment management firm, and monitors the firms accordingly.

Investment Commitments

Alternative investment portfolios consist of passive interests in limited partnerships. The System had outstanding commitments to private equity limited partnerships of approximately $567.6 million as of June 30, 2015. The System had outstanding commitments to real estate partnerships of approximately $108.1 million and to infrastructure partnerships of approximately $51.0 million at June 30, 2015.

Investments

The carrying values of investments by type at June 30, 2015 are summarized below:

Equity investments	
U.S. equities	$ 7,795,135,919
Non-U.S. equities	2,395,735,917
U.S. private equity	944,109,861
Non-U.S. private equity	135,150,927
Equity derivatives	37,390,476
Fixed income investments	
U.S. government obligations	1,562,992,344
U.S. agency obligations	581,517,577
U.S. corporate fixed income	1,543,840,613
U.S. fixed income, other	203,994,534
Non-U.S. fixed income securities	664,568,455
U.S. short term investments	458,231,506
Non-U.S. short term investments	(232,975,511)
U.S. fixed income derivatives	(19,264,249)
Non-U.S. fixed income derivatives	18,083,360
Real estate investments	
Real estate	874,605,560
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	1,654,146,781
Total investments	**$ 18,617,264,070**

(a) Fixed income investments presented in this table include $190,127,869 of short-term investments with maturities of less than 90 days, which are included in the cash and short-term investments total on the financial statements.
(b) U.S. short-term investments principally consist of money market funds and options.
(c) Fixed income investments presented in this table include $9,083,971 of short-term bills and notes with maturities greater than 90 days.
(d) Fixed income investments presented in this table include commingled funds, derivatives, cash, and cash equivalent holdings.

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. To minimize custodial credit risk, SURS performs due diligence on service providers, provides investment parameters for investment vehicles, monitors the financial condition of the custodian, endeavors to have all investments held in custodial accounts through specific sources, and requires the custodian to meet certain requirements. At June 30, 2015, 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, 2015, 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, 2015 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	$ 121,978,538	$ 58,532,187	$ 180,510,725
AA+	794,095,778	15,577,976	809,673,754
AA	34,469,433	4,995,895	39,465,328
AA-	18,395,116	42,606,582	61,001,698
A+	61,713,728	22,304,414	84,018,142
A	83,705,432	18,103,414	101,808,846
A-	131,908,212	42,038,260	173,946,472
BBB+	137,999,169	29,107,394	167,106,563
BBB	76,792,836	72,904,073	149,696,909
BBB-	85,996,712	63,725,707	149,722,419
BB+	58,198,406	19,947,394	78,145,800
BB	22,441,412	27,652,336	50,093,748
BB-	22,495,560	13,085,095	35,580,655
B+	5,464,600	9,558,949	15,023,549
B	2,093,790	6,858,867	8,952,657
B-	11,302,014	2,971,625	14,273,639
CCC+	-	728,293	728,293
CCC	26,438,442	91,147	26,529,589
CCC-	-	480,000	480,000
CC	1,426,166	102,000	1,528,166
D	3,877,395	624,375	4,501,770
Not Rated **	199,599,223	72,392,006	271,991,229
Total Credit Risk: Debt Securities	$ 1,900,391,962	$ 524,387,989	$ 2,424,779,951
U.S. Government & Agencies *	1,564,281,344	-	1,564,281,344
Total debt securities investments* **	**$ 3,464,673,306**	**$ 524,387,989**	**$ 3,989,061,295**

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.
** Domestic includes $156,639,365 from self-managed plan variable annuities and mutual funds.
*** The credit risk by quality ratings does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no quality rating.

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, 2015, the segmented time distribution of the various investment types of debt securities of the System are as follows:

		Maturities in Years				
Type	2015 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*	$ 2,358,351,010	$217,715,700	$ 475,732,835	$ 692,956,607	$298,166,154	$673,779,714
U.S. Corporate Fixed Income **	1,106,322,295	97,508,369	308,702,889	299,784,735	88,259,801	312,066,501
Non-U.S. Fixed Income	524,387,990	88,191,332	169,119,553	164,298,581	35,271,174	67,507,350
Total* **	**$ 3,989,061,295**	**$403,415,401**	**$ 953,555,277**	**$1,157,039,923**	**$421,697,129**	**$1,053,353,565**

* Includes $22,205,625 from self-managed plan mutual fund.
** Includes $134,433,740 from self-managed plan variable annuities and mutual funds.
*** The segmented time distribution of debt securities does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no maturity date.

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, 2015 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	$ 74,994,545	$ (4,059,487)	$ 70,935,058
Brazilian real	11,755,497	51,930	11,807,427
British pound sterling	320,953,021	6,042,588	326,995,609
Canadian dollar	75,654,142	(622,782)	75,031,360
Colombian peso	-	13,581	13,581
Danish krone	42,407,598	(249,525)	42,158,073
Euro	516,196,990	6,254,395	522,451,385
Hong Kong dollar	122,895,172	99,665	122,994,837
Indian rupee	-	4,390,791	4,390,791
Indonesian rupiah	728,495	-	728,495
Japanese yen	318,229,202	(19,903,522)	298,325,680
Malaysian ringgit	9,194,539	-	9,194,539
Mexican peso	2,837,083	10,813,716	13,650,799
New Israeli shekel	11,743,350	-	11,743,350
New Taiwan dollar	28,552,205	10	28,552,215
New Zealand dollar	3,194,154	137,393	3,331,547
Norwegian krone	22,628,349	613	22,628,962
Philippine peso	1,592,677	-	1,592,677
Polish zloty	3,336,751	1	3,336,752
Russian ruble (new)	-	(4,367,941)	(4,367,941)
Singapore dollar	37,648,846	(2,221,184)	35,427,662
South African rand	26,634,065	205	26,634,270
South Korean won	17,142,891	(8,659,774)	8,483,117
Swedish krona	50,812,135	32,787	50,844,922
Swiss franc	104,615,277	(220,591)	104,394,686
Thai baht	3,779,739	-	3,779,739
Turkish lira	1,978,066	263	1,978,329
United Arab Emirates dirham	202,923	-	202,923
Total securities subject to foreign currency risk	**$ 1,809,707,712**	**$ (12,466,868)**	**$ 1,797,240,844**
Foreign investments denominated in U.S. dollars	**793,472,813**	**462,143,172**	**1,255,615,985**
Total foreign investment securities	**$ 2,603,180,525**	**$ 449,676,304**	**$ 3,052,856,829**

* Includes swaps, options and short-term investments

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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, 2015, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions. At June 30, 2015, SURS' investments in derivatives had the following balances:

	Notional Value 2015	Fair Value 2015	Change in Fair Value
Forwards	$ -	$ 10,294,550	$ 11,717,883
Rights and warrants	$ 483,368	$ 17,689	$ (25,861)
Futures			
Equity			
Long	$ 237,455,750	$ 970,017	$ 525,472
Short	(274,846,226)	(480,598)	(480,598)
Fixed Income			
Long	778,662,136	(121,234)	(348,940)
Short	(763,148,293)	(18,887)	1,604
Commodity			
Long	351,718,544	6,645,129	6,645,129
Foreign exchange			
Long	16,113,605	(801)	(801)
Short	(9,798,490)	114,107	114,107
Total futures	$ 336,157,026	$ 7,107,733	$ 6,455,973
Options			
Equity			
Put	$ (4,000,000)	$ (2,927)	$ (2,927)
Fixed income			
Call	(270,421,204)	(887,449)	(492,076)
Put	8,776,179	(45,355)	(7,585)
Cash and cash equivalent			
Call	(31,649,636)	(247,332)	338,931
Put	(37,866,472)	(763,322)	(1,001,336)
Swaptions			
Call	93,668,250	(244,289)	(28,530)
Put	(212,755,242)	(284,528)	(224,627)
Total options	$ (454,248,124)	$ (2,475,202)	$ (1,418,150)
Swaps			
Credit default			
Buying protection	$ -	$ -	$ 1,116,811
Selling protection	114,033,385	115,053	(3,219,897)
Currency	17,715,781	521,600	521,600
Inflation-linked			
Pay fixed	83,583,701	(842,365)	(951,406)
Receive fixed	22,664,179	(509,855)	(735,381)
Interest rate			
Pay fixed	-	-	-
Receive fixed	169,523,799	2,666,226	4,730,737
Total return	6,306	(659,273)	(7,389,661)
Total swaps	$ 407,527,151	$ 1,291,386	$ (5,927,197)

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, 2015, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2015	Change in Fair Value
Australian dollar	$ 4,328	$ (4,251)	$ 77	$ 166,677
Brazilian real	317,274	(123,032)	194,242	229,874
British pound sterling	12,927	(492,158)	(479,231)	(44,292)
Canadian dollar	-	(1,033)	(1,033)	215,029
Chinese yuan renminbi	3,349	(207,909)	(204,560)	(104,593)
Colombia peso	-	-	-	3,742
Danish krone	-		-	(2,732)
Euro	153,096	(579,478)	(426,382)	194,492
Hong Kong dollar	-	-	-	(61)
Indian rupee	21,946	(3,442)	18,504	18,504
Japanese yen	492,949	(968,909)	(475,960)	(436,870)
Mexican peso	-	(10,115)	(10,115)	201,637
New Zealand dollar	-	-	-	114,713
Polish zloty	-	-	-	10,529
Russian ruble (new)	-	(63,108)	(63,108)	(63,108)
South Korean won	-	-	-	(668,152)
Swedish krona	-	-	-	(1,549)
Swiss franc	-	(44)	(44)	(2,169)
Turkish lira	-	-	-	81,918
Total securities subject to foreign currency risk	$ 1,005,869	$ (2,453,479)	$ (1,447,610)	$ (86,411)
Foreign investments denominated in U.S. dollars	13,754,415	(2,012,255)	11,742,160	11,804,292
Total foreign investment securities	$ 14,760,284	$ (4,465,734)	$10,294,550	$11,717,881

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

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

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

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

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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 2015	Fair Value 2015	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	$ 400,000	$ (484)	$ -	$ (484)	$ -	$ -	$ -	$ (38,754)
Credit Default	67,453,965	(961,943)	(126,871)	603,897	16,384	-	(1,455,353)	(2,516,729)
Credit Default	46,079,420	1,076,883	-	1,058,254	18,629	-	-	1,076,883
Credit Default	100,000	597	597	-	-	-	-	(624,486)
Total Credit Default	114,033,385	115,053	(126,274)	1,661,667	35,013	-	(1,455,353)	(2,103,086)
Currency	17,715,781	521,600	-	-	-	521,600	-	521,600
Inflation-Linked	69,459,300	(382,262)	(96,802)	224,395	-	(684,658)	174,803	(716,829)
Inflation-Linked	36,900,000	(969,958)	(163,652)	(738,672)	(67,634)	-	-	(969,958)
Inflation-Linked	(111,420)	-	-	-	-	-	-	-
Total Inflation-Linked	106,247,880	(1,352,220)	(260,454)	(514,277)	(67,634)	(684,658)	174,803	(1,686,787)
Interest Rate	6,668,071	(74,749)	-	(45,104)	(29,645)	-	-	(384,088)
Interest Rate	424,162,361	2,200,027	(9,701)	(280,785)	661,825	121,883	1,706,805	2,401,297
Interest Rate	(261,306,633)	540,948	(494)	(2,824,793)	(569,347)	2,108,554	1,827,028	540,948
Interest Rate	-	-	-	-	-	-	-	2,172,580
Total Interest Rate	169,523,799	2,666,226	(10,195)	(3,150,682)	62,833	2,230,437	3,533,833	4,730,737
Total Return	6,306	(659,273)	(659,273)	-	-	-	-	(7,389,661)
Total Swaps	$ 407,527,151	$ 1,291,386	$ (1,056,196)	$ (2,003,292)	$ 30,212	$ 2,067,379	$ 2,253,283	$ (5,927,197)
Swaptions	$ -	$ 125,252	$ 125,252	$ -	$ -	$ -	$ -	$ 125,252
	(144,686,992)	(1,005,909)	(633,019)	(372,890)	-	-	-	(746,810)
	25,600,000	351,840	(17,639)	369,479	-	-	-	351,840
	-	-	-	-	-	-	-	16,561
	$ (119,086,992)	$ (528,817)	$ (525,406)	$ (3,411)	$ -	$ -	$ -	(253,157)
Forwards	$ -	$ 10,294,550	$ 9,915,346	$ 379,204	$ -	$ -	$ -	$ 11,717,883

	Fair Value 2015	Counterparty Credit Rating
Swaps		
Credit Default	$ (484)	AA
Credit Default	(961,943)	A
Credit Default	1,076,883	BBB
Credit Default	597	No Rating
Total Credit Default	115,053	
Currency	521,600	A
Inflation-Linked	(382,262)	A
Inflation-Linked	(969,958)	BBB
Inflation-Linked	-	No Rating
Total Inflation-Linked	(1,352,220)	
Interest Rate	(74,749)	AA
Interest Rate	2,200,027	A
Interest Rate	540,948	BBB
Interest Rate	-	No Rating
Total Interest Rate	$ 2,666,226	
Total Return	(659,273)	A
Total Swaps	$ 1,291,386	
Swaptions	$ 125,252	AA
	(1,005,909)	A
	351,840	BBB
	-	No Rating
	$ (528,817)	
Forwards	$10,294,550	No Rating

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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.

Currency rate swap agreements involve the exchange of principal and interest in one currency for the same in another currency. The terms of the currency rate swaps are expressed as a spread versus Libor rather than as explicit exchange rates. Each agreement comprises both a long and a short (non-base) currency exposure based on the reference legs of the swap.

SURS Rate	Counterparty Rate	Notional Value 2015	Fair Value 2015	Pay Fixed / Receive Fixed
0.07% to 2.415%	US CPI Urban Consumers NSA[1]	$ 57,400,000	$ (1,657,156)	pay fixed
0.66% to 0.9925%	Eurostat Eurozone HICP Ex Tob[2]	26,183,701	814,791	pay fixed
		$ 83,583,701	$ (842,365)	
6MEUR-EURIBOR-Act/360-Bloomberg[3]	0.55% to 1.5%	$ 64,066,503	$ 1,595,171	receive fixed
Brazil Cetip Interbank Deposit[4]	11.0% to 13.03%	48,813,651	(885,761)	receive fixed
Federal Fund Effective Rate US[5]	0.25%	(8,900,000)	(9,701)	receive fixed
JPY-LIBOR-BBA-Bloomberg 6M[6]	0.75% to 1.5%	31,381,522	(13,756)	receive fixed
MEXICO INTERBANK TIIE 28 DAY[7]	4.04% to 7.64%	78,103,839	(160,177)	receive fixed
USD-LIBOR-BBA-Bloomberg 3M[8]	1.25% to 3.0%	(22,380,000)	1,747,438	receive fixed
UK RPI All Items NSA[9]	3.14% to 3.55%	22,664,179	(509,855)	receive fixed
GBP-LIBOR-BBA-Bloomberg 6M[10]	1.25% to 2.75%	(21,561,716)	393,012	receive fixed
		$ 192,187,978	$ 2,156,371	
CCY SWP EUR 3M LIBOR/3M EURIB[11]	US LIBOR for Euribor	$ 17,715,781	$ 521,600	pay USD
		$ 17,715,781	$ 521,600	

1 Consumer Price Index All Urban Consumers Not Seasonally Adjusted (CPI NSA)
2 Eurozone Harmonised Index of Consumer Prices
3 Euro Interbank Offered Rate (EURIBOR)
4 Brazil Cetip Interbank Deposit (CDI)
5 U.S. Federal Funds Rate
6 Yen London Interbank Offered Rate (LIBOR)
7 Mexico Interbank Tasa de Interest Interbancaria de Equilibrio (TIIE)
8 London Interbank Offered Rate (LIBOR)
9 UK Retail Price Index All Items France Consumer Price Index excluding Tobacco
10 Pound London Interbank Offered Rate (LIBOR)
11 Currency Swap USD for Euro

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, 2015, if all counterparties fail to perform as contracted is $29.9 million. This maximum exposure is reduced by $12.3 million in collateral held and approximately $20.8 million in liabilities, resulting in approximately $(3.2) 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 2015, 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. Types of securities on loan include agency and government bonds, domestic equity, and international equity. 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 1.09 days. Cash collateral is invested in the indemnified repurchase agreements, which at year end had a weighted average final maturity of 25.62 days, a weighted average reset of 5.29 days, and a fair value of $752.6 million.

Collateral as of June 30, 2015 ($ millions)	
Securities on loan as of June 30, 2015	$ 732.0
Fair value of cash collateral invested	$ 752.6
Fair value of collateral received	$ 752.4
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 members 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, 2015, the SMP had investments of $1,748,232,397. A detailed schedule (unaudited) of the funds and balances at June 30, 2015 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, 2015 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
2015	$41,219.3	$17,463.0	$23,756.3	42.37%

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 February 2015. An economic assumption study was performed June 2014. The total pension liability as of June 30, 2015 is based on the results of an actuarial valuation date of June 30, 2014 and rolled forward using generally accepted actuarial procedures. A summary of the actuarial methods and assumptions used in the latest actuarial valuation are presented below.

Summary of Actuarial Assumptions

Valuation date	June 30, 2014
Actuarial cost method	Individual entry age
Actuarial Assumptions	
Single discount rate	7.12%
Expected rate of return*	7.25%
Municipal bond rate	3.80% (based on the weekly rate closest to but not later than the measurement of the "state & local bonds" rate from Federal Reserve statistical release (H.15))
Inflation	2.75%
Projected salary increases	3.75% to 15.0% including inflation
Post-retirement cost of living adjustments	3.0%
Mortality table	RP2014 White Collar, gender distinct. Projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

*Assumed investment rate of return changed from 7.75% 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 7.12% was used to measure the total pension liability as of June 30, 2015. This single discount rate was based on an expected return on pension plan investments of 7.25% and a municipal bond rate of 3.80%. 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 97% in 2016) is provided by the State of Illinois, are projected to be $1.6 billion in 2016 and growing to $3.7 billion in 2045 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 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, 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 7.12%, 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, 2015 ($ millions)

	1% Decrease 6.12%	Current Discount Rate 7.12%	1% Increase 8.12%
Net Pension Liability	$ 28,929.3	$ 23,756.3	$ 19,471.0

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 table displayed below is the Board-approved asset allocation policy for fiscal year 2015 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) in which best estimate ranges of expected future real rates of return are 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 (Arithmetic)
U.S. equity	23.0%	5.77%
Private equity	6.0	9.23
Non-U.S. equity	19.0	6.69
Global equity	8.0	6.51
Fixed income	19.0	1.12
Treasury-Inflation-Protected Securities (TIPS)	4.0	1.22
Emerging market debt (EMD)	3.0	4.61
Real estate		
REITs	4.0	5.85
Direct real estate	6.0	4.37
Commodities	2.0	4.06
Hedged strategies	5.0	3.99
Opportunity Fund	1.0	6.80
Total	**100.0%**	**5.02%**
Inflation		**3.00**
Expected arithmetic return*		**8.02%**

*The geometric expected rate of return includes volatility and correlation estimates while the expected arithmetic return does not.

For the year ended June 30, 2015 the annual money-weighted rate of return on defined benefit plan investments, net of fees was 2.9%. The money weighted rate of return expresses investment performance, net of fees, adjusted for the changing amounts actually invested.

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VI. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$ 531,834	$ –	$ –	$ 531,834
Office building	7,344,054	282,549	–	7,626,603
Information system equipment & software	15,886,027	183,201	258,300	15,810,928
Furniture and fixtures	818,495	13,804	5,421	826,878
	24,580,410	479,554	263,721	24,796,243
Less accumulated depreciation:				
Office building	2,894,469	213,957	–	3,108,426
Information system equipment & software	14,776,533	234,844	258,300	14,753,077
Furniture and fixtures	766,339	4,799	5,421	765,717
	18,437,341	453,600	263,721	18,627,220
	$ 6,143,069	$ 29,654	$ -	$ 6,169,023

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, 2015, the System had a liability of $1,222,578 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, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$1,185,897	$ 717,310	$ 680,629	$ 1,222,578	$ 108,000

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 Healthcare and Family Services, along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute toward health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute toward health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State; therefore, those annuitants with 20 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 Health and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois 62763.

X. Lease Agreements

The System leases office space in Naperville for its Northern Counseling Center. The commitment for this lease is $22,836 for fiscal year 2015 and $12,690 for fiscal year 2016. In addition, the System began leasing office space in Springfield for its legislative staff. The fiscal year 2016 commitment for this lease is $7,200.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Employer Net Pension Liability and Related Ratios

Total pension liability	**2015**	**2014**
Service cost	$ 654,968,438	$ 675,257,078
Interest on total pension liability	2,723,714,885	2,643,353,237
Changes in benefit terms	-	-
Differences between expected and actual experience	40,408,204	130,585,622
Changes in assumptions	831,624,586	-
Benefit payments	(2,129,977,721)	(2,002,869,428)
Refunds of member accounts	(83,715,720)	(82,897,092)
Net change in pension liability	(2,037,022,672)	1,363,429,417
Total pension liability - beginning	39,182,306,271	37,818,876,854
Total pension liability - ending	**$41,219,328,943**	**$39,182,306,271**
Plan net position		
Member contributions	$ 267,682,083	$ 283,081,326
Employer contributions	39,933,909	43,898,604
Non-employer contributing entity contributions	1,488,591,489	1,458,965,014
Net investment income	503,199,957	2,667,900,403
Benefit payments	(2,129,977,721)	(2,002,869,428)
Refunds of member accounts	(83,715,720)	(82,897,092)
Non investment administrative expenses	(14,069,273)	(13,857,522)
Net change in plan net position	71,644,724	2,354,221,305
Plan net position - beginning	17,391,323,132	15,037,101,827
Plan net position - ending	**$17,462,967,856**	**$17,391,323,132**
Net pension liability - ending	**$23,756,361,087**	**$21,790,983,139**

Schedule of Net Pension Liability ($ 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%
2015	$ 41,219.3	$ 17,463.0	$ 23,756.3	42.37%	$ 3,606.5	658.71%

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

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
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%
2015	1,622,656	39,934	1,488,591	94,130	3,606,536	42.38%

Schedule of Investment Returns (A)

2014	18.15%
2015	2.90%

(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, 2014 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 7.09% and the end of the year total pension liability uses a single discount rate of 7.12%. 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 4.29% as of June 26, 2014 and 3.80% as of June 25, 2015.

Actuarial Assumptions and Methods Used in Determining Fiscal Year 2015 Contributions

Valuation Date	June 30, 2013
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	7.75% beginning with the actuarial valuation as of June 30, 2010.
Real Rate of Return	5.0%
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	None

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2015 and 2014

	2015	2014
Defined benefit plan		
Personnel services		
Salary and wages	$ 7,510,708	$ 7,262,675
Retirement contributions	863,175	837,909
Insurance and payroll taxes	2,298,988	2,423,171
	10,672,871	10,523,755
Professional services		
Computer services	600,079	511,421
Medical consultation	7,054	10,435
Technical and actuarial	591,630	693,143
Legal services	261,198	208,625
	1,459,961	1,423,624
Communications		
Postage	376,696	284,673
Printing and copying	61,237	64,143
Telephone	100,915	119,238
	538,848	468,054
Other services		
Equipment repairs, rental and maintenance	82,637	84,534
Building operations, maintenance, office rental	253,723	247,786
Surety bonds and insurance	261,744	264,438
Memberships and subscriptions	51,333	51,815
Transportation, travel and conferences	119,362	147,426
Education	35,936	34,915
EDP supplies and equipment	86,220	105,068
Office supplies	53,038	54,363
	943,993	990,345
Depreciation and amortization	**453,600**	**451,744**
Total administrative expenses - DB Plan	**$ 14,069,273**	**$ 13,857,522**
Self-managed plan		
Salary and wages	282,496	274,701
Retirement contributions	83,786	89,265
Insurance and payroll taxes	36,466	36,700
Technical and actuarial	54,375	24,086
Postage	5,638	11,766
Memberships and subscriptions	600	600
Transportation, travel and conferences	1,354	1,847
Printing and copying	1,668	1,144
Total administrative expenses - SMP	**$ 466,383**	**$ 440,108**
Total administrative expenses	**$ 14,535,656**	**$ 14,297,630**

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2015 and 2014

	2015	2014
Defined benefit plan		
Techical and actuarial services		
Alpha Controls & Services	$ -	$ 3,152
Aurico	4,205	3,103
Berns Clancy & Associates	12,880	4,620
Berwyn Group	4,200	4,200
Carle Clinic & Hospital	-	1,160
CEM Benchmarking	-	40,000
Clifton Larson Allen	-	29,000
Gabriel, Roeder, Smith & Co.	228,180	345,364
Governmental Consulting Solutions	40,000	60,000
Henneman Engineering	12,325	15,169
Hoemann Photography	-	50
ICS/Merrill	4,282	245
INFRE	-	125
Janet Jones & Associates	42,000	42,000
Miscellaneous	7,859	688
Open position advertising/Recruitment	80,753	460
Payscale	5,000	5,000
Propio Language Services	428	480
Ratio Architects	14,850	4,938
Segal	-	9,571
Segal Waters Consulting	-	26,027
Sikich, LLP	15,500	-
The Northern Trust	76,668	78,965
Thompson McClellan Photography	-	340
Woolard Marketing Consultants	22,500	18,486
Zahn Governmental Solutions	20,000	-
	591,630	693,143
Legal services		
Areawide Reporting Services	1,797	1,401
Burke, Burns & Pinelli	122,896	114,170
Internal Revenue Service	24,625	5,375
Investors Responsibility Support Services	25,000	25,000
Katten Muchin Rosenman	66,324	21,613
Mayer Brown LLP	6,593	1,431
Thomas, Mamer & Haughey	-	21,049
Winters, Featherstun, et al	13,963	18,586
	261,198	208,625
Self-managed plan		
Technical and actuarial services		
Callan Associates	-	6,000
NEPC	54,375	18,086
Subtotal	54,375	24,086
Total consultant payments	**$ 907,203**	**$ 925,854**

OTHER SUPPLEMENTARY INFORMATION

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2015 and 2014

	2015	2014
Investment Manager		
Adams Street Partners	$ 5,411,981	$ 5,106,182
Alinda Capital Partners	436,645	427,254
Ativo Capital Management	462,953	420,083
BlackRock Institutional Trust Company	4,343,951	4,888,196
Calamos Advisors	1,485,743	1,423,084
CastleArk Management	735,102	678,964
CBRE Clarion Real Estate Securities	1,304,166	1,157,619
Channing Capital Management	617,624	617,841
Chicago Equity Partners	542,656	500,910
Colchester Global Investors Limited	46,211	-
Dune Capital Management	1,329,571	1,464,416
EARNEST Partners	235,826	267,364
Fairview Capital Partners	47,660	-
Fiduciary Management Associates	623,466	579,405
Franklin Templeton Real Estate Advisors	584,117	835,563
Garcia Hamilton & Associates	167,735	129,697
GlobeFlex Capital, L.P.	1,664,329	2,055,723
Heitman	708,408	-
Herndon Capital Management	540,159	536,938
Holland Capital Management	283,042	253,843
Jacobs Levy Equity Management	1,215,702	1,200,963
JPMorgan Chase Bank, N.A.	809,725	-
LM Capital Group	265,496	216,953
Lombardia Capital Partners	234,727	577,227
Longfellow Investment Management	81,182	76,667
Macquarie Capital	915,323	695,864
Martin Currie, Inc.	271,298	811,114
Mesirow Financial Investment Management	330,000	330,000
Mondrian Investment Partners	794,346	754,132
Muller and Monroe Asset Management	209,359	267,519
Neuberger Berman	482,512	451,046
New Century Advisors	220,801	204,015
Northern Trust Asset Management	193,371	184,367
Pacific Investment Management Company	4,296,984	4,209,319
Pantheon Ventures	3,412,840	2,046,052
Parametric Clifton	337,529	-
Piedmont Investment Advisors	653,582	572,174
Profit Investment Management	-	163,671
Progress Investment Management Company	3,254,317	2,955,159
Pugh Capital Management	238,191	205,704
Pyramis Global Advisors Trust Company	1,941,611	1,655,039
RhumbLine Advisers	146,460	170,496
RREEF	185,417	117,936
Smith Graham & Company	164,916	129,260
State Street Global Advisors	60,658	58,851
Strategic Global Advisors	607,576	467,546
T. Rowe Price	2,662,443	2,667,107
Taplin, Canida & Habacht	206,968	189,850
TCW Metropolitan West Asset Management	780,615	701,648
UBS Realty Investors	2,888,434	2,690,072
Wellington Management Company	2,636,159	2,067,323
Total investment management fees	52,069,887	48,180,156

OTHER SUPPLEMENTARY INFORMATION

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses (continued)
For the Years Ended June 30, 2015 and 2014

	2015	2014
Master Trustee & Custodian		
The Northern Trust Company	1,518,211	1,513,732
Investment Consultant, Measurement & Counsel		
Callan Associates Inc.	-	160,500
Chapman and Cutler LLP	77,917	-
Jackson Walker L.L.P.	82,080	-
Katten Muchin Rosenman	-	2,398
Mayer, Brown, Rowe & Maw	75,917	79,805
NEPC, LLC	443,125	284,020
Proskauer	66,611	-
Total investment fees	745,650	526,723
Investment Administrative Expenses		
Personnel	1,109,363	1,080,096
Resources and travel	182,989	178,808
Performance measurement and database	78,926	46,876
Total administrative expenses	1,371,278	1,305,780
Total investment expenses	**$ 55,705,026**	**$ 51,526,391**

DIVERSIFYING

INVESTMENT

Letter of Certification

Report of Investment Activity

Investment Summary

Investment Results

Investment Allocation

Supporting Schedules

SURS2015

LETTER OF CERTIFICATION

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

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as Master Trustee has provided annual Statements of Account for the State Universities Retirement System Master Trust ("Trust") which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Trust for the period July 1, 2014 through June 30, 2015.

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 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

S·U·R·S
STATE UNIVERSITIES RETIREMENT SYSTEM

1901 Fox Drive, Champaign, IL 61820-7333
800-275-7877 • 217-378-8800 • (Fax) 217-378-9800
www.surs.org

December 21, 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 2015. SURS administers and oversees a large, public defined benefit investment program with assets currently approximating $17.5 billion for the fiscal year ending June 30, 2015. In addition, the Self-Managed Plan (SMP), a defined contribution plan offered to members, continues to increase in size with assets of approximately $1.8 billion.

SURS investment performance for the fiscal year ended June 30, 2015, returned 2.9%, net of investment management fees, which was consistent with the portfolio benchmark. This compares to fiscal year 2014 investment returns of 18.2%. 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 2015, the System's funding ratio, based on plan net position as a percentage of total pension liability, decreased from 44.39% to 42.37%.

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. Prior to then, 8.5% had been the assumed rate since fiscal year 1997. Despite favorable longer-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 2015 annual statutory contribution of $1,544.2 million in addition to the full fiscal year 2014, 2013, and 2012 annual statutory contributions. The funding received over the past several years has demonstrated a commitment by the legislature to assist in improving the underfunding status of SURS. We are hopeful these practices will continue going forward.

In 2013, 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. As a means of reducing equity risk in the portfolio, additional strategies are being employed by reallocating a portion of assets to other investable areas. The plan approved includes additions to emerging market debt, hedged strategies and commodities, while maintaining the current allocation to private equity. The real estate allocation in the study was increased to a 10% portfolio allocation. Searches were completed during the past year increasing the allocation towards target. Modifications to the portfolio are in progress and anticipated to be finalized over the upcoming twelve months.

Longer-term investment performance remains favorable. Over the past three-, five-, ten-, and twenty-year periods, the SURS portfolio has earned 11.0%, 11.2%, 7.1%, and 8.2% 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 8.3% and 9.2%, respectively.

Outputs – Fiscal Year Ending June 30, 2015
The commitment to diversity at SURS remains constant. The allocation utilizing minority-, female-, and persons with a disability-owned investment managers is currently 25.9% of the SURS Investment Program, approximately $4.5 billion in assets.

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, $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, $250 million in commitments were approved by the Board.

A three-year real estate funding plan was also approved by the Board in September 2014 to continue buildout of the asset class. The multi-year program of $300 million in total was approved, with planned allocations of $100 million for the 2015, 2016 and 2017 calendar years. During the year, the Board conducted searches and ultimately awarded $195 million in commitments. A search will be conducted in late 2016 to identify commitments of the remaining $105 million of the three-year plan.

SURS is continuously exploring avenues to more effectively monitor and manage the overall risk of the portfolio. During the past year, the public equity allocation has been reduced from 60% to 56%. The 56% public equity allocation provides slightly less than 90% of the overall portfolio volatility. When fully implemented, the asset allocation strategy approved by the Board is designed to reduce the target public equity exposure to a 50% level.

In summary, a number of key accomplishments were achieved during fiscal year 2015, several of which are documented below. The Investment Section of this report provides further information regarding the investment program.

- The defined benefit portfolio returned 2.9% for fiscal year 2015, net of investment management fees.
- Net position restricted for pensions is in excess of $19.2 billion, with the SURS investment program maintaining its ranking as one of the largest 100 pension plans in the United States.
- Emerging Market Debt - A search to identify qualified emerging market debt investment managers was completed.
- Non-Core Real Estate – A search to identify non-core real estate managers was conducted.
- Emerging Manager Real Estate - A search to identify a firm to construct a portfolio of minority-, female-, and persons with a disability-owned funds was conducted.
- Hedge Fund-of-Funds - A search to identify a hedge fund-of-funds program was initiated, to be finalized during fiscal year 2016.

REPORT OF INVESTMENT ACTIVITY

- Private Equity Emerging Manager Fund-of-Funds – The Board approved a search be conducted to identify a firm to construct a portfolio of private equity funds managed by minority-, female-, and persons with a disability-owned general partners for the years 2017 – 2019.

- SMP provider search – A Request For Proposal (RFP) was released in May 2015 to identify two or more qualified SMP service providers. The process is expected to conclude during the fall of 2015.

- Commodities search – A search to identify potential commodities was initiated and is expected to be completed during fiscal year 2016.

- Private Equity Asset Class – During the year, $250 million in additional commitments in domestic and global strategies were approved by the Board.

- 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 seventeenth year of existence, currently exceeding $1.7 billion in member assets. The SMP provides access to members of funds including a minority-owned investment firm as a fund choice option, which has been in place since the inception of the Plan in 1998.

SURS is continually addressing challenges and concerns regarding the funding status of the defined benefit plan. SURS is currently 42.4% funded as of June 30, 2015, and will pay approximately $2.3 billion in benefit payments during fiscal year 2016. Favorable investment performance alone will not be sufficient to ease the existing funding gap. SURS interacts regularly 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 2016 Investment Plan is posted on the SURS website.

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

Sincerely,

Daniel L. Allen

Daniel L. Allen
Chief Investment Officer

INVESTMENT SUMMARY

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

Investment Policy

The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Periodically, asset allocation studies are conducted and the results of these studies guide the setting of investment policy. An asset/liability study completed in June 2014 resulted in slight modifications to SURS' asset allocation targets and incorporated three additional asset classes: emerging market debt, hedged equities, and commodities. The modified long-term strategic asset allocation targets are:

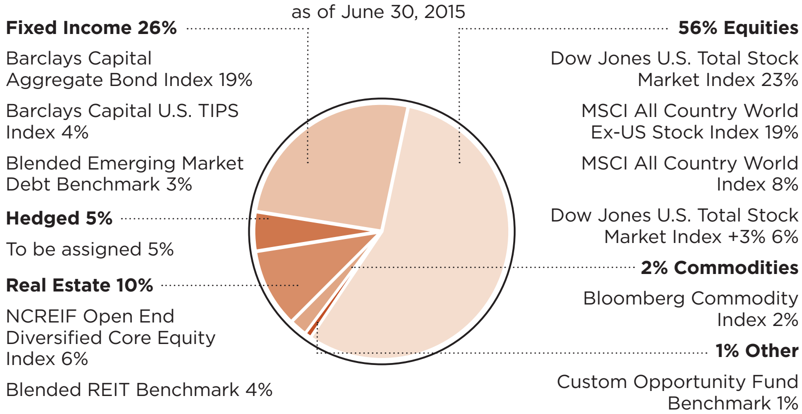
- 23.0% invested in U.S. equities
- 19.0% in non-U.S. equities
- 8.0% in global equities
- 6.0% in private equities
- 19.0% in fixed income
- 4.0% in treasury inflation-protected securities (TIPS)
- 3.0% in emerging market debt
- 10.0% in direct real estate (through funds) and real estate investment trust securities (REITs)
- 2.0% in commodities
- 5.0% in hedged strategies
- 1.0% in the Opportunity Fund

These strategic asset allocation targets will be implemented over time to allow for proper diversification.

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, 2015



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
TIPS	Barclays Capital U.S. TIPS Index	4.0
Emerging Market Debt	Blend of JP Morgan GBI-EM Global Diversified, JP Morgan EMBI Global Diversified and JP Morgan Corporate Emerging Markets Bond Index - Broad	3.0
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
Overlay/Commodities	Bloomberg Commodity Index	2.0
Hedged Strategies	To be assigned	5.0
Opportunity Fund	Custom benchmark of the combined investments	1.0
		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

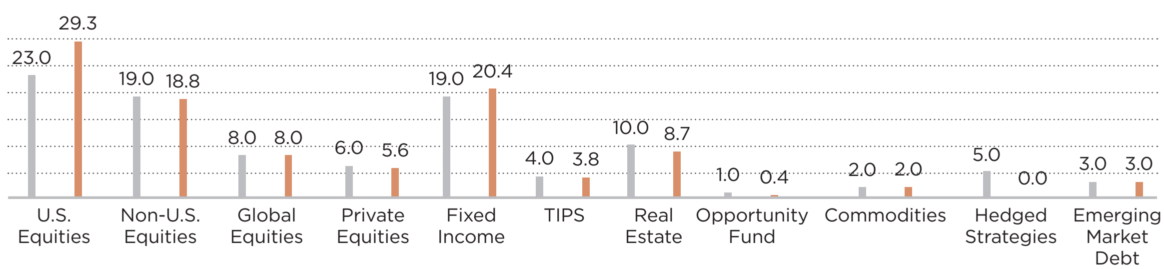
SURS invests in multiple asset classes utilizing various investment managers and strategies as a method to ensure overall fund diversification. As of June 30, 2015, the System had retained the services of 51 investment management firms, several of which manage multiple mandates, and an additional 21 managers through the Progress Emerging Manager of Managers program, of which eight 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 a cash overlay strategy implemented in the fiscal year and System cash flows. At year end, the fund was invested 68% in equities, 27% in fixed income, and 5% 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, 2015, provided returns that have matched the overall benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 7.1%. 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.

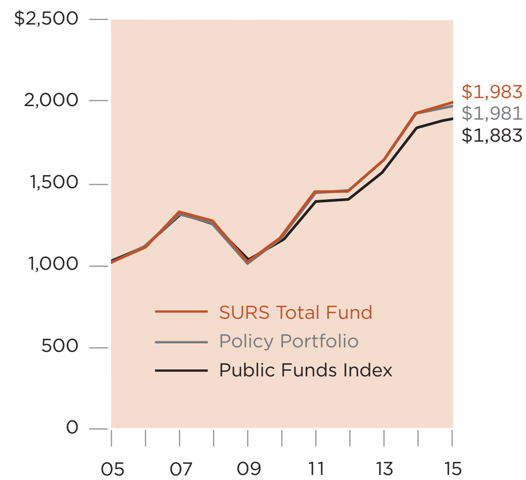
This consistent performance is best illustrated by the growth of $1,000 invested in SURS total fund, the policy portfolio and median public funds index during the past 10 years. The ending points indicate that $1,000 invested in SURS total fund would have grown to $1,983, while the same $1,000 invested in the policy portfolio and median public funds index would have grown to $1,981 and $1,883, respectively.

Fiscal Year 2015 Results

For the fiscal year ended June 30, 2015, SURS total fund returned 2.9%, matching the market goal, or policy portfolio. SURS' one-year return exceeded that of the median public pension fund return, as measured by the Investorforce Public DB > $1 Billion Index, by 0.3%. For the period, six of the nine asset class portfolios, including U.S. equity, non-U.S. equity, global equity, 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, private equity, direct real estate and the Opportunity Fund.

Total Fund

Growth of $1,000



INVESTMENT RESULTS

	Fiscal Year Ended June 30					Annualized		
	2011	2012	2013	2014	2015	3 YR	5 YR	10 YR
Total Fund								
SURS	23.8%	0.5%	12.5%	18.2%	2.9%	11.0%	11.2%	7.1%
Policy Portfolio	23.4	1.7	12.4	18.0	2.9	10.9	11.3	7.1
Public Funds Index	20.9	0.7	11.9	17.6	2.6	10.5	10.5	6.5
CPI-U	3.6	1.7	1.8	2.1	0.1	1.3	1.8	2.1
U.S. Equity								
SURS	33.8	2.9	21.9	24.8	7.6	17.9	17.7	8.2
Dow Jones U.S. Total Stock Market	32.4	4.0	21.5	25.0	7.2	17.6	17.5	8.3
Non-U.S. Equity								
SURS	31.2	(13.5)	15.0	22.4	(3.7)	10.7	9.0	5.5
MSCI All Country World Index Ex-U.S.	29.7	(14.6)	13.6	21.8	(5.3)	9.4	7.8	5.5
Global Equity								
SURS	29.9	(5.8)	15.1	24.3	2.7	13.7	12.5	6.3
Performance Benchmark	30.1	(6.5)	16.6	22.9	0.7	13.0	11.9	6.2
Private Equity (1)								
SURS	19.8	8.4	7.1	18.7	6.2	10.6	12.3	11.1
Dow Jones U.S. Total Stock Market + 3%	22.7	12.3	17.5	25.6	15.2	19.4	17.7	11.5
Fixed Income								
SURS	5.2	6.7	0.8	4.4	1.7	2.3	3.7	5.2
Performance Benchmark (3)	3.9	7.5	(0.7)	4.4	1.9	1.8	3.3	4.5
TIPS								
SURS	7.9	12.0	(4.4)	4.9	(2.4)	(0.7)	3.4	4.7
Performance Benchmark	7.7	11.7	(4.8)	4.4	(1.7)	(0.8)	3.3	4.1
Direct Real Estate (2)								
SURS	19.2	12.5	9.8	14.6	12.2	12.0	13.4	6.0
Performance Benchmark	19.0	13.6	9.7	13.5	11.1	11.4	13.3	6.0
Real Estate (REITs)								
SURS	34.7	7.2	10.1	14.1	1.7	8.5	13.0	6.2
Performance Benchmark	34.1	7.7	10.0	13.4	1.7	8.3	12.9	5.5
Opportunity Fund								
SURS	22.2	2.6	27.0	8.1	5.4	13.1	12.6	10.6
Performance Benchmark	11.0	10.3	6.2	1.5	5.0	7.0	8.4	4.9

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

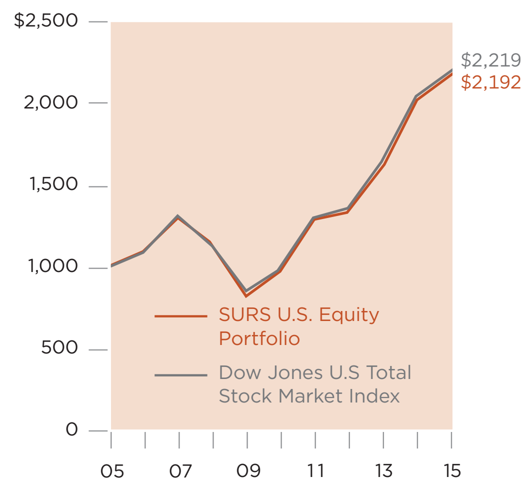
For the fiscal year 2015, SURS U.S. equity portfolio returned 7.6%. SURS portfolio outperformed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 0.4%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 7.2%. All segments of the U.S. equity market posted positive returns. Growth outperformed value stocks, while large cap outpaced small 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 $2,192 (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 $2,219.

	FY 2015	3 YR	5 YR	10 YR
SURS	**7.6%**	**17.9%**	**17.7%**	**8.2%**
DJ U.S. TSM	7.2	17.6	17.5	8.3
DJ U.S. Large Cap TSM	7.4	17.5	17.4	8.1
DJ U.S. Large Cap Growth TSM	11.5	19.3	18.7	9.2
DJ U.S. Large Cap Value TSM	3.1	15.3	15.8	6.7
DJ U.S. Small Cap TSM	5.1	18.7	18.2	9.9
DJ U.S. Small Cap Growth TSM	6.5	20.0	19.4	10.7
DJ U.S. Small Cap Value TSM	3.8	17.5	16.9	9.1
S & P 500	7.4	17.3	17.3	7.9
Russell 3000	7.3	17.7	17.5	8.2
Russell 2000	6.5	17.8	17.1	8.4

U.S. Equity Portfolio

Growth of $1,000



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
Apple Inc	1,306,007	$163,805,928
Microsoft Corp	1,734,830	76,592,745
Exxon Mobil Corp	831,146	69,151,347
Johnson & Johnson	634,960	61,883,202
Wells Fargo & Co	1,052,180	59,174,603
JP Morgan Chase & Co	805,588	54,586,643
Pfizer Inc	1,526,944	51,198,432
General Electric Co	1,908,353	50,704,939
Amazon.com Inc	106,636	46,289,621
Google Inc Class A	82,296	44,443,132

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

INVESTMENT RESULTS

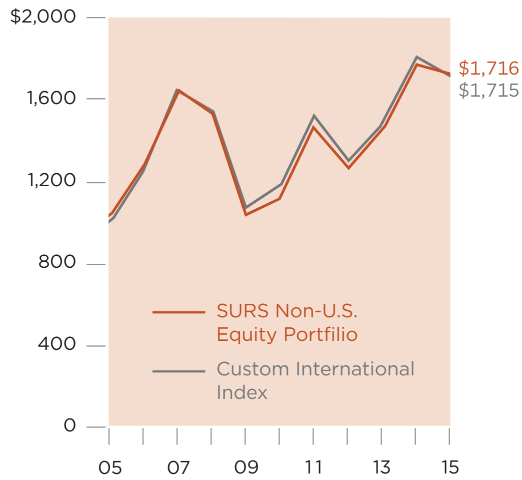
Non-U.S. Equities

For fiscal year 2015, SURS non-U.S. equity portfolio returned (3.7)%, surpassing its benchmark return by 1.6%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, fell 5.3% 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 $1,716 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,715.

	FY 2015	3 YR	5 YR	10 YR
SURS	**(3.7)%**	**10.7%**	**9.0%**	**5.5%**
MSCI ACWI Ex-US	(5.3)	9.4	7.8	5.5
MSCI EAFE	(4.2)	12.0	9.5	5.1
MSCI Emerging Markets	(5.1)	3.7	3.7	8.1

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



TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
Allergan PLC (Ireland)	114,806	$34,839,029
Diageo PLC (United Kingdom)	722,253	20,911,684
Sanofi (France)	201,636	19,824,249
Nestle SA (Switzerland)	261,674	18,900,000
AIA Group (Hong Kong)	2,777,200	18,180,199
GlaxoSmithKline PLC (United Kingdom)	836,555	17,399,471
Novartis AG (Switzerland)	173,740	17,131,391
Naspers Ltd (South Africa)	101,603	15,862,716
Medtronic PLC (Ireland)	199,977	14,818,296
BG Group (United Kingdom)	873,202	14,549,952

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

SURS

INVESTMENT

INVESTMENT RESULTS

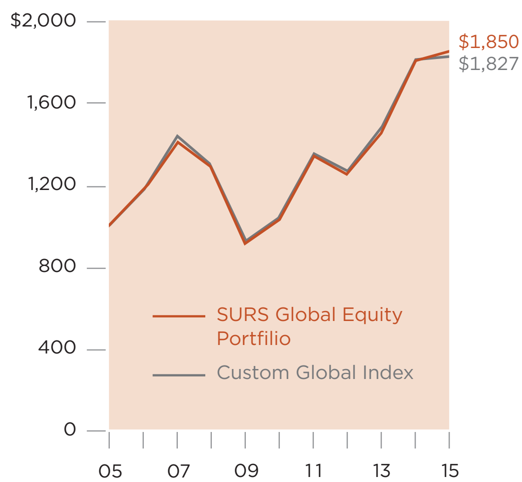
Global Equities

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 2.0% for the fiscal year, returning 2.7%. 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 $1,850 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,827.

	FY 2015	3 YR	5 YR	10 YR
SURS	**2.7%**	**13.7%**	**12.5%**	**6.3%**
MSCI ACWI	0.7	13.0	11.9	6.4
MSCI World	1.4	14.3	13.1	6.4
Dow Jones U.S. Total Stock Market	7.2	17.6	17.5	8.3
MSCI EAFE	(4.2)	12.0	9.5	5.1
MSCI ACWI Ex-US	(5.3)	9.4	7.8	5.5

Global Equity Portfolio
Growth of $1,000



Private Equities

SURS private equity portfolio posted a positive return of 6.2% during fiscal year 2015. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +3%, returned 15.2%. As of June 30, 2015, the valuation of SURS private equity portfolio was $0.977 billion, representing 5.6% 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 $2.894 billion has been committed to these funds, and of this amount approximately $2.254 billion has been invested. In addition, during this same period, SURS has received approximately $2.736 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 25-year period. The table below 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 2015	3 YR	5 YR	10 YR	Since Inception
SURS	**6.2%**	**10.6%**	**12.3%**	**11.1%**	**21.1%**
Performance Benchmark	15.2	19.4	17.7	11.5	13.4
(Dow Jones U.S. Total Stock Market + 300 Basis Points)					

INVESTMENT RESULTS

Fixed Income

The SURS fixed income portfolio returned 1.7% for fiscal year 2015, trailing the 1.9% return of the portfolio's benchmark by 0.2%. 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 27 fiscal years.

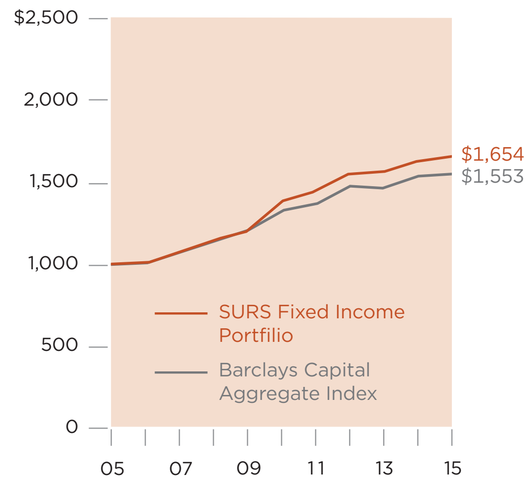
During fiscal year 2013, an asset structure analysis of the asset class was conducted. The restructuring process included the implementation of an unconstrained fixed income investment strategy into the portfolio as well as a rebalancing of the assets managed by the existing investment manager lineup. An allocation to emerging market debt was incorporated in to the SURS portfolio during fiscal year 2015.

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 $1,654 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,553.

	FY 2015	3 YR	5 YR	10 YR
SURS	**1.7%**	**2.3%**	**3.7%**	**5.2%**
Barclays Capital Aggregate	1.9	1.8	3.3	4.4
Barclays Capital Universal	1.6	2.3	3.8	4.7
Long Term Government	6.2	1.2	6.2	6.1
Intermediate Government	1.8	0.9	2.1	3.7
Long Term Corporate	(0.9)	3.5	6.9	5.9
Intermediate Corporate	1.5	3.2	4.5	4.9
Mortgage-Backed	2.3	1.9	2.9	4.6

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 Inflation Index Notes	AA+	0.125	July 15, 2024	56,210,000	54,618,914
U.S. Treasury Inflation Index Notes	AA+	2.375	January 15, 2025	34,925,000	51,567,013
U.S. Treasury Inflation Index Notes	AA+	0.250	January 15, 2025	49,555,000	48,551,056
U.S. Treasury Inflation Index Notes	AA+	0.125	July 15, 2022	47,145,000	48,134,754
U.S. Treasury Inflation Index Bonds	AA+	1.750	January 15, 2028	37,460,000	47,921,576
U.S. Treasury Bonds	AA+	3.125	August 15, 2044	41,985,000	42,053,897
U.S. Treasury Inflation Index Bonds	AA+	2.000	January 15, 2026	30,710,000	42,022,568
U.S. Treasury Notes	AA+	2.500	May 15, 2024	41,210,000	41,915,062
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2027	29,425,000	41,302,554
U.S. Treasury Bonds	AA+	2.750	August 15, 2042	43,765,000	40,718,562

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

Treasury Inflation-Protected Securities (TIPS)

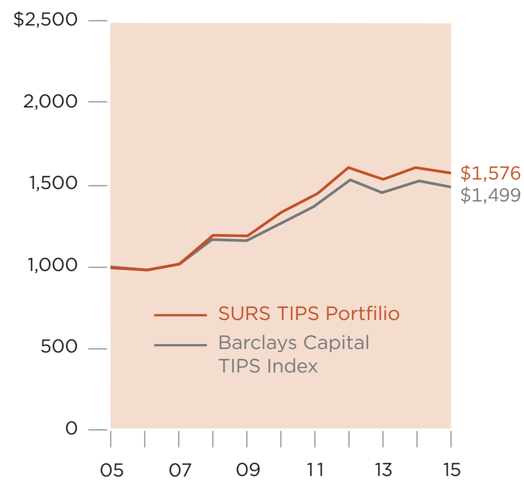
During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2015, TIPS accounted for a 3.8% allocation of the total fund. The TIPS portfolio returned (2.4)% for fiscal year 2015, lagging its Barclays Capital U.S. TIPS benchmark by 0.7%. The portfolio's three-, five-, and ten-year returns outpaced the annualized benchmark returns by 0.1%, 0.1%, 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 $1,576 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,499.

	FY 2015	3 YR	5 YR	10 YR
SURS	**(2.4)%**	**(0.7)%**	**3.4%**	**4.7%**
Performance Benchmark	(1.7)	(0.8)	3.3	4.1

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 $1.037 billion has been committed to direct real estate funds, and of this amount approximately $907 million has been invested. The direct real estate portfolio returned 12.2% 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 11.1% 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.

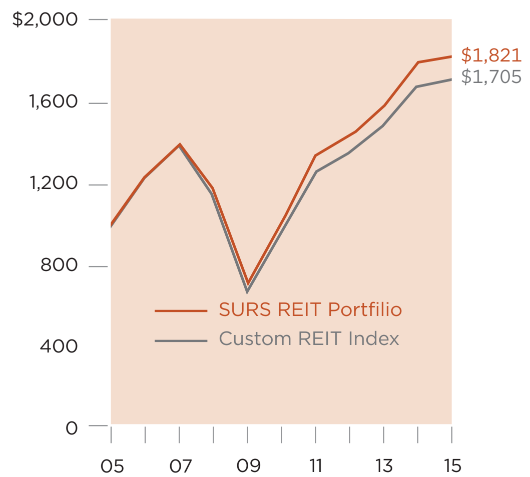
SURS total REITs portfolio increased 1.7% during the fiscal year, matching its benchmark, a blend of the Dow Jones U.S. Select Real Estate Securites Index and the FTSE EPRA/NAREIT Developed Index. The portfolio's three-, five-, and ten-year returns exceeded the benchmark return by 0.2%, 0.1%, and 0.7% 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 $1,821 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,705.

	FY 2015	3 YR	5 YR	10 YR
SURS	**12.2%**	**12.0%**	**13.4%**	**6.0%**
NCREIF ODCE Index	11.1	11.4	13.3	6.0

	FY 2015	3 YR	5 YR	10 YR
SURS	**1.7%**	**8.5%**	**13.0%**	**6.2%**
Performance Benchmark	1.7	8.3	12.9	5.5
Dow Jones U.S. Select Real Estate Securities	5.3	8.7	14.4	6.7
FTSE EPRA/NAREIT Developed Index	(0.4)	8.7	0.3	0.3
FTSE EPRA/NAREIT Developed Ex-US	(3.4)	9.5	(1.0)	(1.0)

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, 2015, 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 5.4% during the fiscal year, surpassing its custom benchmark return by 0.4%. 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 2015	3 YR	5 YR	10 YR
SURS	**5.4%**	**13.1%**	**12.6%**	**10.6%**
Performance Benchmark	5.0	7.0	8.4	4.9

Self-Managed Plan

Fiscal year 2015 marks the seventeenth complete year of the Self-Managed Plan (SMP). As of June 30, 2015, the SMP had accumulated plan assets of approximately $1.75 billion. This represents an increase of $169 million since the end of fiscal year 2014. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of approximately $90 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 71% equity, 27% fixed income, and 2% real estate. This was a 1% decrease 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.

INVESTMENT ALLOCATION

Self-Managed Plan Investment Allocation June 30, 2015

	U.S. Equity	Non-U.S. Equity	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio Class 2	$ -	$ -	$ 28,016,953	$ -	$ -	$ 28,016,953
Spartan U.S. Bond Index Institutional	-	-	27,817,966	-	-	27,817,966
PIMCO Total Return Institutional	-	-	34,200,368	-	-	34,200,368
Fidelity Four In One Index	-	-	-	14,981,866	-	14,981,866
Fidelity Puritan Class K	-	-	-	189,959,962	-	189,959,962
Ariel Fund Institutional	31,325,938	-	-	-	-	31,325,938
American Beacon Large Cap Value Inst.	9,388,773	-	-	-	-	9,388,773
Buffalo Small Cap	14,496,377	-	-	-	-	14,496,377
Hartford Capital Appreciation Y	38,360,874	-	-	-	-	38,360,874
Fidelity Growth Company Class K	89,090,373	-	-	-	-	89,090,373
Spartan Extended Market Index Advantage	32,037,954	-	-	-	-	32,037,954
Fidelity Contrafund Class K	89,145,481	-	-	-	-	89,145,481
Fidelity Low Priced Stock Class K	44,893,540	-	-	-	-	44,893,540
Spartan Total Market Index Institutional	24,236,388	-	-	-	-	24,236,388
Spartan 500 Index Institutional	91,053,705	-	-	-	-	91,053,705
Fidelity Diversified International Class K	-	42,090,037	-	-	-	42,090,037
Spartan International Index Institutional	-	20,602,698	-	-	-	20,602,698
Fidelity Worldwide	-	23,383,110	-	-	-	23,383,110
Fidelity Real Estate Investment	-	-	-	-	14,474,355	14,474,355
Fidelity Freedom K 2005 (1)	-	-	-	260,087	-	260,087
Fidelity Freedom K 2010 (1)	-	-	-	1,843,194	-	1,843,194
Fidelity Freedom K 2015 (1)	-	-	-	5,724,787	-	5,724,787
Fidelity Freedom K 2020 (1)	-	-	-	16,574,598	-	16,574,598
Fidelity Freedom K 2025 (1)	-	-	-	18,302,384	-	18,302,384
Fidelity Freedom K 2030 (1)	-	-	-	22,270,226	-	22,270,226
Fidelity Freedom K 2035 (1)	-	-	-	19,153,792	-	19,153,792
Fidelity Freedom K 2040 (1)	-	-	-	19,870,797	-	19,870,797
Fidelity Freedom K 2045 (1)	-	-	-	10,373,685	-	10,373,685
Fidelity Freedom K 2050 (1)	-	-	-	6,670,119	-	6,670,119
Fidelity Freedom K 2055 (1)	-	-	-	1,681,916	-	1,681,916
Fidelity Freedom K 2060 (1)	-	-	-	22,404	-	22,404
Fidelity Freedom K Income	-	-	-	2,025,354	-	2,025,354
Fidelity Total	**464,029,403**	**86,075,845**	**90,035,287**	**329,715,171**	**14,474,355**	**984,330,061**
						59.5%
TIAA-CREF Funds						
CREF Money Market Account	-	-	19,483,246	-	-	19,483,246
TIAA Traditional Annuity	-	-	93,418,453	-	-	93,418,453
CREF Bond Market Account	-	-	44,398,454	-	-	44,398,454
CREF Inflation-Linked Bond Account	-	-	22,205,625	-	-	22,205,625
CREF Social Choice Account	-	-	-	49,189,236	-	49,189,236
CREF Equity Index Account	73,022,631	-	-	-	-	73,022,631
CREF Growth Account (2)	389,426	-	-	-	-	389,426
CREF Stock Account	152,141,543	-	-	-	-	152,141,543
CREF Global Equities Account	-	52,211,338	-	-	-	52,211,338
TIAA Real Estate Account	-	-	-	-	11,659,567	11,659,567
TIAA-CREF Large-Cap Growth Index Institution	88,115,236	-	-	-	-	88,115,236
TIAA-CREF Lifecycle Fund 2010 - Institutional	-	-	-	962,663	-	962,663
TIAA-CREF Lifecycle Fund 2015 - Institutional	-	-	-	3,455,880	-	3,455,880
TIAA-CREF Lifecycle Fund 2020 - Institutional	-	-	-	6,052,844	-	6,052,844
TIAA-CREF Lifecycle Fund 2025 - Institutional	-	-	-	7,440,709	-	7,440,709
TIAA-CREF Lifecycle Fund 2030 - Institutional	-	-	-	10,509,941	-	10,509,941
TIAA-CREF Lifecycle Fund 2035 - Institutional	-	-	-	9,702,096	-	9,702,096
TIAA-CREF Lifecycle Fund 2040 - Institutional	-	-	-	14,732,407	-	14,732,407
TIAA-CREF Lifecycle Fund 2045 - Institutional	-	-	-	5,980,601	-	5,980,601
TIAA-CREF Lifecycle Fund 2050 - Institutional	-	-	-	3,089,004	-	3,089,004
TIAA-CREF Lifecycle Fund 2055 - Institutional	-	-	-	916,862	-	916,862
TIAA-CREF Lifecycle Fund 2060 - Institutional	-	-	-	23,464	-	23,464
TIAA-CREF Lifecycle Retirement Inc - Institution	-	-	-	715,494	-	715,494
TIAA-CREF Total	**313,668,836**	**52,211,338**	**179,505,778**	**112,771,201**	**11,659,567**	**669,816,720**
						40.5%
GRAND TOTALS	**$ 777,698,239**	**$138,287,183**	**$269,541,065**	**$442,486,372**	**$26,133,922**	**$1,654,146,781**
	47.0%	**8.4%**	**16.3%**	**26.8%**	**1.6%**	**100.0%**
SMP Forfeiture Reserve (3)						**7,686,417**
SMP Disability Reserve (3)						**86,399,199**
Total SMP Investments						**$1,748,232,397**

1. As of June 30, 2015, 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.

Defined Benefit Plan Investment Allocation
June 30, 2015 ($ thousands)

	Market Value
U.S. Equity Managers	
Northern Trust Asset Management	$ 1,786,181
RhumbLine Advisers	1,168,039
CastleArk Management	120,928
Channing Capital Management	125,968
EARNEST Partners	108,676
Fiduciary Management Associates	111,054
Holland Capital Management	106,696
Jacobs Levy Equity Management	325,661
Lombardia Capital Partners	107,279
Pacific Investment - StocksPlus	261,847
Piedmont Investment Advisors	412,022
Progress Emerging Managers	361,984
T. Rowe Price	321,968
Subtotal	5,318,303
Non-U.S. Equity Managers	
BTC Custom International Fund	1,299,667
BTC Emerging Markets Fund	174,449
Ativo Capital Management	133,069
BTC International Alpha Tilts	467,662
GlobeFlex Capital	218,726
Herndon Capital Management	159,421
Progress Emerging Managers	185,492
Pyramis Global Advisors	509,350
Strategic Global Advisors	165,786
Subtotal	3,313,622
Global Equity Managers - Active	
Calamos Investments	340,245
Mondrian Investment Partners	374,821
T. Rowe Price	381,558
Wellington Management	373,935
Subtotal	1,470,559
Private Equity Managers	
Adams Street Partners	132,765
Adams Street 2015 Global Fund	100
Adams Street 2014 Global Fund	20,137
Adams Street 2013 Global Fund	32,616
Adams Street 2012 Global Fund	38,316
Adams Street 2009 Global Offering	79,719
Adams Street 2008 Global Offering	84,222
Adams Street 2007 Global Oppor Ptf	77,988
Adams Street Global Oppor Secondary	5,861
Adams Street Global Secondary Fund 5	8,071
Adams Street 2004 Non-U.S. Fund	24,020
Fairview Lincoln Fund I	10,540
Muller and Monroe ILPEFF	9,397
Muller and Monroe MPEFF	15,583
Pantheon Europe Fund III	21,384
Pantheon Europe Fund VI	28,823
Pantheon Europe Fund VII	19,060
Pantheon Multi-Strategy Program 2014	6,156
Pantheon Global	508
Pantheon Global Secondary Fund II	6,492
Pantheon USA IX	49,196
Pantheon USA VIII	89,998
Pantheon Ventures, Inc.	244,681
Subtotal	1,005,633

INVESTMENT ALLOCATION

Defined Benefit Plan Investment Allocation
June 30, 2015 ($ thousands)

	Market Value
Fixed Income Managers	
Cash	211,314
State Street Global Advisors	405,861
Chicago Equity Partners	320,059
Garcia Hamilton & Associates	99,558
LM Capital Group	152,051
Neuberger Berman	320,288
Pacific Investment	443,870
Pacific Investment Unconstrained	439,628
Progress Emerging Managers	135,829
Pugh Capital Management	152,657
Smith Graham & Company	98,210
Taplin Canida & Habacht	129,548
TCW Metropolitan West Asset Mgmt	482,853
Subtotal	3,391,726
Treasury Inflation-Protected Securities	
Longfellow Investment Management	164,571
New Century Advisors	162,830
Pacific Investment - U.S. TIPS	328,266
Subtotal	655,667
Emerging Market Debt	
BlueBay Emerging Markets Select Debt	170,428
Colchester Local Markets Debt Fund	101,086
Progress Emerging Managers	68,012
Prudential Emerging Markets Debt Blend	172,214
Subtotal	511,740
Direct Real Estate	
Dune Real Estate Parallel Fund II	32,445
Dune Real Estate Fund III	45,896
Franklin Templeton EMREFF	56,144
Franklin Templeton FTPREF	30,102
Heitman America Real Estate Trust	164,600
JPMCB Strategic Property Fund	171,188
Mesirow MFIRE II	41,071
RREEF America III Fund	9,651
RREEF West Funds	144
UBS Trumbull Property Fund	327,233
Subtotal	878,474
Real Estate Investment Securities	
BTC U.S. Real Estate Securities Index	123,016
CBRE Clarion Real Estate Securities	145,316
BTC Developed Real Estate Index	266,425
CBRE Clarion Real Estate Securities	102,881
Subtotal	637,638
Cash Overlay	
Parametric Clifton	123,572
Subtotal	123,572
Infrastructure Managers	
Alinda Capital Partners	44,778
Macquarie Infrastructure Partners II	28,653
Macquarie Infrastructure Partners III	6,077
Subtotal	79,508
SMP Forfeiture/Disability Reserves (B)	(94,085)
TOTAL FUND	**$ 17,292,357(A)**

(A) Amount includes net pending transactions of ($178,042) and accrued investment income receivable of $42,333.
(B) These assets are commingled with the SURS defined benefit plan investments.

Top 50 Brokers and Total Domestic Equity Investment Commissions
For the Year Ended June 30, 2015

	2015		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 215,264	10,407,809	$ 0.02
ITG (Investment Technology Group)	112,068	17,412,493	0.05
Cheevers & Company	92,697	3,294,431	0.03
Williams Capital Group	90,442	4,204,842	0.03
Bank of New York ConvergEx Execution	75,109	2,082,887	0.04
Credit Suisse	72,937	2,579,078	0.03
Goldman Sachs	57,633	3,031,425	0.03
Cabrera Capital Markets	57,476	2,317,281	0.03
Barclays	57,152	2,806,227	0.03
CastleOak Securities	43,231	1,416,578	0.03
Interstate Group	41,597	1,313,381	0.03
JP Morgan Chase & Company	40,636	1,465,095	0.03
Robert W. Baird & Company	40,588	1,155,152	0.04
William Blair & Company	33,151	1,076,514	0.03
M Ramsey King Securities	28,732	1,097,394	0.03
BTIG (Bass Trading International Group)	28,719	1,009,845	0.03
Liquidnet	25,890	1,458,173	0.02
Stifel, Nicolaus & Company	25,348	755,223	0.04
Northern Trust Securities	23,260	2,325,960	0.01
Craig-Hallum	20,567	686,835	0.03
Stephens	20,040	652,428	0.03
Piper Jaffray & Company	19,130	603,013	0.03
Merrill Lynch	18,679	607,710	0.05
Strategas Research Partners	18,434	614,483	0.03
Guzman & Company	18,242	1,633,751	0.02
Andes Capital Group	17,080	433,194	0.04
Sturdivant and Company	16,227	646,724	0.03
Cantor Fitzgerald	15,675	518,084	0.03
Jefferies & Company	15,581	565,660	0.03
Morgan Stanley	14,839	489,540	0.03
Indiana Merchant Banking and Brokerage	14,500	374,149	0.04
Valdes & Moreno	14,114	318,209	0.04
Abel/Noser	12,856	291,256	0.04
Keefe, Bruyette & Woods	11,708	342,729	0.04
Citigroup Global Markets	11,187	601,200	0.03
Sanford C. Bernstein	10,780	402,178	0.04
Oppenheimer & Company	9,692	309,829	0.03
JonesTrading Institutional Services	9,639	378,673	0.03
Topeka Capital Markets	9,618	327,756	0.03
Instinet	9,466	450,562	0.02
Needham & Company	9,327	285,645	0.03
Northland Securities	8,760	272,481	0.03
Wedbush Morgan Securities	8,463	254,045	0.03
Knight Execution & Clearing Services	8,211	576,240	0.02
KeyBanc Capital Markets	8,092	248,562	0.03
CAPIS (Capital Institutional Services)	8,069	229,435	0.04
CL King & Associates	7,568	244,322	0.03
Drexel Hamilton	7,208	203,600	0.04
RBC Capital Markets	7,172	334,994	0.03
North South Capital	6,583	235,556	0.03
All Other Brokers	163,721	5,455,846	0.03
Grand Totals, All Brokers	**$ 1,713,158**	**80,798,477**	**$ 0.02**

SUPPORTING SCHEDULES

Top 50 Brokers and Total International Equity Investment Commissions For the Year Ended June 30, 2015

	2015		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 199,376	30,668,621	$ 0.01
UBS	139,368	19,652,090	0.01
Cheevers & Company	132,352	18,235,170	0.01
Goldman Sachs	110,314	12,098,106	0.01
Bank of New York ConvergEx Execution	104,007	15,283,095	0.01
North South Capital	90,229	3,708,964	0.02
Deutsche Bank	80,584	10,767,944	0.02
Jefferies & Company	66,468	3,428,015	0.02
M Ramsey King Securities	62,948	5,312,000	0.01
Credit Suisse	60,357	4,196,473	0.02
Cabrera Capital Markets	57,910	10,804,015	0.01
Instinet	57,288	4,662,223	0.01
ITG (Investment Technology Group)	47,037	4,910,472	0.01
Calyon	45,335	1,229,723	0.04
Penserra Securities	42,835	5,400,444	0.01
Citigroup Global Markets	40,421	4,624,949	0.01
BTIG (Bass Trading International Group)	37,878	3,803,491	0.01
Northern Trust Securities	34,743	6,809,793	0.01
Merrill Lynch	32,850	2,405,569	0.02
JP Morgan Chase & Company	30,532	2,185,351	0.01
Bloomberg Tradebook	30,496	3,111,161	0.01
Morgan Stanley	28,480	3,213,918	0.01
Exane	26,078	1,187,047	0.02
HSBC	18,775	601,104	0.04
CLSA	18,150	7,671,088	0.01
Macquarie Securities	17,980	3,207,505	0.01
Daiwa Securities Group	17,321	4,300,582	0.00
Royal Bank of Canada	14,941	635,356	0.02
Bank of America	8,594	127,260	0.01
Sanford C. Bernstein	7,990	503,566	0.02
Societe Generale Securities	7,460	285,649	0.03
Barclays	6,890	297,978	0.02
Liquidnet	5,739	829,502	0.01
Cantor Fitzgerald	5,008	160,811	0.03
Mizuho Securities	4,396	229,312	0.02
BNP Paribas	4,380	110,700	0.04
Keefe, Bruyette & Woods	3,426	134,126	0.03
Williams Capital Group	3,287	252,176	0.01
China International Capital	3,107	306,000	0.01
CIMB-GK Securities	2,958	1,911,300	0.00
DBS Vickers Securities	2,819	849,900	0.00
Wallachbeth Capital	2,694	538,737	0.01
TD Securities	2,040	92,400	0.02
Credit Lyonnais	1,905	169,000	0.01
CIBC (Canadian Imperial Bank of Commerce)	1,581	72,800	0.02
Knight Execution & Clearing Services	1,363	206,951	0.01
Joh. Berenberg, Gossler & Company	1,306	58,189	0.02
Investec Securities	1,297	173,029	0.01
Vandham Securities	1,101	64,100	0.02
CAPIS (Capital Institutional Services)	1,027	10,000	0.10
All Other Brokers	16,529	1,511,797	0.01
Grand Totals, All Brokers	**$ 1,741,950**	**203,009,552**	**$ 0.01**

SUPPORTING SCHEDULES

Top 50 Brokers and Total Global Equity Investment Commissions For the Year Ended June 30, 2015

	2015		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Citigroup Global Markets	$ 84,468	10,880,030	$ 0.01
JP Morgan Chase & Company	80,629	10,303,041	0.01
Cabrera Capital Markets	76,586	2,584,606	0.04
Bank of America	72,193	9,647,808	0.01
Goldman Sachs	69,468	6,962,178	0.01
Morgan Stanley	59,868	7,295,163	0.01
UBS	56,677	9,720,397	0.01
Loop Capital Markets	54,093	3,256,664	0.03
Credit Suisse	50,378	6,821,019	0.01
Deutsche Bank	47,802	4,592,259	0.02
Jefferies & Company	39,672	3,081,657	0.03
Sanford C. Bernstein	34,920	4,098,369	0.03
Telsey Advisory Group	31,048	892,615	0.03
HSBC	28,621	2,273,335	0.01
Macquarie Securities	25,834	3,891,066	0.01
Williams Capital Group	20,069	569,637	0.04
Merrill Lynch	19,172	2,617,894	0.01
Drexel Hamilton	18,689	533,975	0.03
Barclays	18,016	1,590,068	0.02
CLSA	17,432	1,440,250	0.05
Bloomberg Tradebook	16,848	828,059	0.02
M Ramsey King Securities	16,202	536,484	0.03
RBC Capital Markets	15,753	1,235,844	0.03
ITG (Investment Technology Group)	14,024	3,001,728	0.01
Academy Securities	11,825	396,208	0.03
Exane	10,981	367,782	0.04
Credit Agricole	10,717	2,179,825	0.01
Nomura	10,227	2,259,435	0.01
CastleOak Securities	10,103	290,116	0.03
CL King & Associates	8,567	232,340	0.04
Instinet	8,405	696,053	0.01
Danske Bank	7,357	189,813	0.04
Daiwa Securities Group	6,133	264,900	0.04
Blaylock Robert Van	4,282	115,900	0.04
Mizuho Securities	4,152	247,015	0.02
Redburn Partners	4,138	127,006	0.03
Liquidnet	4,023	922,513	0.00
BMO Capital Markets	3,968	117,885	0.04
Keefe, Bruyette & Woods	3,851	72,154	0.05
Kempen & Company	3,810	91,936	0.04
Autonomous Research	3,608	294,748	0.01
Canaccord Genuity Canada	3,381	152,207	0.02
Cheevers & Company	3,230	88,170	0.04
CF Global Trading	3,170	31,000	0.10
International KBR Finance	3,017	32,485	0.09
Wells Fargo Advisors	2,972	222,590	0.04
Evercore Partners	2,851	212,500	0.03
Investec Securities	2,818	1,754,149	0.00
Banco Itau	2,779	262,700	0.01
Stifel, Nicolaus & Company	2,769	125,530	0.04
All Other Brokers	82,491	7,709,567	0.01
Grand Totals, All Brokers	**$ 1,194,087**	**118,110,673**	**$ 0.01**

SUPPORTING SCHEDULES

All Brokers and Total REIT Investment Commissions
For the Year Ended June 30, 2015

	2015		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Cheevers & Company	$ 58,402	1,297,830	$ 0.05
UBS	13,889	2,100,767	0.01
Merrill Lynch	10,487	722,282	0.02
JP Morgan Chase & Company	9,905	936,246	0.01
Green Street Advisors	7,589	186,334	0.04
Morgan Stanley	6,995	1,092,124	0.01
Citigroup Global Markets	6,984	1,253,335	0.01
Deutsche Bank	3,788	219,867	0.02
Macquarie Securities	3,659	731,388	0.01
Credit Lyonnais	3,140	630,175	0.00
Barclays	2,951	115,950	0.05
Goldman Sachs	2,338	181,545	0.01
RBC Capital Markets	2,304	78,450	0.04
Stifel, Nicolaus & Company	2,246	91,683	0.05
Raymond James & Associates	2,208	76,290	0.05
Jefferies & Company	2,201	140,926	0.03
Wells Fargo Advisors	1,941	63,740	0.05
BMO Capital Markets	1,857	54,700	0.04
Daiwa Securities Group	1,693	53,330	0.03
Credit Suisse	1,492	330,078	0.00
Exane	1,290	11,936	0.11
Robert W. Baird & Company	918	35,770	0.05
ABN Amro	772	6,077	0.13
KeyBanc Capital Markets	771	17,130	0.05
Oppenheimer & Company	730	16,220	0.05
Evercore Partners	704	17,600	0.04
CIBC (Canadian Imperial Bank of Commerce)	627	13,800	0.05
Instinet	607	47,449	0.01
Societe Generale Securities	570	7,652	0.18
Sumitomo Mitsui Banking Corporation	567	14,562	0.04
Kempen & Company	506	3,755	0.13
Standard Chartered	474	145,600	0.00
MKM Partners	347	12,607	0.03
Mizuho Securities	341	7,224	0.05
JMP Securities	333	7,410	0.05
Cowen & Company	237	5,270	0.05
Sandler O'Neil and Partners	141	3,140	0.05
Mitsubishi UFJ Securities	95	2,433	0.04
Genuity Capital Markets	92	2,500	0.04
Commonwealth Securities	77	8,852	0.01
DBS Vickers Securities	72	20,400	0.00
ABG Securities	69	3,000	0.02
Moelis & Company	21	2,687	0.01
ISI Group	7,058	254,670	0.05
Grand Totals, All Brokers	**$ 163,488**	**11,024,784**	**$ 0.01**

SURS INVESTMENT

SUPPORTING SCHEDULES

Top 50 Brokers and Total Fixed Income Investment Brokerage
For the Year Ended June 30, 2015

Investment Brokerage Firm	2015 Market Value Traded
CastleOak Securities	$ 2,171,023,743
Barclays	1,271,563,645
Citigroup Global Markets	788,047,368
Loop Capital Markets	736,976,912
Goldman Sachs	727,512,739
Nomura	625,248,574
JP Morgan Chase & Company	608,883,646
Credit Suisse	597,571,143
Deutsche Bank	580,228,505
Morgan Stanley	462,901,934
Bank of America	418,313,908
Wells Fargo Advisors	337,310,873
Lebenthal & Company	222,801,750
Jefferies & Company	214,540,324
RBS Securities	185,814,982
Merrill Lynch	174,596,331
Daiwa Securities Group	161,071,819
Citibank	154,927,708
Cabrera Capital Markets	138,965,004
Mizuho Securities	123,385,936
UBS	112,764,061
Royal Bank of Scotland	110,127,403
Royal Bank of Canada	108,776,273
HSBC	107,018,918
BNP Paribas	102,029,338
Banco Santander	82,345,059
Ramirez & Company	73,489,981
SG Americas Securities	47,000,644
Bank of New York ConvergEx Execution	40,026,209
Bank of Nova Scotia	39,603,214
First Tennessee	38,682,429
RBC Capital Markets	35,107,644
Mischler Financial Group	29,926,343
Danske Bank	25,431,846
CAPIS (Capital Institutional Services)	23,487,227
TD Securities	23,370,905
Cantor Fitzgerald	22,509,051
Stephens	17,194,279
MFR Securities	16,038,608
Williams Capital Group	14,806,274
Arbor Trading Group	12,083,797
BB&T	11,075,387
US Bancorp	10,911,242
UniCredit Banca Mobiliare S.p.A.	10,754,426
Credit Agricole	10,522,178
Skandinaviska Enskilda Banken	10,162,353
Sterne Agee & Leach	9,919,669
BNY Mellon	9,716,100
Scotia Capital	8,959,917
Mitsubishi UFJ Securities	8,905,844
All Other Brokers	167,291,696
Grand Totals, All Brokers	**$ 12,041,725,159**

SUPPORTING SCHEDULES

Top 50 Brokers and Total TIPS Investment Brokerage
For the Year Ended June 30, 2015

Investment Brokerage Firm	2015 Market Value Traded
Barclays	$ 210,156,055
Deutsche Bank	111,467,792
Societe Generale Securities	87,567,958
RBS Securities	72,371,514
TD Securities	67,603,634
Morgan Stanley	65,071,946
Citigroup Global Markets	63,276,313
CastleOak Securities	54,102,268
BNP Paribas	37,886,232
Credit Suisse	25,910,961
Goldman Sachs	25,888,393
Banca IMI Securities	24,320,541
UBS	23,236,582
Merrill Lynch	22,961,570
Nomura	22,649,865
JP Morgan Chase & Company	21,606,183
Jefferies & Company	17,998,380
Bank of America	17,430,936
Drexel Hamilton	16,375,292
ANZ Securities	15,951,531
Loop Capital Markets	15,898,548
Mesirow Financial	13,917,474
Cabrera Capital Markets	12,205,327
HSBC	9,512,769
Banco Santander	7,165,580
Royal Bank of Scotland	5,929,328
Scotia Capital	5,533,759
Westpac Group	5,313,357
RBC Dain Rauscher	3,270,572
Ramirez & Company	3,140,418
Wells Fargo Advisors	3,062,355
Credit Agricole	1,789,049
Banco Bilbao Vizcaya	1,375,569
SG Americas Securities	1,231,768
Mizuho Securities	1,214,272
BMO Nesbitt Burns	1,056,419
GMP Securities	756,771
First Tryon Securities	754,212
Imperial Capital	666,281
CIBC (Canadian Imperial Bank of Commerce)	528,287
Royal Bank of Canada	360,747
First Ballantyne	347,016
UniCredit Banca Mobiliare S.p.A.	298,143
Sierra Pacific Securities	239,010
Robert W. Baird & Company	214,031
Lloyds	210,041
Incapital Securities	155,604
SumRidge Partners	140,977
Commerzbank	129,002
Citibank	119,723
All Other Brokers	4,952
Grand Totals, All Brokers	**$1,100,375,307**


ANALYZING

ACTUARIAL

Letter of Certification

Actuarial Report

Analysis of Funding

Tests of Financial Soundness

SURS2015

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2015

LETTER OF CERTIFICATION

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

20 North Clark Street
Suite 2400
Chicago, IL 60602-5111

312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

December 21, 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, 2015. 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, 2010, through June 30, 2014, and adopted by the Board first effective for the valuation as of June 30, 2015.

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 the 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 the use of the Entry Age Normal Cost Method and a single discount rate of 7.12% for fiscal year ending June 30, 2015. Liabilities as of June 30, 2014 (reflecting updated assumptions that were adopted as of June 30, 2015), projected to June 30, 2015, 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 a near-term contribution requirement that is less than a reasonable actuarially determined contribution. We recommend the development and adherence to a funding policy that funds the normal cost of the plan as well as an amortization payment that would seek to pay off any unfunded accrued liability over a closed period at least as long as 15 years and no longer than 30 years. 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, 2015, 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.

Amy Williams, Lance Weiss and David Kausch 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,

Amy Williams

Amy Williams, ASA, MAAA
Consultant

Lance J. Weiss

Lance Weiss, EA, MAAA
Senior Consultant

David T Kausch

David Kausch, FSA, EA, MAAA
Senior Consultant

ACTUARIAL REPORT

Pension Financing

The State Universities Retirement System of Illinois (SURS) is financed by non-employer contributing entity contributions (state appropriations), employee contributions, employer contributions (trust, federal and grant 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.

Non-employer contributing entity and employer 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 of 7.25%. Investment income in excess or shortfall of the expected 7.25% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year. The use of this actuarial method began with the valuation for the period ending June 30, 2009, as required by Public Act 96-0043, which was signed into law on July 15, 2009.

Actuarial Cost Method

For financial reporting, the entry age actuarial cost method is applied in accordance with the Governmental Accounting Standards Board (GASB) Statements 67 and 68. For purposes of determining the System's funding calculation of the non-employer contributing entity and employer contribution, 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 2015 was 11.71%. 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.

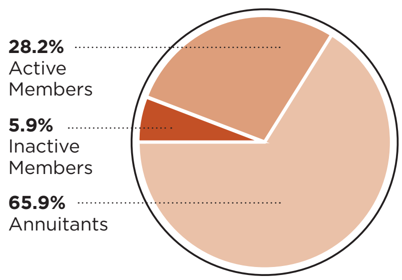
Employee Data

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, 2015 ($ millions)

Actuarial liability (reserves)	
For members receiving annuities	$ 26,042.4
For inactive members	2,338.4
For active members	11,139.9
Total	39,520.7
Actuarial value of assets available for benefits	17,104.6
Unfunded accrued actuarial liability	$ 22,416.1

Actuarial Liability



As of June 30, 2015, the Unfunded Actuarial Accrued Liability (UAAL) to be amortized was $22,416,080,000.

Calculation of Actuarial Value of Assets

Actuarial value of assets, July 1, 2014		$15,844,713.7
Net investment income/(loss)	503,200.0	
Less: projected investment income at 7.25%	1,245,500.8	
Investment income/(loss) in excess of projected	(742,300.8)	
Less: deferral to smooth asset values over 5 years	(593,840.7)	
Recognized investment income – current year		(148,460.1)
Projected investment income		1,245,500.8
Recognized investment loss – prior years		594,407.5
Excess of contributions over disbursements		(431,555.2)
Actuarial value of assets, July 1, 2015		$17,104,606.7

Analysis of Financial Experience
For Fiscal Year Ended June 30, 2015 ($ millions)

Investments other than 7.25%	$ (558.1)
Salary increases other than 3.75%	(45.3)
Age and service retirement differences	(17.0)
Termination differences	8.0
Mortality and disability differences	(2.0)
Benefit recipient differences	(2.0)
New entrants	82.9
Other actuarial differences	(68.8)
Total actuarial gain	$ (602.3)

Change in the Unfunded Actuarial Accrued Liability ($ millions)

Unfunded actuarial accrued liability at June 30, 2014	$ 21,584.8
Expected increase in unfunded actuarial accrued liability	460.7
Impact of change in actuarial assumptions	972.9
Total actuarial gain	(602.3)
Unfunded actuarial accrued liability at June 30, 2015	$ 22,416.1

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, 2014).

■ **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, 2015 actuarial valuation. They were developed based upon an experience study completed in February 2015. 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 2010-2014 period. The assumption consists of a table of ultimate turnover rates by years of service credit.

■ **Mortality**
Mortality rates are based upon the RP2014 Mortality White Collar Table with gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

Termination Rates

Years of Service	All Members
0	.200
1	.200
2	.150
3	.140
4	.120
5	.100
6	.090
7	.075
8	.068
9	.060
10	.053
15	.030
20-24	.025
25-29	.020

■ **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 34 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	.1500
1	.1200
2	.0900
3	.0725
4	.0650
5	.0600
6	.0575
7	.0550
8	.0525
9	.0500
10	.0475
11	.0450
12-13	.0425
14-33	.0400
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	50%	-%	-%	-%
50	45	-	-	-
51	45	-	-	-
52	45	-	-	-
53	40	-	-	-
54	40	-	-	-
55	38	7.5	-	-
56	36	6.0	-	-
57	30	4.5	-	-
58	30	5.5	-	-
59	30	6.0	-	-
60	11	-	-	-
61	11	-	-	-
62	13	-	-	35
63	13	-	-	15
64	13	-	-	15
65	17	-	-	15
66	17	-	-	15
67	15	-	50	-
68	15	-	35	-
69	15	-	30	-
70-74	15	-	15	-
75-79	20	-	20	-
80+	100	-	100	-

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 2015

State appropriations	$ 1,291,591,489
State pension fund	197,000,000
Federal/trust/employer funds/other	39,933,909
Total	**$ 1,528,525,398**

Reconciliation to Total State Appropriations

Defined benefit plan–State appropriations received	$ 1,488,591,489
Defined contribution plan–State appropriations received	55,608,511
Total State appropriations received	**$ 1,544,200,000**

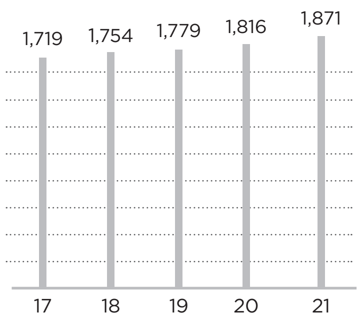
The projected required contribution rates and amounts are as follows:

Fiscal Year	Assumed Percentage of Payroll	Required Payroll ($ billions)	Contribution ($ millions)
2017	37.3%	$ 4.61	$ 1,718.9
2018	37.2%	4.72	1,753.7
2019	36.8%	4.84	1,779.2
2020	36.6%	4.96	1,816.1
2021	37.0%	5.09	1,871.1

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, 2015 actuarial valuation. In order to determine projected contribution rates and amounts, the following additional assumptions and estimates were used:

1) Covered payroll of $4.52 billion for fiscal year 2016.
2) 3.75% per annum rate of increase in covered payroll.
3) Total employer contributions of $1,601,480,000 for fiscal year 2016.

Required Contribution
Dollars (millions) by FY



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
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
2015	1,858.5	267.7	1,590.9	1,528.5	96.1	96.6

*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.

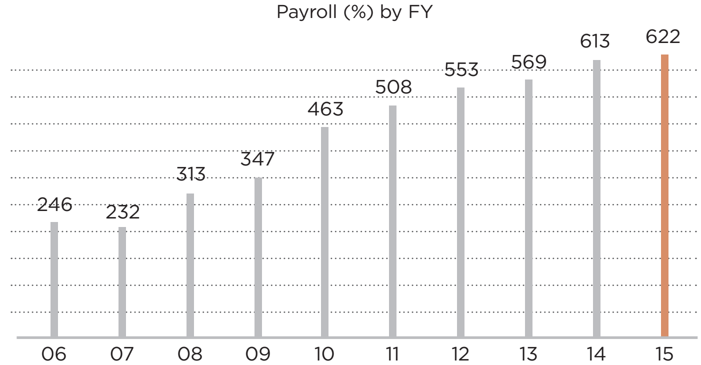
Summary of Accrued and Unfunded Accrued Liabilities ($ millions)

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
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
2015	39,520.7	17,104.6	43.3	22,416.1	3,606.5	621.5

(A) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 7.25% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

Unfunded Accrued Liabilities as a % of Payroll

Payroll (%) by FY



An increasing trend indicates a system is becoming financially weaker.

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
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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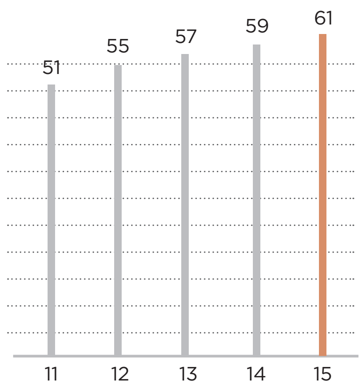
2014	15,844.7	37,429.5	21,584.8	42.3	3,522.2	612.8
2015	17,104.6	39.520.7	22,416.1	43.3	3,606.5	621.5

(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 7.25% 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
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
2015	59,406	3,511	1,897	61,020

Benefit Recipients
Persons (thousands) by FY



Active Participant Statistics
10-Year Summary

Fiscal Year	Males	Females	Total Actives	Percent Change	Average Salary	Percent Change	Average Age	Average Service Credit
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
2015	29,420	39,961	69,381	(2.4)	50,103	6.2	47.2	10.0

ANALYSIS OF FUNDING

Analysis of Change in Membership
10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
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
2015	69,436	9,021	1,425	102	7,549	69,381

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
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
2015	59,406	3,511	158,067,006	1,897	(53,610,853)	61,020	2,112,232,940	34,615	3.7

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

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.

Schedule of Funding: Fiscal Year 2006-2015 ($ 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)
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
2015	1,858.5	1,622.6	2,144.0	1,528.5	82.2	96.1	71.3

(A) Prior to 2014, the ADC (Actuarially Determined Contribution) was defined in GASB Statements 25 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).

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.

Funding Ratios
10-Year Summary ($ millions)

Fiscal Year	Net Position at Cost	Net Position at Market/ Actuarial Value of Assets (A)	Actuarial Funding Requirement	Funding Ratio Cost	Funding Ratio Market/Actuarial
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
2015	14,930.0	17,104.6	39,520.7	37.8	43.3

(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 7.25% 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

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.

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

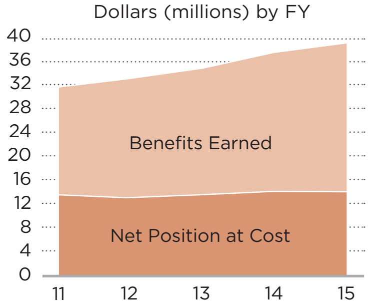
Fiscal Year	Member Accumulated Contributions {1}(A)	Members Currently Receiving Benefits {2}(A)	Active/Inactive Members/ Employers' Portion {3}(A)	Net Position/ Actuarial Value of Assets (B)	% of Benefits Covered by Net Position/Actuarial Value of Assets {1}	{2}	{3}
2006	$ 4,957.3	$ 11,701.3	$ 5,030.4	$ 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	–
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	–
2015	6,196.6	26,042.4	7,281.7	17,104.6	100.0	41.9 (C)	–

(A) A test of financial soundness of the System is its ability to pay all promised benefits when due. The columns are in the order that assets would be used to cover certain types of obligations. Column 1 represents the value of members' accumulated contributions, which would be refunded first. Column 2 represents the amounts necessary to pay participants currently receiving benefits, which would be covered next. Column 3 represents the employer's portion of future benefits for active members, which would be covered last. If a System is receiving the actuarially determined contribution amounts, the total of the actuarial values in Columns 1 and 2 should generally be fully covered by assets, and the portion of the actuarial values of Column 3 covered by assets should increase over time.

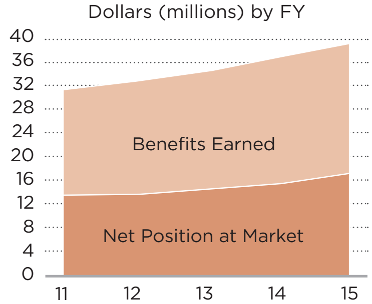
(B) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 7.25% 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) 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. If the market value of net position is used for fiscal year 2015, the Category (2)(A) Members Currently Receiving Benefits would increase to 43.1%.

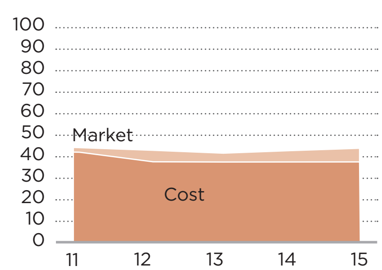
Benefits Covered by Net Position at Cost
Dollars (millions) by FY



Benefits Covered by Net Position at Market/Actuarial Value[A]
Dollars (millions) by FY



Funding Ratios
Percentage by FY



TESTS OF FINANCIAL SOUNDNESS

The final test, Payroll Percentages, compares member payroll to unfunded accrued benefit cost, normal cost, and total required contributions.

Payroll Percentages: Fiscal Year 2006-2015 ($ 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
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
2015	3,606.5	22,416.1	621.5	462.3	12.8	1,396.2	1,858.5	51.6	1,528.5	42.4

(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

The former Governor Quinn signed on December 29, 2014, Public Act 98-0113, which clarifies that the Illinois attorney general can bring civil action to enjoin the payment of pension benefits to any person convicted of a felony in relation to his or her service as an employee under the Illinois Pension Code. This legislation became effective on June 1, 2015.

In addition, former Governor Quinn signed on December 30, 2014, Public Act 98-1144. This legislation exempts SURS retirees who receive an annualized retirement annuity of less than $10,000 from the provisions of the Return to Work Policy for Affected Annuitants.

The Return to Work Policy for Affected Annuitants (40 ILCS 5/15-139.5) provides that if a SURS employer hires a SURS annuitant in a position in which the SURS annuitant earns more than 40% of his or her highest annual earnings prior to retirement, then the SURS employer must pay an amount equal to the affected annuitant's annual retirement annuity to SURS. Public Act 98-1144 became effective on June 1, 2015.


DELIVERING

STATISTICAL

Introduction to Statistical Section

Financial Schedules

Statistical Analysis

Benefit Summary

Participating Employers

SURS2015

The Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2015

INTRODUCTION TO STATISTICAL SECTION

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

Section Contents

Financial Schedules - pages 93-95

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

Statistical Analysis - page 96

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

Benefit Summary - pages 97-100

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.

Participating Employers - page 101

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

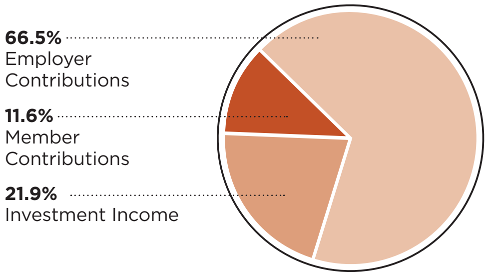
Fiscal Year	Member Contributions	Investment Income (Loss)	Employer Contributions Amount	Employer Contributions % of Payroll	Total
2006	$ 252.9	$ 1,532.1	$ 180.0	5.9%	$ 1,965.0
2007	262.4	2,517.5	261.1	8.2	3,041.0
2008	264.1	(675.7)	345.0	10.4	(66.6)
2009	273.3	(2,859.5)	451.6	13.0	(2,134.6)
2010	275.0	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
2015	267.7	503.2	1,528.5	42.4	2,299.4

Deductions (A)

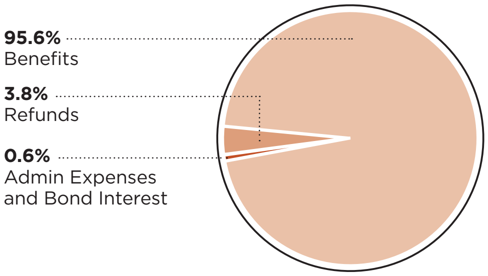
Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in Plan Net Position
2006	$ 1,080.2	$ 47.8	$ 12.2	$ 1,140.2	$ 824.8
2007	1,169.0	49.7	11.7	1,230.4	1,810.6
2008	1,267.4	53.3	12.1	1,332.8	(1,399.4)
2009	1,362.7	51.9	12.9	1,427.5	(3,562.1)
2010	1,468.8	56.0	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
2015	2,130.0	83.7	14.1	2,227.8	71.6

(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



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
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
2015	1,962.4	133.8	16.0	4.9	12.9	2,130.0

Refund Deductions by Type (A)

Fiscal Year	Withdrawals	Survivor Ins Refunds	Death Benefits	Portable Lump Sum Retirement	Total
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
2015	46.2	10.5	13.5	13.5	83.7

(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
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
2015	72.3	90.5	62.3	7.6	225.1

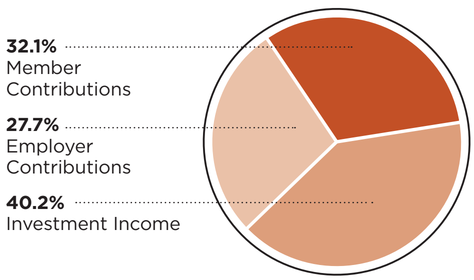
Deductions (A)

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest (B)	Total	Changes in Plan Net Position
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
2015	30.9	24.9	0.5	56.3	168.9

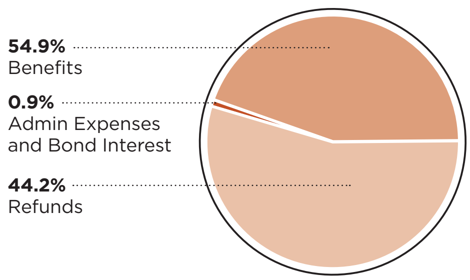
(A) Breakdown of deductions into benefit and refund types has been revised for the 10-year period according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.

(B) Until FY 2010, SMP administrative expenses were included with the Defined Benefit Plan totals.

Additions



Deductions



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

Fiscal Year	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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
2015	8,342	656	4,144	51,631	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
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
2015	13.00	11.55	72.00	24.25	4.20	125.00

BENEFIT SUMMARY

Schedule of New Benefit Payments - Defined Benefit Plan
July 1, 2014 through June 30, 2015

	Retirement		Disability		Survivors	
Age	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	–	$ –	–	$ –	8	$ 407
10-14	–	–	–	–	6	698
15-19	–	–	–	–	19	936
20-24	–	–	1	915	6	812
25-29	–	–	1	1,605	–	–
30-34	–	–	3	3,067	–	–
35-39	–	–	6	2,335	1	1,601
40-44	–	–	17	2,223	5	743
45-49	12	3,631	21	1,777	3	518
50-54	98	3,816	37	1,923	27	1,379
55-59	683	2,463	30	1,998	27	1,161
60-64	978	2,262	29	1,774	58	1,752
65-69	614	2,207	11	2,235	97	1,802
70-74	197	1,705	2	2,727	105	1,585
Over 74	82	2,296	2	1,111	325	1,585
Total	2,664	$ 2,324	160	$ 1,973	687	$ 1,548

Average Age - Retirement 62.6 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 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
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

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 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
Fiscal Year 2015							
Number of Retirees	13,435	7,512	7,416	8,727	7,264	7,277	51,631
Avg Monthly Annuity	$ 781	1,648	2,706	4,021	5,183	6,611	3,172
Final Average Salary	$ 38,416	41,594	51,412	60,959	68,769	75,265	54,050
Avg Credited Service							18.83

Number of Covered Employees by Employer
As of June 30, 2015

Employer	Number of Employees in DB plan	Number of Employees in SMP	Total Number of Covered Employees
University of Illinois - Chicago	11,542	2,110	13,652
University of Illinois - Urbana	10,048	2,602	12,650
City Colleges of Chicago	5,088	391	5,479
Southern Illinois University - Carbondale	4,148	813	4,961
Illinois State University	2,754	616	3,370
Northern Illinois University	2,719	645	3,364
College of DuPage	2,367	353	2,720
Southern Illinois University - Edwardsville	2,112	414	2,526
Western Illinois University	1,599	320	1,919
Triton College	1,363	95	1,458
Remainder of Employers	25,641	3,569	29,210
Total	69,381	11,928	81,309

BENEFIT SUMMARY

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan
For the Year Ended June 30, 2015

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
$0 - 200	3,275	1,247	1,251	-	64	1	-	712
201 - 400	5,001	1,671	2,314	-	93	8	4	911
401 - 600	3,903	1,180	1,599	-	42	26	7	1,049
601 - 800	3.498	1,010	1,341	-	16	86	15	1,030
801 - 1,000	2,913	821	1,290	-	4	110	20	668
1,001 - 1,200	2,524	711	1,259	-	2	60	36	456
1,201 - 1,400	2,337	637	1,246	-	-	27	54	373
1,401 - 1,600	2,238	617	1,127	-	-	13	94	387
1,601 - 1,800	2,230	541	1,230	-	-	15	128	316
1,801 - 2,000	2,051	505	1,140	-	-	8	77	321
2,001 - 2,200	1,932	471	1,153	-	-	8	45	255
2,201 - 2,400	1,757	363	1,112	1	-	8	25	248
2,401 - 2,600	1,716	411	1,055	2	-	7	25	216
2,601 - 2,800	1,697	357	1,119	1	-	3	23	194
2,801 - 3,000	1,555	343	1,021	2	-	2	18	169
3,001 - 3,200	1,515	342	968	5	-	1	13	186
3,201 - 3,400	1,342	316	866	6	-	-	9	145
3,401 - 3,600	1,247	309	815	2	1	2	13	105
3,601 - 3,800	1,198	336	735	10	1	5	8	103
3,801 - 4,000	1,025	301	635	8	-	-	3	78
4,001 - 4,200	993	288	615	8	1	-	7	74
4,201 - 4,400	907	286	543	8	-	-	7	63
4,401 - 4,600	879	281	532	11	-	-	4	51
4,601 - 4,800	804	283	474	9	-	-	2	36
4,801 - 5,000	768	242	485	8	-	-	6	27
5,001 - 5,200	784	270	470	10	-	-	3	31
5,201 - 5,400	712	249	435	3	-	-	2	23
5,401 - 5,600	673	244	405	8	-	-	1	15
5,601 - 5,800	638	233	384	7	-	-	3	11
5,801 - 6,000	552	194	337	7	-	-	-	14
Over 6,000	8,356	3,578	4,662	36	-	1	4	75
Total	61,020	18,637	32,618	152	224	391	656	8,342

(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
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 College
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
Northern Illinois University Foundation
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 – Carbondale
Southern Illinois University – Edwardsville
South Suburban College
Southeastern Illinois College
Southwestern Illinois College
Spoon River College
State Universities Civil Service System
State Universities Retirement System
Triton College
University of Illinois — Alumni Association
University of Illinois — Chicago
University of Illinois — Foundation
University of Illinois — Springfield
University of Illinois — Urbana
Waubonsee Community College
Western Illinois University
William Rainey Harper College

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