S·U·R·S
STATE UNIVERSITIES RETIREMENT SYSTEM

2016 ANNUAL REPORT

The Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016

A COMPONENT UNIT OF THE STATE OF ILLINOIS

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Marking a milestone in our history

When the concept of SURS was finalized and approved in 1941, no one could have imagined our world of 2016. The designers of this plan of benefits did know that no matter what the years ahead would hold, there was a need to safeguard the futures of those individuals who serve the State of Illinois in its mission of higher education.

Now we've reached the 75th anniversary of SURS — an opportunity to pause and reflect on our history. From the earliest days with three staff members and 3,760 participants through growth, moves, computerization, societal changes, pension reform, and more, the constant has been our goal to uphold our mission — *to secure and deliver the benefits promised to our members*.

More than ever, it is a goal we will do our best to honor as we move toward reaching a century of service.

State Universities Retirement System
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016
A Component Unit of the State of Illinois
All Financial Information Prepared by SURS Finance Division

INTRODUCTORY SECTION

FINANCIAL SECTION

INVESTMENT SECTION

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STATISTICAL SECTION

Public Pension Coordinating Council

Recognition Award for Administration
2016

Presented to

State Universities Retirement System of Illinois

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

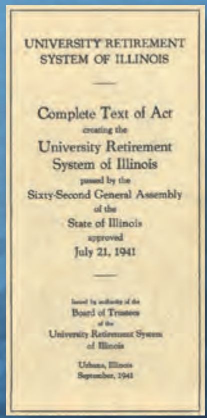

2012
2013
2014
2015
GOVERNMENT FINANCE OFFICERS ASSOCIATION
Certificate of Achievement
for Excellence
in Financial Reporting
Presented to
State Universities
Retirement System, Illinois
Executive Director / CEO

INTRODUCTORY

The start and early years

Creating the University Retirement System of Illinois (renamed State Universities Retirement System in 1963) started with careful, diligent study that took four years and included surveying every employee at its sponsoring university, the University of Illinois.

The System initially included the faculty and staff of the University of Illinois, Normal School Board, Illinois State Normal University, Northern Illinois State Teachers' College, Southern Illinois State Normal University, Eastern Illinois State Teachers' College, Western Illinois State Teachers' College, State Geological Survey, State Natural History Survey, State Water Survey, and the Board of Trustees of the University Retirement System.



UNIVERSITY RETIREMENT
SYSTEM OF ILLINOIS

Complete Text of Act
creating the
University Retirement
System of Illinois
passed by the
Sixty-Second General Assembly
of the
State of Illinois
approved
July 21, 1941

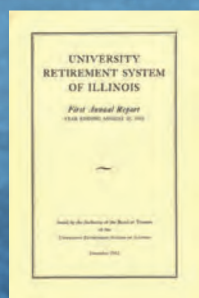
Issued by authority of the
Board of Trustees
of the
University Retirement System
of Illinois

Urbana, Illinois
September, 1941

1941

Gov. Dwight H. Green signed the law governing the University Retirement System of Illinois.

The System opened its doors in Room 305 of the University of Illinois Administration Building (now known as the David Dodds Henry Administration Building) on Wright Street in Urbana. Ruth Ellen Kunkel served as the first senior administrator.



1942

Three staff members served the System's 3,760 participants.

The average annual salary of a participant was $2,217.

1949

The System expanded to two rooms of the U of I Administration Building.

A legislative amendment to the 1941 law required that all permanent and continuous employees participate regardless of age. Until this time, participation had been optional for employees under 30.

1954

The System moved to 1210 W. Oregon, an old 1,300-square-foot two-story house in Urbana.

LETTER OF TRANSMITTAL

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 12, 2016

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

I am pleased to present the 75th 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, 2016.

The System was established in 1941 for the benefit of the 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 knowledge, wealth and civic pride generated by the educational institutions that are part of the SURS system 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 use a detailed internal audit program to provide a continuing review of the SURS internal controls and to report audit findings and recommendations for improvements to the SURS Board of Trustees. 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 2016 financial statements has been included in this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found on page 18 of the report.

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 approximately 230,000 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 annuitants elected, and five members appointed by the governor, of which the chairperson is the appointed chair of the Illinois Board of Higher Education.

Funding

SURS is funded through contributions from non-employer, employer and employee contributions as well as investment earnings. 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 Illinois Pension Code, which 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. The majority of the $1.4 billion Statutory Contribution for fiscal year 2016 was received through continuing appropriation based on 40 ILCS 15/1.1(b). The remainder of $190 million was received based on Public Act 99-0524. As of June 30, 2016, the plan net position as a percentage of the total pension liability was 39.57%. The funding issue confronting SURS continues to represent a challenge to the System. Although the statutory contribution requirement was met in fiscal year 2016, the Statutory Funding policy creates a perpetual contribution variance of underfunding the System in earlier years. In later years, 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 Information 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 decreased to $17.0 billion. Yield information is detailed in the Investment Section of this report. Taken as a whole, the SURS portfolio of investments produced a return of 0.2%, net of fees, for the year ended June 30, 2016. The SURS investment program has a long-term horizon. The returns, net of fees, are 6.8% over the last three years and 5.9% over the last 10 years. The SURS defined contribution assets increased from $1.7 billion to $1.8 billion.

The System has shown a positive return of 2.1% through October 31, 2016, bringing total investments to approximately $17.0 billion.

Legislation

1) Public Act 99-0128, signed into law on July 23, 2015, prohibits investments in companies that boycott Israel and streamlines the current divestiture policies for Iran and Sudan. It creates the Illinois Investment Policy Board, consisting of four members appointed by the Governor and three members

appointed by each of the boards of the State Universities Retirement System, Teachers' Retirement System, and Illinois State Board of Investments, respectively, to develop a list of restricted companies for the retirement systems.

2) Public Act 99-0232, signed into law on August 3, 2015, requires an actuarial experience study to occur at least once every three years (instead of at least once every five years) for SURS.

3) Public Act 99-0450, signed by the Governor on August 24, 2015, clarifies language allowing technical changes to strengthen the oversight and administration of the System.

4) Public Act 99-0462, signed by the Governor on August 25, 2015, establishes an aspirational goal that, beginning January 1, 2016, each retirement system, pension fund, or investment board under the Illinois Pension Code use emerging investment managers for not less than 20% of total funds under management. Additionally, it establishes an aspirational goal that not less than 20% of investment advisors be minorities, females, and persons with disabilities and to utilize businesses owned by minorities, females, and persons with disabilities for not less than 20% of contracts awarded for information technology services, accounting services, insurance brokers, architectural and engineering services, and legal services.

5) Public Act 99-0524, signed by the Governor on June 30, 2016, appropriated $190 million from the State Pensions Fund as part of the annual required State contribution to SURS for fiscal year 2016 and $190 million from the State Pensions Fund for fiscal year 2017.

Major Initiatives

In fiscal year 2016, the SURS staff continued to make changes to its technological infrastructure and made significant progress on projects that impact the System, its members, employers and other stakeholders.

- Completed Phase I of a multi-year network backbone project, including an upgrade of the infrastructure that connects all devices on the SURS network. This project will support increased bandwidth requirements; replace "End of Life" equipment; take advantage of enhanced security features of new equipment; and position SURS for meeting the business requirements associated with increased video conferencing and telephony enhancements.

- There were significant changes and improvements made to the defined contribution plan (called Self-Managed Plan/SMP) established in 1998. The administrative fees for members were reduced on a per participant basis. SURS staff also continued to work with the two record keepers for reductions in investment fees across all fund options. A statewide outreach program was launched to improve member communications.

- A self-service counseling appointment scheduling system was implemented in September 2015.

- Facility improvements to SURS nearly 25-year-old facility included parking lot enhancements and the remodeling/conversion of space to accommodate staff growth.

- The new SURS logo was introduced in January 2016 in honor of the 75th anniversary of the System. The logo symbolizes the core beliefs of integrity, professionalism, accountability and a renewed commitment to deliver timely, quality service to our members.

- Public Act 97-0695, which reformed state retiree health insurance, was challenged and deemed unconstitutional. The Sangamon County Circuit Court judge ordered the state to stop deducting the health premiums from annuities. SURS was directed to issue refund checks to those persons, subject to the condition that each check be cashed or otherwise negotiated by the payee(s) no later than June 15, 2016, after which SURS was directed to return the remaining funds to the State of Illinois' Unclaimed Property Trust Fund by June 30, 2016.

LETTER OF TRANSMITTAL

Awards and Recognition

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, 2015. This is the thirty-second 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.

The Public Pension Coordinating Council (PPCC), a coalition of three national associations that represents more than 500 of the largest pension plans in the U.S., awarded SURS the *Public Pension Standards Award for Funding and Administration*. Public Pension Standards are a benchmark to measure public defined benefit plans in the areas of retirement system management, administration, and funding.

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. 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

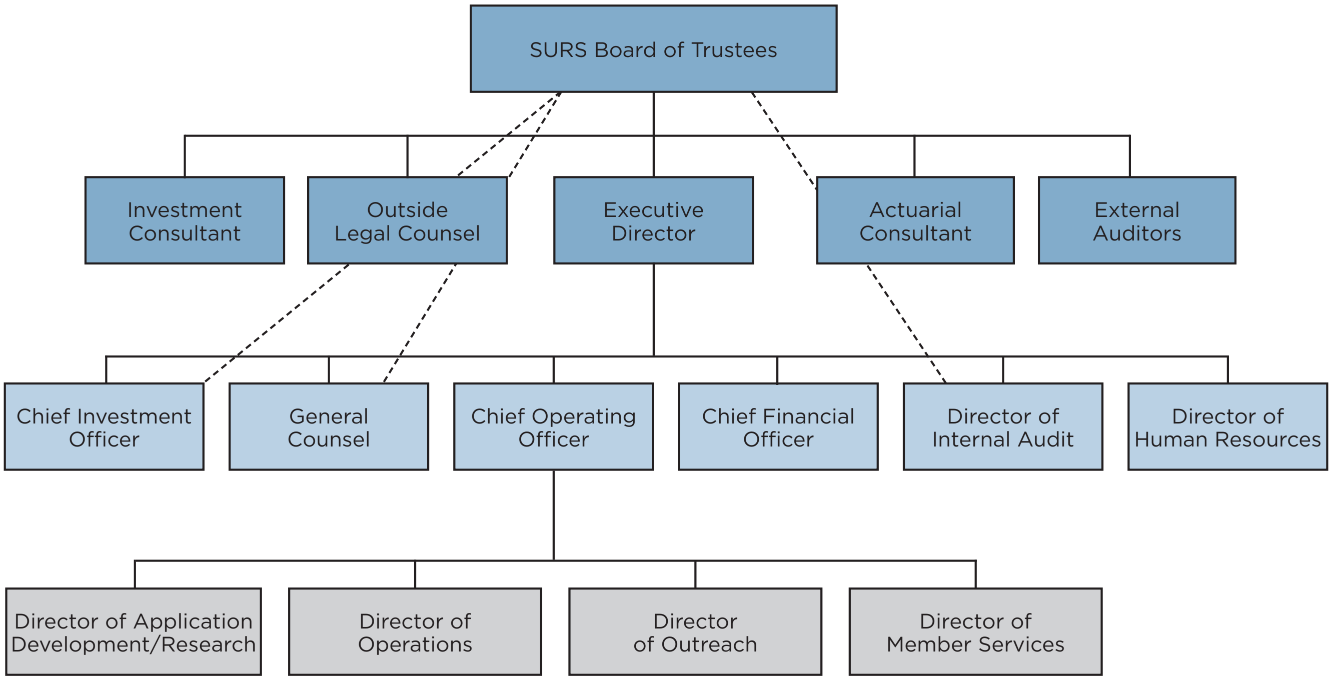
Phyllis L. Walker
Chief Financial Officer

BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

Left to right: Director of Operations Chris Hansen, Interim Chief Investment Officer Douglas Wesley, General Counsel Bianca T. Green, Director of Human Resources Brenda Dunn, Executive Director Martin Noven, Director of Application Development and Research Douglas J. Steele, Chief Financial Officer Phyllis Walker, Director of Outreach Suzanne Mayer, Director of Internal Audit Steven L. Hayward, Chief Operating Officer Andrew Matthews, and Director of Member Services Angie Lieb.

ORGANIZATIONAL CHART



CONSULTING AND PROFESSIONAL SERVICES

Actuary
Gabriel, Roeder, Smith & Co.

Auditor
BKD, LLP
(Acting as Special Assistant Auditor for the Illinois Office of Auditor General)

Legal Counsel
Burke, Burns & Pinelli, Ltd.
Jackson Walker L.L.P.
Mayer Brown LLP

Consultants and Other Vendors
Document Access Systems
Huber & Associates, Inc.
Segal Company
Sirius Computer Solutions

Master Trustee and Custodian
The Northern Trust Company

Investment Consultants, Measurement and Counsel
NEPC, LLC

Investment Advisors
Adams Street Partners
Alinda Capital Partners
BlackRock Institutional Trust Company
BlueBay Asset Management
Blue Vista Capital Management
Brookfield Asset Management
CastleArk Management
CBRE Clarion Real Estate Securities
Chicago Equity Partners
Colchester Global Investors Limited
Courtland Partners
Crow Holdings
Deutsche Bank
Dune Capital Management
Fidelity Institutional Asset Management
Franklin Templeton Real Estate Advisors
Heitman
Invesco
J.P. Morgan Asset Management
KKR Prisma
Macquarie Capital
Mesirow Financial Investment Management
Mondrian Investment Partners
Neuberger Berman
Northern Trust Asset Management
Pacific Alternative Asset Management Company
Pacific Investment Management Company
Pantheon Ventures
Parametric Clifton
Progress Investment Management Company
Prudential Fixed Income
RhumbLine Advisers
RREEF
State Street Global Advisors
T. Rowe Price
TCW
UBS Realty Investors
Wellington Management Company

Manager Diversity Program Investment Advisors
Ativo Capital Management
Channing Capital Management
EARNEST Partners
Fairview Capital Partners
Franklin Templeton Real Estate Advisors
Garcia Hamilton & Associates
GlobeFlex Capital, L.P.
Holland Capital Management
LM Capital Group
Lombardia Capital Partners
Longfellow Investment Management
Muller and Monroe Asset Management
New Century Advisors
Piedmont Investment Advisors
Pugh Capital Management
Smith Graham & Company
Strategic Global Advisors

Progress Investment Management Company Emerging Manager Investment Advisors
Affinity Investment Advisors
Apex Capital Management
Brown Capital Management
Garcia Hamilton & Associates
GIA Partners
Glovista Investments
LM Capital Group
Lombardia Capital Partners
New Century Advisors
Piedmont Investment Advisors
Ramirez Asset Management
Strategic Global Advisors

Self-Managed Plan Service Providers
Fidelity Investments
Teachers Insurance Annuity Association

FINANCIAL

Continued growth, a new name, two changes of location

1958

The number of SURS employees grew to 12.

1959

The Survivor's Insurance Program was adopted to offer benefits to a named beneficiary of each SURS-covered employee upon the death of the employee.

1963

SURS moved from the Henry Administration Building on Wright Street to 807 Lincoln Avenue in Urbana, formerly an Eisner Grocery Store.

The University Retirement System of Illinois changed its name to State Universities Retirement System.

1971

With 30 employees, SURS relocated to a 10,000-square-foot building at 50 Gerty Drive in Champaign.

The State Universities Annuitants' Association (SUAA) was founded to work closely with SURS retirees on legislative and policy issues.

1976

In its 35th year, the System served 35,544 participants, more than nine times the original number of members.

BKD LLP
CPAs & Advisors

225 N. Water Street, Suite 400 // Decatur, IL 62523-2326
217.429.2411 // fax 217.429.6109 // bkd.com

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois
and
The 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 the State of Illinois (System), a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related Statement of Changes in Plan Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic 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 System'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 System'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 System as of June 30, 2016, and the respective changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

The actuarially determined pension liability, calculated as required by GASB Statements 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. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The System's 2015 financial statements were previously audited by other auditors whose report thereon dated December 21, 2015, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 notes to the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements and other knowledge we obtained during our audit of the basic 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, 2016 was conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary financial information in the financial section and the accompanying introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary financial information in the financial section, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the other supplementary financial information in the financial section for 2016, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information contained in the financial section for the year ended June 30, 2015 was audited by other auditors whose report dated December 21, 2015 expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended June 30, 2015 taken as a whole.

The introductory, investment, actuarial, statistical and plan summary and legislative sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Decatur, Illinois
December 12, 2016

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, 2016, with comparative reporting entity totals for the year ended June 30, 2015. 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 $1,647.7 million, an increase of $56.8 million, or 3.6% from fiscal year 2015.
- The System's benefit payments were $2,281.8 million, an increase of $120.9 million or 5.6% for fiscal year 2016.
- The System's return on investment, net of investment management fees, was 0.2% for fiscal year 2016.
- The System's net position at the end of fiscal year 2016 was $18,831.1 million, a decrease of $385.4 million or 2.0%.

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, 2016 and the Statement of Changes in Plan Net Position for the year ended June 30, 2016. The difference between the System's assets and liabilities is 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 208,886 members in its defined benefit plan and 21,478 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 decreased from $19.2 billion as of June 30, 2015 to $18.8 billion as of June 30, 2016. This $0.4 billion change was chiefly due to a decrease in investments, an increase in payables to brokers-unsettled trades, and a decrease in securities lending collateral liabilities.

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)	2016	2015	Change Amount	Change %
Cash and short-term investments	$ 731.6	$ 749.2	$ (17.6)	(2.3)
Receivables and prepaid expenses	287.6	242.0	45.6	18.8
Pending investment sales	433.9	422.7	11.2	2.6
Investments and securities lending collateral	18,857.8	19,179.7	(321.9)	(1.7)
Capital assets, net	6.3	6.2	0.1	1.6
Total assets	20,317.2	20,599.8	(282.6)	(1.4)
Payable to brokers-unsettled trades	853.4	600.8	252.6	42.0
Securities lending collateral	602.1	752.4	(150.3)	(20.0)
Other liabilities	30.6	30.1	0.5	1.7
Total liabilities	1,486.1	1,383.3	102.8	7.4
Total plan net position	$ 18,831.1	$ 19,216.5	$ (385.4)	(2.0)

Overall, net position decreased by $385.4 million, or 2.0%, mainly due to the excess of benefit payments over the total investment income and contributions received. 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 2016 compared to 2015.

The investment allocation strategy for the plans making up the reporting entity as of June 30, 2016, and 2015 is as follows:

Investment Allocation Strategy

	2016	2015
Defined Benefit Plan		
Equities	50.0%	50.0%
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	5.0
Emerging market debt	3.0	3.0
Treasury Inflation Protected Securities	4.0	4.0
Commodities	2.0	2.0
Opportunity Fund	1.0	1.0
Total	100.0%	100.0%
Self-Managed Plan		
Equities	68.7%	55.4%
Fixed income	29.2	43.0
Real estate	2.1	1.6
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)	2016	2015	Change Amount	Change %
Employer contributions	$ 46.2	$ 46.7	$ (0.5)	(1.1)
Non-employer contributing entity contributions	1,601.5	1,544.2	57.3	3.7
Member contributions	355.3	340.0	15.3	4.5
Net investment income	20.2	593.6	(573.4)	(96.6)
Total additions	2,023.2	2,524.5	(501.3)	(19.8)
Benefits	2,281.8	2,160.9	120.9	5.6
Refunds	111.6	108.6	3.0	2.8
Administrative expense	15.2	14.5	0.7	4.8
Total deductions	2,408.6	2,284.0	124.6	5.5
Net increase (decrease) in plan net position	$ (385.4)	$ 240.5	$ (625.9)	(260.2)

Additions

Additions to plan net position are in the form of employer and member contributions and returns on investment funds. For fiscal year 2016, non-employer contributing entity contributions increased by $57.3 million due to higher employer contributions from the State of Illinois as required by Public Act 88-0593. Employer contributions decreased by $0.5 million or 1.1%. Member contributions increased by $15.3 million or 4.5%. The investment net income for fiscal year 2016 was $20.2 million for the System, representing a $0.6 billion decrease from the prior year. For the defined benefit plan, the overall rate of return was 0.2% (net of all investment management fees).

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

Time Period	1-year	3-year	5-year	10-year	20-year	30-year
Annualized Return	0.2%	6.8%	6.6%	5.9%	7.3%	8.4%

The total rate of return over a 30-year period of 8.4% was higher compared to the actuarial rate of return assumption of 7.25% in effect for fiscal year 2016. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2016 totaled $2.4 billion, an increase of $124.6 million or 5.5% over expenses for 2015. This increase is primarily due to the $120.9 million increase in defined benefit plan and defined contribution plan retirement and survivor annuity payments. Portable lump sum distributions and refunds increased by $3.0 million or 2.8%. Administrative expenses increased by $0.7 million or 4.8% from fiscal year 2015 to 2016.

Future Outlook

The actuarial assumptions adopted as of June 30, 2015 were based on the experience review for the years June 30, 2010 to June 30, 2014. Public Act 96-0889 caps Tier 2 members' earnings at $111,572 in 2016 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 2017, mainly provided by the State of Illinois, will increase by approximately $69.9 million or 4.4%.

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, 2016
With Comparative Reporting Entity Totals as of June 30, 2015

	2016			2015
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Assets				
Cash and short-term investments	$ 731,633,307	$ -	$ 731,633,307	$ 749,161,649
Receivables				
Members	8,634,589	3,267,042	11,901,631	14,124,665
Non-employer contributing entity	229,869,588	1,910,439	231,780,027	183,687,997
Federal, trust funds, and other	1,655,088	(184,537)	1,470,551	1,815,690
Pending investment sales	433,893,516	-	433,893,516	422,748,331
Interest and dividends	42,366,778	-	42,366,778	42,333,100
Total receivables	716,419,559	4,992,944	721,412,503	664,709,783
Prepaid expenses	133,157	-	133,157	158,059
Investments, at fair value				
Equity investments	8,953,569,340	65,509,892	9,019,079,231	11,307,523,098
Fixed income investments	4,660,679,286	29,270,615	4,689,949,900	4,590,860,760
Real estate investments	987,031,542	1,817,422	988,848,965	874,605,561
Alternative investments	1,833,655,377	260,950	1,833,916,328	-
Mutual fund and variable annuities	-	1,723,653,945	1,723,653,945	1,654,146,781
Total investments	16,434,935,545	1,820,512,824	18,255,448,369	18,427,136,200
Securities lending collateral	602,404,484	-	602,404,484	752,561,440
Capital assets, at cost, net of accum depreciation $19,100,014 and $18,627,220 respectively	6,249,153	-	6,249,153	6,169,023
Total assets	**18,491,775,205**	**1,825,505,768**	**20,317,280,973**	**20,599,896,154**
Liabilities				
Benefits payable	9,645,900	-	9,645,900	8,689,007
Refunds payable	6,459,653	-	6,459,653	4,639,366
Securities lending collateral	602,089,896	-	602,089,896	752,410,673
Payable to brokers for unsettled trades	853,366,668	-	853,366,668	600,790,779
Administrative expenses payable	14,583,115	-	14,583,115	16,844,459
Total liabilities	**1,486,145,232**	**-**	**1,486,145,232**	**1,383,374,284**
Net Position Restricted for Pensions	**$17,005,629,973**	**$1,825,505,768**	**$ 18,831,135,741**	**$19,216,521,870**

FINANCIAL STATEMENTS

Statement of Changes in Plan Net Position for the Year Ended June 30, 2016
With Comparative Reporting Entity Totals for the Year Ended June 30, 2015

	2016			2015
	Defined Benefit Plan	Self-Managed Plan	Total	Total
Additions				
Contributions				
Employer	$ 39,348,478	$ 6,836,109	$ 46,184,587	$ 46,658,889
Non-employer contributing entity	1,542,946,474	58,533,526	1,601,480,000	1,544,200,000
Member	278,883,776	76,457,324	355,341,100	340,010,444
Total Contributions	1,861,178,728	141,826,959	2,003,005,687	1,930,869,333
Investment Income				
Net appreciation in fair value of investments	(259,899,961)	3,191,609	(256,708,352)	315,741,290
Interest	113,996,822	-	113,996,822	111,077,945
Dividends	220,725,192	-	220,725,192	218,278,974
Securities lending	4,215,195	-	4,215,195	4,690,554
	79,037,248	3,191,609	82,228,857	649,788,763
Less investment expense				
Asset management expense	61,614,201	-	61,614,201	55,705,026
Securities lending expense	379,368	-	379,368	422,320
Net investment income	17,043,679	3,191,609	20,235,288	593,661,417
Total additions	**1,878,222,407**	**145,018,568**	**2,023,240,975**	**2,524,530,750**
Deductions				
Benefits	2,235,812,995	45,956,700	2,281,769,695	2,160,843,600
Refunds of contributions	85,015,923	26,630,943	111,646,866	108,644,121
Administrative expense	14,731,372	479,171	15,210,543	14,535,656
Total deductions	**2,335,560,290**	**73,066,814**	**2,408,627,104**	**2,284,023,377**
Net increase	**(457,337,883)**	**71,951,754**	**(385,386,129)**	**240,507,373**
Plan Net Position Beginning of year	17,462,967,856	1,753,554,014	19,216,521,870	18,976,014,497
Plan Net Position End of Year	**$ 17,005,629,973**	**$1,825,505,768**	**$ 18,831,135,741**	**$ 19,216,521,870**

NOTES TO THE FINANCIAL STATEMENTS

I. Description of SURS

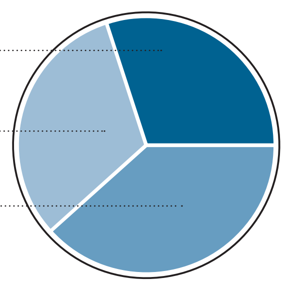
The State Universities Retirement System (SURS or the System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan. The SURS Board of Trustees consists of six elected and five appointed board members. Legislation effective January 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, 2016, 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, 2016, 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 21, 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



At June 30, 2016 and 2015, the number of participating employers was:

	2016	2015
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**11**	11
State Agencies	**2**	2
	61	61

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

1. Membership

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

At June 30, 2016 and 2015, defined benefit plan membership consisted of:

	2016	2015
Benefit Recipients	**63,146**	61,020
Active Members	**66,245**	69,381
Inactive Members	**79,495**	76,984
	208,886	207,385

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 who 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, 2016.

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 highest 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, 2016 and 2015, the number of SMP participating employers was:

	2016	2015
Universities	**9**	9
Community Colleges	**39**	39
Allied Agencies	**8**	8
State Agencies	**2**	2
	58	58

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

At June 30, 2016 and 2015, the SMP membership consisted of:

	2016	2015
Benefit Recipients	**557**	432
Active Members	**11,880**	11,928
Inactive Members	**9,041**	8,476
	21,478	20,836

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 $731,633,307 of cash and short-term investments presented in the Statement of Plan Net Position is $61,155,682 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.

NOTES TO THE FINANCIAL STATEMENTS

For the defined benefit plan, investments are generally reported at fair value. Marketable securities (stocks, bonds, warrants, and options) are traded on public exchanges. The Northern Trust Company, SURS' custodial bank, establishes these prices using third-party pricing services. Generally, these values are reported at the last reported sales price. Certain investments that do not have an established market value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the 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, 2015, from which the summarized comparative information was derived.

J. New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, is 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. This Statement was implemented for the System beginning with its year ending June 30, 2016.

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.

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. This Statement was implemented for the System beginning with its year ending June 30, 2016.

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.

NOTES TO THE 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. This Statement is not considered to have a material impact on the System's financial statements.

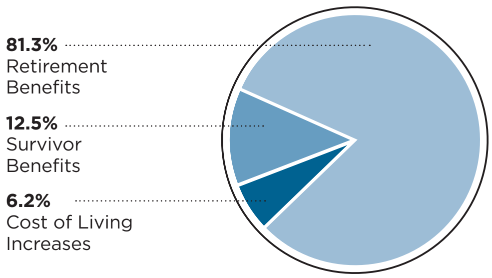
GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for financial reporting periods beginning after June 15, 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) for state and local governments and the framework for selecting those principles. This Statement is not considered to have a material impact on the System's 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. This Statement is not considered to have a material impact on the System's financial statements.

III. Contributions and Plan Net Position Designations

A. Defined Benefit Plan

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, 2016. 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 7.00% for the year ended June 30, 2016 and 6.75% for the year ended June 30, 2017.

   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 2016 State contributions were $1,542,946,474. 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 12.69% of covered earnings as the employer normal cost for fiscal year 2016. In compliance with Public Act 94-0004, employers must pay the System the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. The fiscal year 2016 employer-defined contributions were $39,348,478.

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, 2016 are as follows:

Employee contributions	$ 6,145,836,121
Benefits from employee and employer contributions	10,859,793,852
Total net position	**$ 17,005,629,973**

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 2016 defined contribution plan state contributions were $58,533,526 and employer contributions were $6,836,109. 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 (0.3% as of July 1, 2015).

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 2016, the investment income credited to these balances was $200,452.

   Balances in these designated accounts as of June 30, 2016 are as follows:

Employee contributions	$ 1,728,642,876
Disability benefits	87,343,102
Employer forfeitures	9,519,790
Total net position	**$ 1,825,505,768**

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

Fair Value Measurement

The System categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the investments for the System.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest, which approximates market or fair value.

Equity (including real estate investment trust securities) and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities.

NOTES TO THE FINANCIAL STATEMENTS

Debt and debt derivative securities classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level 3 debt securities use proprietary information or single source pricing. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

The valuation method for certain equity, fixed income, and marketable alternatives investments is based on the investments' NAV per share (or its equivalent) provided by the investee. The following table shows the investments of the System measured at the NAV per share.

Commingled Equity Funds
This type of investment consists of equities diversified across all sectors. The fair values of the investments in these types have been determined using the NAV per share of the investments.

Commingled Fixed Income Funds
This type of investment consists of fixed income securities diversified across all sectors. The fair values of the investments in these types have been determined using the NAV per share of the investments.

Absolute Return Funds
The fair values of the investments in this type have been determined using the NAV per share of the investments.

Private Equity Partnerships
This type of investment includes limited partnerships. Generally speaking, the types of partnership strategies included in this portfolio are venture capital, buyouts, special situations, mezzanine, and distressed debt. Infrastructure fund investments are included as private equity partnerships. Private equity partnerships have an approximate life of 10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2016, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Real Estate Funds
This type includes investments in core open-end funds and non-core real estate funds. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Non-core funds do not offer redemptions. The nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. The System has no plans to liquidate the total portfolio. As of June 30, 2016, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Self-Managed Plan Funds
Investments in open-end mutual funds and variable annuities whose fair value is determined by quoted prices in active markets for identical assets are categorized as Level 1. One stable value fund and two commingled equity pools, consisting of equities diversified across all sectors, have fair values determined using the NAV per share of the investments.

NOTES TO THE FINANCIAL STATEMENTS

Investments and Short-Term Holdings Measured at Fair Value
($ in thousands)

	As of June 30, 2016	Fair Value Measurements Using Level 1	Level 2	Level 3
Defined Benefit Plan				
Investments by Fair Value Level				
Debt securities				
U.S. government	$ 1,654,529	$1,654,529	$ –	$ –
U.S. agency obligations	1,014,171	–	1,005,212	8,959
Municipal obligations	23,864	–	21,468	2,396
U.S. corporate obligations	553,746	–	547,915	5,831
U.S. asset backed	224,808	–	113,244	111,564
Fixed income funds	237,608	–	237,608	–
Foreign obligations	314,354	–	286,802	27,552
Total debt securities	4,023,080	1,654,529	2,212,249	156,302
Short-term securities and cash adjustments	4,922	7,131	(2,052)	(157)
Total short-term securities and adjustments	4,922	7,131	(2,052)	(157)
Equity securities				
U.S. equity securities	4,903,238	4,891,832	10,888	518
Foreign equity securities	1,854,151	1,854,151	–	–
Total equity securities	$ 6,757,389	$6,745,983	$ 10,888	$ 518
Investments Measured at the Net Asset Value (NAV)				
Commingled fixed income funds	$ 759,222	–	–	–
Commingled equity funds	1,839,447	–	–	–
Commingled foreign equity funds	421,417	–	–	–
Private real estate funds	988,849	–	–	–
Private equity funds	1,029,063	–	–	–
Hedge funds	465,965	–	–	–
Commodity funds	338,888	–	–	–
Total investments measured at the NAV	5,842,851	–	–	–
Total investments by fair value level and measured by the NAV	$16,628,242	–	–	–
Investment Derivative Instruments				
U.S. fixed income derivatives	$ (34,901)	$ –	$ (34,926)	$ 25
Foreign fixed income derivatives	(426)	–	(426)	–
U.S. equity derivatives	17	–	–	17
Foreign equity derivatives	18	18	–	–
Total investment derivative instruments	$ (35,292)	$ 18	$ (35,352)	$ 42
Invested Securities Lending Collateral				
Fixed income securities	$ 602,405	$ –	$ 602,405	$ –
Total invested securities lending collateral	$ 602,405	$ –	$ 602,405	$ –
Self-Managed Plan				
Mutual funds and variable annuities				
Fixed income funds	$ 467,564	$ 467,564	$ –	$ –
Equity funds	1,012,277	1,012,277	–	–
Real estate funds	37,051	37,051	–	–
Total Self-Managed Plan assets by fair value level	$ 1,516,892	$ 1,516,892	–	–
Investments measured at the NAV	$ 206,762	–	–	–
Total investments by fair value level and measured at the NAV	$ 1,723,654	–	–	–

Investments Measured at Net Asset Value
($ in thousands)

		Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Defined Benefit Plan				
Commingled fixed income funds[1]	$ 759,222	$ -	Daily, Monthly	1-10 Days
Commingled international equity and global real estate investment funds[1]	2,260,864	-	Daily, Monthly	2-5 Days
Private real estate funds[2]	988,849	241,906	Quarterly, if Eligible	45-90 Days, if Eligible
Private equity funds[2]	1,029,063	909,079	Not Eligible	N/A
Hedge funds[3]	465,965	-	Daily, Monthly, Quarterly, Semi-Annually, Annually	3-90 Days
Commodity funds[4]	338,888	-	Daily, Monthly	1-30 Days
Total	$ 5,842,851	$ 1,150,985		
Self-Managed Plan				
Stable value fund[5]	$ 35,186	$ -	Daily, Annually	1-365 Days
Commingled equity pools[6]	171,576	-	Daily, if Eligible	1 Day, if Eligible
Comglobal real estate investment funds[6]	$ 206,762	$ -		

(1) **Commingled funds.** Ten fixed income funds, seven international equity funds and one real estate investment fund are considered to be commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
(2) **Private real estate and private equity funds.** The real estate investments are 14 core, value-add, and opportunistic real estate funds. The private equity funds are 223 limited partnership interests in equity or debt securities of privately held companies. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Real estate closed-end funds and private equity funds are not eligible for redemption.
(3) **Hedge funds.** Two funds invest in a select group of underlying managers that implement a number of different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies and other investment entities.
(4) **Commodity funds.** The two funds are invested with one active long-only manager and one active long/short manager.
(5) **Stable value fund.** The fund is invested in fixed income securities and shares of money market funds. It is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
(6) **Commingled equity pools.** The two pools are commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying 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 Aa2 rating by Moody's, and an AA rating by Fitch. At June 30, 2016, the carrying amount of cash was $670,477,625 and the bank balance was $680,683,498 of which $3,726,943 was foreign currency deposits and was exposed to custodial credit risk. The remaining $61,155,681 was made up of short-term invested funds which are considered to be investments for the purpose of assessing custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Overlay Program
SURS employs a manager to provide an overlay program to ensure the System's major asset classes remain within a certain percentage of their targeted weights. Market movements can lead to significant implicit tilts within the portfolio. For example, a sharp decline in equities will many times be accompanied by stability within fixed income. Consequently the equity position will decrease as a percentage of assets while fixed income will increase. This causes an "implicit" tilt towards fixed income. The overlay program brings these implicit tilts back within an acceptable band and is a cost effective way to rebalance assets.

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, 2015. 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 $871.7 million as of June 30, 2016. The System had outstanding commitments to real estate partnerships of $241.9 million and to infrastructure partnerships of $37.4 million at June 30, 2016.

Investments
The carrying values of investments by type at June 30, 2016 are summarized below:

Equity investments	
U.S. equities	$ 7,230,452,014
Non-U.S. equities	2,290,635,102
U.S. private equity	866,799,225
Non-U.S. private equity	162,264,177
U.S. equity derivatives	(486,959,605)
Non-U.S. equity derivatives	(15,048,279)
Fixed income investments	
U.S. government obligations	1,624,178,596
U.S. agency obligations	1,014,171,253
U.S. corporate fixed income	1,405,240,490
U.S. fixed income, other	192,215,015
Non-U.S. fixed income securities	485,341,842
U.S. short-term investments	175,733,015
Non-U.S. short-term investments	(110,447,610)
U.S. fixed income derivatives	(32,875,107)
Non-U.S. fixed income derivatives	(2,451,911)
Real estate investments	
U.S. real estate	905,482,353
Non-U.S. real estate	83,366,612
Hedge fund investments	
Hedge funds	465,965,108
Commodities investments	
Commodities	338,887,815
Mutual fund and variable annuities	
Self-managed plan mutual funds and variable annuity funds	1,723,653,945
Total Investments	**$ 18,316,604,050**

(a) Fixed income investments presented in this table include $61,155,681 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 $25,882,595 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, 2016, 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, 2016, 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, 2016 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Quality Rating: Standard & Poor's	Domestic**	International	Total
AAA	$ 117,462,302	$ 31,573,880	$ 149,036,182
AA+	941,485,665	9,395,332	950,880,997
AA	38,113,104	4,617,666	42,730,770
AA-	24,895,075	7,808,072	32,703,147
A+	33,089,328	24,662,790	57,752,118
A	55,686,025	20,010,785	75,696,810
A-	94,178,705	30,901,246	125,079,951
BBB+	161,725,184	17,095,092	178,820,276
BBB	92,715,904	29,047,553	121,763,457
BBB-	77,830,269	20,205,333	98,035,602
BB+	21,172,129	14,836,555	36,008,684
BB	12,604,644	35,811,426	48,416,070
BB-	10,947,888	10,686,367	21,634,255
B+	2,482,203	26,985,018	29,467,221
B	2,074,294	2,907,751	4,982,045
B-	5,112,266	7,912,716	13,024,982
CCC+	-	3,336,429	3,336,429
CCC	12,851,336	111,011	12,962,347
CCC-	-	157,500	157,500
CC	-	543,523	543,523
D	1,591,311	137,500	1,728,811
Not rated ***	185,564,907	15,610,944	201,175,851
Total credit risk: debt securities	$ 1,891,582,539	$ 314,354,489	$ 2,205,937,028
U.S. government & agencies *	1,761,417,349	-	1,761,417,349
Total debt securities investments	**$ 3,652,999,888**	**$ 314,354,489**	**$ 3,967,354,377**

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government agencies Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), and Small Business Administration (SBA) are not considered to have credit risk.
** Domestic includes $181,881,219 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, 2016, the segmented time distribution of the various investment types of debt securities of the System are as follows:

		Maturities in Years				
Type	2016 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*	$ 2,715,787,325	$105,540,206	$ 561,698,437	$ 703,460,514	$284,514,074	$1,060,574,094
U.S. corporate fixed income **	937,212,563	33,331,137	257,502,569	334,218,980	105,097,664	207,062,213
Non-U.S. fixed income	314,354,489	17,515,864	105,012,422	131,967,896	18,519,049	41,339,258
Total* **	**$ 3,967,354,377**	**$156,387,207**	**$ 924,213,428**	**$1,169,647,390**	**$408,130,787**	**$1,308,975,565**

* Includes $23,222,854 from self-managed plan mutual fund.
** Includes $158,658,365 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, 2016 the System's exposure to foreign currency risk is as follows:

Currency	Equity	Fixed Income*	Total
Australian dollar	$ 98,517,147	$ 1,771,995	$ 100,289,142
Brazilian real	9,784,105	1,119,682	10,903,787
British pound sterling	295,803,015	201,597	296,004,612
Canadian dollar	72,013,670	1,740,849	73,754,519
Chinese yuan renminbi	-	(83,678)	(83,678)
Colombian peso	-	37,317	37,317
Danish krone	32,299,693	(31,482)	32,268,211
Euro	475,664,561	(7,336,160)	468,328,401
Hong Kong dollar	104,698,310	13,548	104,711,858
Hungarian forint	746,583	-	746,583
Indian rupee	-	133,589	133,589
Indonesian rupiah	7,218,530	(469,328)	6,749,202
Japanese yen	323,893,722	(15,030,753)	308,862,969
Malaysian ringgit	1,632,660	(1,774,124)	(141,464)
Mexican peso	6,569,374	1,962,935	8,532,309
New Israeli shekel	7,167,742	-	7,167,742
New Taiwan dollar	21,524,605	(1,472,236)	20,052,369
New Zealand dollar	382,606	2,768,520	3,151,126
Norwegian krone	9,686,796	8,723	9,695,519
Philippine peso	1,443,271	(83,541)	1,359,730
Polish zloty	1,716,502	5	1,716,507
Russian ruble (new)	-	(3,441,247)	(3,441,247)
Singapore dollar	36,922,878	(3,351,315)	33,571,563
South African rand	21,039,009	35,702	21,074,711
South Korean won	20,709,937	(7,980,292)	12,729,645
Swedish krona	62,518,126	32,106	62,550,232
Swiss franc	113,758,946	(25,651)	113,733,295
Thai baht	8,845,293	24	8,845,317
Turkish lira	4,057,417	828,278	4,885,695
Total securities subject to foreign currency risk	**$ 1,738,614,498**	**$ (30,424,937)**	**$ 1,708,189,561**
Foreign investments denominated in U.S. dollars	**782,603,114**	**402,867,258**	**1,185,470,372**
Total foreign investment securities	**$ 2,521,217,612**	**$ 372,442,321**	**$ 2,893,659,933**

* Includes swaps, options and short-term investments. These derivatives and pending transactions have resulted in negative totals for certain currencies.

NOTES TO THE FINANCIAL STATEMENTS

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

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements. As of June 30, 2016, SURS' derivative investments included foreign currency forward contracts, rights and warrants, futures, options, swaps and swaptions. At June 30, 2016, SURS' investments in derivatives had the following balances:

	Notional Value 2016	Fair Value 2016	Change in Fair Value
Forwards	$ -	$ (2,051,777)	$ (12,346,327)
Rights and warrants	$ 228,985	$ 35,779	$ 18,090
Futures			
Equity			
Long	$ 502,007,884	$ 7,038,645	$ 6,068,628
Short	-	-	480,598
Fixed income			
Long	361,438,329	(5,775)	115,460
Short	(462,587,165)	(14,938)	3,949
Commodity			
Long	-	-	(6,645,129)
Short	(10,864,484)	(95,574)	(95,574)
Foreign exchange			
Long	13,881,600	18,510	19,311
Short	(6,718,140)	(13,840)	(127,948)
Total futures	$ 397,158,024	$ 6,927,028	$ (180,705)
Options			
Equity			
Put	$ -	$ -	$ 2,927
Fixed income			
Call	(164,021,030)	(72,033)	815,416
Put	(10,032,415)	(6,671)	38,684
Cash and cash equivalent			
Call	(17,402,430)	(196,248)	51,084
Put	(12,341,320)	291,540	1,054,862
Swaptions			
Call	(332,270)	(423,203)	(178,914)
Put	551,661,282	249,252	533,780
Total options	$ 347,531,817	$ (157,363)	$ 2,317,839
Swaps			
Credit default			
Buying protection	$ 16,200,000	$ (283,176)	$ (283,176)
Selling protection	66,493,721	(1,253,725)	(1,368,779)
Currency	-	-	(521,600)
Inflation-linked			
Pay fixed	29,291,789	1,458,146	2,300,511
Receive fixed	91,034,945	(1,968,578)	(1,458,723)
Interest rate			
Receive fixed	(782,699,599)	(33,124,080)	(35,790,306)
Total return	-	-	659,273
Volatility	3,000	1,760	1,760
Total swaps	$ (579,676,144)	$(35,169,653)	$(36,461,040)

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Foreign currency forward contracts are used to protect against the currency risk in SURS' foreign equity 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, 2016, SURS' investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2016	Change in Fair Value
Australian dollar	$ 68,527	$ (143,772)	$ (75,245)	$ (75,322)
Brazilian real	1,045,775	(3,177,624)	(2,131,849)	(2,326,091)
British pound sterling	69,386	(68,519)	867	480,098
Canadian dollar	949	(17,144)	(16,195)	(15,162)
Chinese yuan renminbi	344,376	(205,817)	138,559	343,119
Colombia peso	-	(6,225)	(6,225)	(6,225)
Danish krone	-	(466,666)	(466,666)	(466,666)
Euro	-	(47,867)	(47,867)	378,515
Hong Kong dollar	-	(17)	(17)	(17)
Indian rupee	-	-	-	(18,504)
Japanese yen	923,717	(2,217,834)	(1,294,117)	(818,157)
Malaysian ringgit	-	(59,173)	(59,173)	(59,173)
Mexican peso	15,417	(38,799)	(23,382)	(13,267)
New Taiwan dollar	-	(6,062)	(6,062)	(6,062)
New Zealand dollar	-	(65,877)	(65,877)	(65,877)
Polish zloty	-	(2,439)	(2,439)	(2,439)
Russian ruble (new)	307,378	(374,024)	(66,646)	(3,538)
Singapore dollar	19,503	(62,176)	(42,673)	(42,673)
South Korean won	236	(73,605)	(73,369)	(73,369)
Swiss franc	-	-	-	44
Turkish lira	2,028	(4,015)	(1,987)	(1,987)
Total securities subject to foreign currency risk	$ 2,797,292	$ (7,037,655)	$ (4,240,363)	$ (2,792,753)
Foreign investments denominated in U.S. dollars	3,861,014	(1,672,428)	2,188,586	(9,553,574)
Total foreign investment securities	$ 6,658,306	$ (8,710,083)	$ (2,051,777)	$(12,346,327)

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.

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

Swaps and Credit Risk

	Notional Value 2016	Fair Value 2016	Maturities in Years: Less than 1 year	Maturities in Years: 1 to 5 years
Swaps				
Credit default	$ 38,939,243	$ (1,233,874)	$ 148,964	$ 88,486
Credit default	400,000	646	-	646
Credit default	10,554,478	(335,198)	380	948
Credit default	32,800,000	31,524	-	31,524
Total, credit default	82,693,721	(1,536,902)	149,344	121,604
Currency	-	-	-	-
Inflation-linked	99,498,877	6,126	(91,079)	(1,121,017)
Inflation-linked	20,827,857	(516,559)	(164,000)	(472,208)
Inflation-linked	-	-		
Total, inflation-linked	120,326,734	(510,433)	(255,079)	(1,593,225)
Interest rate	(4,052,960)	(170,265)	-	(171,919)
Interest rate	514,320	15,668	-	15,668
Interest rate	6,356,422	(165,200)	-	(165,200)
Interest rate	(785,517,381)	(32,804,283)	-	(4,717,180)
Total, interest rate	(782,699,599)	(33,124,080)	-	(5,038,631)
Total return	-	-	-	-
Volatility	3,000	1,760	1,760	-
Total swaps	$ (579,676,144)	$ (35,169,655)	$ (103,975)	$ (6,510,252)
Swaptions	$ 486,797,412	$ (606,950)	$ (622,364)	$ 15,414
	-	-	-	-
	(3,868,400)	309,153	(45,811)	354,964
	68,400,000	123,846	230	123,616
	$ 551,329,012	$ (173,951)	$ (667,945)	$ 493,994
Forwards	$ -	$ (2,051,777)	$ (2,011,611)	$ (40,166)

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	Maturities in Years			
6 to 10 years	10 to 20 years	More than 20 years	Change in Fair Value	Counterparty Credit Rating
$ (9,760)	-	$ (1,461,564)	$ (271,931)	A
-	-	-	1,130	AA
-	-	(336,526)	(1,412,081)	BBB
-	-	-	30,927	No Rating
(9,760)	-	(1,798,090)	(1,651,955)	
-	-	-	(521,600)	A
6,725	1,113,076	98,421	388,388	A
(104,420)	224,069	-	453,399	BBB
			-	No Rating
(97,695)	1,337,145	98,421	841,787	
1,654	-	-	(2,370,292)	A
-	-	-	90,417	AA
-	-	-	(706,148)	BBB
(13,233,810)	(2,259,161)	(12,594,132)	(32,804,283)	No Rating
(13,232,156)	(2,259,161)	(12,594,132)	(35,790,306)	
-	-	-	659,273	A
-	-	-	1,760	A
$ (13,339,611)	$ (922,016)	$ (14,293,801)	$ (36,461,041)	
-	-	-	$398,959	A
-	-	-	(125,252)	AA
-	-	-	(42,687)	BBB
-	-	-	123,846	No Rating
$ -	$ -	$ -	$ 354,866	
$ -	$ -	$ -	$ (12,346,327)	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.

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.

Volatility swap agreements involve two parties taking opposite sides of the future volatility of an underlying instrument (e.g., an index, individual security or exchange rate) without the influence of its price. Payoff is determined by the future realized volatility. At expiry the holder of the long position in a volatility swap receives (or owes) the difference between the realized volatility and the volatility strike that was agreed upon at contract initiation. Volatility swaps are often utilized to trade the spread between realized and implied volatility or to hedge the volatility exposure of other positions in a portfolio.

SURS Rate	Counterparty Rate	Notional Value 2016	Fair Value 2016	Pay Fixed / Receive Fixed
0.83% to 1.1775%	Eurostat Eurozone HICP Ex Tob[1]	$ 4,443,800	$ 4,269	Pay Fixed
3.10% to 3.53%	UK RPI All Items NSA[2]	20,047,988	1,446,292	Pay Fixed
1.77% to 1.845%	US CPI Urban Consumers NSA[3]	4,800,000	7,585	Pay Fixed
		$ 29,291,788	$ 1,458,146	
Eurostat Eurozone HICP Ex Tob[1]	0.27% to 1.09%	$ 39,138,769	$ (482,486)	Receive Fixed
UK RPI All Items NSA[2]	3.12% to 3.145%	1,096,176	(10,726)	Receive Fixed
US CPI Urban Consumers NSA[3]	1.01% to 2.50%	50,800,000	(1,475,366)	Receive Fixed
6MEUR-EURIBOR-Act/360-Bloomberg[4]	0.75%	(1,333,140)	(47,136)	Receive Fixed
Brazil Cetip Interbank Deposit[5]	11.68% to 12.81%	16,273,319	(225,237)	Receive Fixed
CAD-BA-CDOR 3M[6]	0.90% to 2.30%	-	(526,175)	Receive Fixed
GBP-LIBOR-BBA-Bloomberg 6M[7]	1.50% to 2.00%	(16,977,359)	(1,422,395)	Receive Fixed
JPY-LIBOR-BBA-Bloomberg 6M[8]	0.30% to 1.50%	(12,769,276)	(831,563)	Receive Fixed
Mexico Interbank TIIE 28 Day[9]	5.61% to 7.64%	4,666,856	49,949	Receive Fixed
USD-LIBOR-BBA-Bloomberg 3M[10]	1.00% to 3.00%	(772,560,000)	(30,121,522)	Receive Fixed
		$ (691,664,655)	$ (35,092,657)	

Volatility Measure	Strike	Notional Value 2016	Fair Value 2016	Pay Fixed/ Receive Fixed
USD-BRL V 3M[11]	22.45%	$ 3,000	$ 1,760	Variable
		$ 3,000	$ 1,760	

1 Eurozone Harmonised Index of Consumer Prices excluding Tobacco
2 Retail Price Index All Items United Kingdom Consumer Price Index excluding Tobacco
3 Consumer Price Index All Urban Consumers Not Seasonally Adjusted (CPI NSA)
4 Euro Interbank Offered Rate (EURIBOR)
5 Brazil Cetip Interbank Deposit (CDI)
6 Canadian Dollar Offered Rate (CDOR)
7 Pound London Interbank Offered Rate (LIBOR)
8 Yen London Interbank Offered Rate (LIBOR)
9 Mexico Interbank Tasa de Interest Interbancaria de Equilibrio (TIIE)
10 London Interbank Offered Rate (LIBOR)
11 USD BRL Exchange Rate

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, 2016, if all counterparties fail to perform as contracted is $13.1 million. This maximum exposure is reduced by approximately $10.5 million in collateral held and approximately $50.5 million in liabilities, resulting in approximately $(47.8) million net exposure to credit risk.

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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 2016, 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 equities, and international equities. 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 1.37 days. Cash collateral is invested in the indemnified repurchase agreements, which at year end had a weighted average final maturity of 48.43 days, a weighted average reset of 28.55 days, and a fair value of $602.4 million.

Collateral as of June 30, 2016 ($ millions)	
Securities on loan as of June 30, 2016	$ 587.9
Fair value of cash collateral invested	$ 602.4
Fair value of collateral received	$ 602.1
Change in fair value*	$ 0.3

*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 27 mutual funds, variable annuities and commingled pools. These investment options are offered by two providers: Fidelity Investments and Teachers Insurance and Annuity Association (TIAA). As of June 30, 2016, the SMP had investments of $1,820,512,824. A detailed schedule (unaudited) of the funds and balances at June 30, 2016 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, 2016 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
2016	$42,970.9	$17,005.6	$25,965.3	39.57%

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, 2016 is based on the results of an actuarial valuation date of June 30, 2015 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, 2015
Actuarial cost method	Individual entry age
Actuarial Assumptions	
Single discount rate	7.01%
Expected rate of return	7.25%
Municipal bond rate	2.85% (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.

Single Discount Rate
A single discount rate of 7.01% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on an expected return on pension plan investments of 7.25% and a municipal bond rate of 2.85%. 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 2017) is provided by the State of Illinois, are projected to be $1.7 billion in 2017 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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability calculated using a single discount rate of 7.01%, 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, 2016 ($ millions)

	1% Decrease 6.01%	Current Discount Rate 7.01%	1% Increase 8.01%
Net Pension Liability	$ 31,348.8	$ 25,965.3	$ 21,502.4

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 2016 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%	6.08%
Private equity	6.0	8.73
Non-U.S. equity	19.0	6.95
Global equity	8.0	6.78
Fixed income	19.0	1.17
Treasury Inflation-Protected Securities (TIPS)	4.0	1.41
Emerging market debt (EMD)	3.0	4.44
Real estate		
REITs	4.0	5.75
Direct real estate	6.0	4.62
Commodities	2.0	4.23
Hedged strategies	5.0	4.00
Opportunity Fund	1.0	6.54
Total	**100.0%**	**5.09%**
Inflation		**2.75**
Expected arithmetic return*		**7.84%**

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

For the year ended June 30, 2016 the annual money-weighted rate of return on defined benefit plan investments, net of fees was 0.12%. 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, 2016 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$ 531,834	$ -	$ -	$ 531,834
Office building	7,626,603	24,331	-	7,650,934
Information system equipment & software	15,810,928	479,262	18,868	16,271,322
Furniture and fixtures	826,878	71,303	3,105	895,076
	24,796,243	574,896	21,973	25,349,166
Less accumulated depreciation:				
Office building	3,108,426	231,427	-	3,339,853
Information system equipment & software	14,753,077	236,335	-	14,989,412
Furniture and fixtures	765,717	5,031	-	770,748
	18,627,220	472,793	-	19,100,013
	$ 6,169,023	$ 102,103	$ 21,973	$ 6,249,153

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

Office building	40 years	Information systems equipment	5 years
Information systems software	10 years	Furniture and fixtures	7 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, 2016, the System had a liability of $1,226,823 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, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	$1,222,578	$ 92,148	$ 87,903	$ 1,226,823	$ 55,300

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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 $100 to $50,000 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 $12,690 for fiscal year 2016 and will remain the same for 2017. In addition, the System began leasing office space in Springfield for its legislative staff. The fiscal commitment for this lease is $7,200 for both fiscal years 2016 and 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Employer Net Pension Liability and Related Ratios

Total pension liability	**2016**	**2015**
Service cost	$ 666,374,861	$ 654,968,438
Interest on net pension liability	2,876,930,310	2,723,714,885
Changes in benefit terms	-	-
Differences between expected and actual experience	(3,426,377)	40,408,204
Changes in assumptions	532,522,898	831,624,586
Benefit payments	(2,235,812,995)	(2,129,977,721)
Refunds of member accounts	(85,015,923)	(83,715,720)
Net change in pension liability	1,751,572,774	2,037,022,672
Total pension liability - beginning	41,219,328,943	39,182,306,271
Total pension liability - ending	**$42,970,901,717**	**$41,219,328,943**
Plan fiduciary net position		
Member contributions	$ 278,883,776	$ 267,682,083
Employer contributions	39,348,478	39,933,909
Non-employer contributing entity contributions	1,542,946,474	1,488,591,489
Net investment income	17,043,679	503,199,957
Benefit payments	(2,235,812,995)	(2,129,977,721)
Refunds of member accounts	(85,015,923)	(83,715,720)
Non investment administrative expenses	(14,731,372)	(14,069,273)
Net change in plan fiduciary net position	(457,337,883)	71,644,724
Plan fiduciary net position - beginning	17,462,967,856	17,391,323,132
Plan fiduciary net position - ending	**$17,005,629,973**	**$17,462,967,856**
Net pension liability - ending	**$25,965,271,744**	**$23,756,361,087**

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
2016	42,970.9	17,005.6	25,965.3	39.57	3,513.1	739.10

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.

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

		Actual Contribution				
Fiscal Year	Actuarially Determined Contribution	Employers	Other Contributing Entities	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2016	1,649,447	39,348	1,542,946	67,153	3,513,108	45.04%

Schedule of Investment Returns (A)

2014	18.15%
2015	2.84
2016	0.12

(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, 2015 valuation rolled forward with one year of wage inflation at 3.75%. The beginning of the year total pension liability uses a single discount rate of 7.12% and the end of the year total pension liability uses a single discount rate of 7.01%. 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 3.80% as of June 25, 2015 and 2.85% as of June 25, 2016.

Actuarial Assumptions and Methods Used in Determining Fiscal Year 2016 Contributions

Valuation Date	June 30, 2014
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 15.0% including inflation
Investment Rate of Return	7.25% beginning with the actuarial valuation as of June 30, 2014.
Real Rate of Return	4.5%
Retirement Age	Experience-based table of rates. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	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.
Other Notes	None

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Administrative Expenses
For the Years Ended June 30, 2016 and 2015

	2016	2015
Defined benefit plan		
Personnel services		
Salary and wages	$ 7,844,176	$ 7,510,708
Retirement contributions	964,392	863,175
Insurance and payroll taxes	2,595,773	2,298,988
	11,404,341	10,672,871
Professional services		
Computer services	644,045	600,079
Medical consultation	3,046	7,054
Technical and actuarial	624,517	591,630
Legal services	156,854	261,198
	1,428,462	1,459,961
Communications		
Postage	283,046	376,696
Printing and copying	62,132	61,237
Telephone	106,204	100,915
	451,382	538,848
Other services		
Equipment repairs, rental and maintenance	74,047	82,637
Building operations, maintenance, office rental	260,197	253,723
Surety bonds and insurance	251,435	261,744
Memberships and subscriptions	51,347	51,333
Transportation, travel and conferences	171,805	119,362
Education	24,670	35,936
EDP supplies and equipment	71,457	86,220
Office supplies	47,462	53,038
	952,420	943,993
Depreciation and amortization	**494,767**	**453,600**
Total administrative expenses - defined benefit plan	**$ 14,731,372**	**$ 14,069,273**
Self-managed plan		
Salary and wages	288,652	282,496
Retirement contributions	96,258	83,786
Insurance and payroll taxes	39,853	36,466
Technical and actuarial	43,500	54,375
Postage	6,322	5,638
Memberships and subscriptions	600	600
Transportation, travel and conferences	2,837	1,354
Printing and copying	1,149	1,668
Total administrative expenses - self managed plan	**$ 479,171**	**$ 466,383**
Total administrative expenses	**$ 15,210,543**	**$ 14,535,656**

OTHER SUPPLEMENTARY INFORMATION

Summary Schedule of Consultant Payments
For the Years Ended June 30, 2016 and 2015

	2016	2015
Defined benefit plan		
Technical and actuarial services		
Aurico	$ 2,389	$ 4,205
Berns Clancy & Associates	-	12,880
The Berwyn Group	4,200	4,200
Gabriel, Roeder, Smith & Co.	182,512	228,180
Governmental Consulting Solutions	-	40,000
Heidrick & Struggles, Inc.	90,000	-
Henneman Engineering Inc.	2,190	12,325
ICS/Merrill	-	4,282
Janet Jones & Associates	44,000	42,000
LexisNexis	500	-
Miscellaneous	1,844	7,859
Open position advertising/recruitment	5,520	80,753
PayScale, Inc.	5,000	5,000
Piracle, Inc.	258	-
Propio Language Services, LLC	758	428
Ratio Architects	-	14,850
Reed Group	1,360	-
Segal Consulting	74,730	-
Sikich LLP	50,488	15,500
SurveyMonkey Inc.	300	-
The Northern Trust Company	80,888	76,668
Woolard Marketing Consultants, Inc.	19,580	22,500
Zahn Governmental Solutions, LLC	58,000	20,000
	624,517	591,630
Legal services		
Area Wide Reporting Service	2,438	1,797
Burke Burns & Pinelli, Ltd.	94,627	122,896
Esquire Deposition Solutions LLC	170	-
Featherstun, Gaumer, et al. (fka Winters, Featherstun, et al)	16,356	13,963
Illinois Office of the Attorney General	35	-
Internal Revenue Service	-	24,625
IRSS/FRT, LLC (fka Investors Responsibility Support Services)	25,000	25,000
Jackson Walker L.L.P.	3,089	-
Katten Muchin Rosenman LLP	-	66,324
Laner Muchin, Ltd.	5,483	-
Mayer Brown LLP	9,656	6,593
	156,854	261,198
Self-managed plan		
Technical and actuarial services		
NEPC	43,500	54,375
Total consultant payments	**$ 824,871**	**$ 907,203**

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses
For the Years Ended June 30, 2016 and 2015

	2016	2015
Investment Manager		
Adams Street Partners	$ 5,654,084	$ 5,411,981
Alinda Capital Partners	460,621	436,645
Ativo Capital Management	575,993	462,953
BlackRock Institutional Trust Company	5,159,960	4,343,951
BlueBay Asset Management	1,096,404	-
Blue Vista Capital Management	652,260	-
Brookfield Asset Management	239,674	-
Calamos Advisors	451,863	1,485,743
CastleArk Management	739,389	735,102
CBRE Clarion Real Estate Securities	1,327,866	1,304,166
Channing Capital Management	687,265	617,624
Chicago Equity Partners	555,785	542,656
Colchester Global Investors Limited	519,059	46,211
Courtland Partners (fka Mesirow Financial Inv Mgt)	299,063	330,000
Crow Holdings	687,636	-
Dune Capital Management	1,182,528	1,329,571
EARNEST Partners	650,260	235,826
Fairview Capital Partners	99,010	47,660
Fidelity Institutional Asset Management (fka Pyramis Global Advisors)	2,010,621	1,941,611
Franklin Templeton Real Estate Advisors	521,434	584,117
Garcia Hamilton & Associates	193,232	167,735
GlobeFlex Capital, L.P.	2,037,846	1,664,329
Heitman	1,323,380	708,408
Herndon Capital Management	163,339	540,159
Holland Capital Management	284,440	283,042
Invesco	100,868	-
Jacobs Levy Equity Management	838,577	1,215,702
J.P. Morgan Asset Management	756,680	809,725
KKR Prisma	591,406	-
LM Capital Group	271,180	265,496
Lombardia Capital Partners	217,590	234,727
Longfellow Investment Management	80,915	81,182
Macquarie Capital	940,140	915,323
Martin Currie, Inc.	-	271,298
Mesirow Financial Investment Management (fka Fiduciary Mgt Assoc)	648,924	623,466
Mondrian Investment Partners	833,359	794,346
Muller and Monroe Asset Management	181,094	209,359
Neuberger Berman	487,342	482,512
New Century Advisors	220,270	220,801
Northern Trust Asset Management	162,249	193,371
Pacific Alternative Asset Management Company	489,348	-
Pacific Investment Management Company	2,979,841	4,296,984
Pantheon Ventures	3,599,430	3,412,840
Parametric Clifton	466,528	337,529
Piedmont Investment Advisors	670,728	653,582
Progress Investment Management Company	3,196,256	3,254,317
Prudential Fixed Income	617,763	-
Pugh Capital Management	241,732	238,191
RhumbLine Advisers	129,167	146,460
RREEF	50,158	185,417
Smith Graham & Company	168,572	164,916
State Street Global Advisors	61,539	60,658
Strategic Global Advisors	777,370	607,576
T. Rowe Price	2,603,458	2,662,443
Taplin, Canida & Habacht	119,285	206,968
TCW Metropolitan West Asset Management	863,161	780,615
UBS Realty Investors	3,986,336	2,888,434
Wellington Management Company	2,854,681	2,636,159
Total investment management fees	57,778,959	52,069,887

OTHER SUPPLEMENTARY INFORMATION

Defined Benefit Plan
Summary Schedule of Investment Fees and Administrative Expenses (continued)
For the Years Ended June 30, 2016 and 2015

	2016	2015
Master Trustee & Custodian		
The Northern Trust Company	1,552,485	1,518,211
Investment Consultant, Measurement & Counsel		
Chapman and Cutler LLP		77,917
Jackson Walker L.L.P.	115,512	82,080
Mayer, Brown, Rowe & Maw LLP	44,839	75,917
NEPC, LLC	566,500	443,125
Proskauer	61,074	66,611
Total investment fees	787,925	745,650
Investment Administrative Expenses		
Personnel	1,250,373	1,109,363
Resources and Travel	163,186	182,989
Performance Measurement and Database	81,273	78,926
Total administrative expenses	1,494,832	1,371,278
Total asset management expenses	**$ 61,614,201**	**$ 55,705,026**

INVESTMENT

The electronic age, change to annual increases, more communication

1979

SURS purchased its first computer, an IBM 4331 Central Processing Unit with one megabyte of memory.

The Automatic Annual Increase for annuitants rose from 2 percent to 3 percent. The change was made retroactive for each annuitant whose employee status terminated after August 14, 1969.

Newsnotes

1983

Annuitants received the first issue of *Newsnotes*, an informational newsletter from SURS.

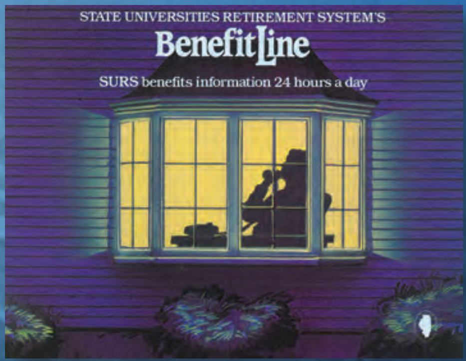
The System received its first Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the U.S. and Canada. SURS has received the award every year since then.

1984

The first electronic funds transfer took place.

A legislative amendment passed requiring immediate participation in SURS by new employees.

The first issue of *The Participant*, a newsletter for SURS members, was mailed.



1990

BenefitLine, a toll-free, automated hotline, debuted to provide 24-hour benefits information.

AS/400 model B60 hardware, the first piece of a new technical system, arrived and was soon joined by the second piece, the first infamous Juke Box. Staff members received IBM 386SX Model 65 Personal Computers.

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, 2015 through June 30, 2016.

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

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Transfer securities to a lending agent appointed by The Board of Trustees pursuant to directions from such lending agent.
6. Begin, maintain or defend any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Trust.
7. Invest cash balances held from time to time in the individual investment management accounts in short term-cash equivalent securities.
8. Exercise rights of ownership with respect to securities held in the trust fund, including but not limited to, proxy voting in accordance with the instructions of appointed Investment Managers; respond to stock subscriptions, conversion rights, and other capital changes pursuant to procedures set forth in the operating guidelines of The Northern Trust Company in effect from time to time.
9. Hold securities in the name of the Trust or nominee form or other means as provided in the agreement establishing the Trust.
10. Use the Federal Book Entry Account System for deposit of Treasury securities, and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of other securities.
11. Employ agents with 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.
14. Provide performance reporting and private monitor services pursuant to procedures agreed to by the Trust and The Northern Trust Company.

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 12, 2016

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

Dear Board of Trustees:

I am pleased to present the Investment Section of the SURS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, including this report on investment activity. SURS maintains both a defined benefit and a defined contribution plan, known as the Self-Managed Plan (SMP). As of June 30, 2016, the defined benefit plan is valued at approximately $17.0 billion while the SMP is valued at approximately $1.8 billion.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by Northern Trust using industry best practices. Northern Trust calculated performance rates of return by portfolio and all composites used throughout this section. The SURS portfolio returned 0.2% during fiscal year 2016, net of fees, trailing the policy portfolio return of 0.8%. The relative performance for the period can be attributed to both structural issues, described later, and investment manager underperformance in the domestic equity and fixed income asset classes.

When compared to a universe of other large public funds, the SURS return ranks near the median for the one-, three- and five-year periods ending June 30, 2016. The portfolio ranks near the top quartile in the peer universe over longer time periods.

Many of the projects completed during FY 2016 focused on continuing implementation of the asset allocation policy targets approved by the SURS Board in June 2014. As discussed in prior years, the new policy targets focus on increased portfolio diversification, with a reduction in the U.S. equity allocation and new commitments to emerging market debt, commodities and hedged strategies. The changes are expected to reduce the portfolio volatility while maintaining our expected return.

Over the past year, SURS completed searches in private equity (emerging manager mandate), hedged strategies, commodities, and a portfolio index option overlay strategy. In addition, SURS took steps to continue its longstanding presence in the alternative investment marketplace, with total commitments of $250 million to private equity investments during the year. Approximately $1.7 billion in asset reallocations took place during the fiscal year. As a result of this activity, the SURS portfolio is very near its long-term policy asset allocation targets.

As previously mentioned, the domestic equity and fixed income asset class structures contributed to the portfolio's negative relative performance in fiscal year 2016. The U.S. equity portfolio's performance was negatively impacted by maintaining a structural overweight allocation to small- and mid-cap securities relative to the broad U.S. equity benchmark. The relative performance of large-cap and smaller-cap securities are highlighted when comparing the returns of the large cap S&P 500 and the small cap Russell 2000, shown in the U.S. Equities Investment Results section. Similarly, the fixed income portfolio maintains an allocation designed to hedge against rising interest rates. As interest rates continued to fall over the course of the fiscal year, this position accounted for nearly half of the fixed income portfolio performance shortfall.

REPORT OF INVESTMENT ACTIVITY

The SURS investment program's focus over the coming year will shift from implementing the new asset allocation to a thorough review and assessment of the structure in each asset class, with an objective of increasing the portfolio's efficiency where possible.

SURS is committed to providing opportunities for minority-, female-, and persons with a disability-owned ("MFDB") investment management firms. As of June 30, 2016, assets under management with MFDB firms are approximately $4.2 billion or 24.7% of the Total Fund.

The continuing challenge to SURS remains the funding status of the Plan. Despite strong long-term returns, SURS remains substantially underfunded. SURS is approximately 41.1% funded as of June 30, 2016, when comparing the fair value of assets to plan liabilities. It is important to note, however, that since FY 2011, SURS has received the full annual statutory contribution from the State of Illinois.

In April 2016, a significant SMP project was completed with the implementation of Fidelity in the role of master administrator. In addition, a streamlined menu of 27 investment options is now being offered. The investment option lineup was designed to offer robust choice, while using the SMP economy of scale to further reduce costs to members.

Finally, on August 1, 2016, Daniel Allen, Chief Investment Officer for the past 11 years, retired from the organization. His contributions were instrumental in the investment program's success over the last decade. SURS thanks Dan for his commitment, dedication and service to the SURS' membership and staff, and wishes him well in the future.

Detailed information on the investment program can be found in the Fiscal Year 2017 Investment Plan, available on SURS website.

SURS staff and investment consultant, with oversight from the Board of Trustees, continue to work on behalf of our constituents to secure and deliver the retirement benefits promised.

Sincerely,

Douglas C. Wesley

Douglas C. Wesley, CFA
Interim 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 Board approves the *Statement of Investment Policy,* which outlines the investment philosophy and practices of SURS. The policy describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; establishes a framework for making investment decisions, and monitoring investment activity; and promotes effective communication between the Board, Staff, and other involved parties.

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 asset allocation. The policy portfolio reflects a passive implementation of the investment policy. The strategic policy portfolio is comprised of the benchmarks shown below. 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

■ Asset Allocation

Asset allocation studies are completed to provide an efficient allocation of assets to achieve overall risk and return objectives. 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:

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	FTSE EPRA/NAREIT Developed Index	4.0
Commodities	Bloomberg Commodity Index	2.0
Hedged Strategies	LIBOR +5.0%	5.0
Opportunity Fund	Custom benchmark of the combined investments	1.0
		100.0%

■ Diversification

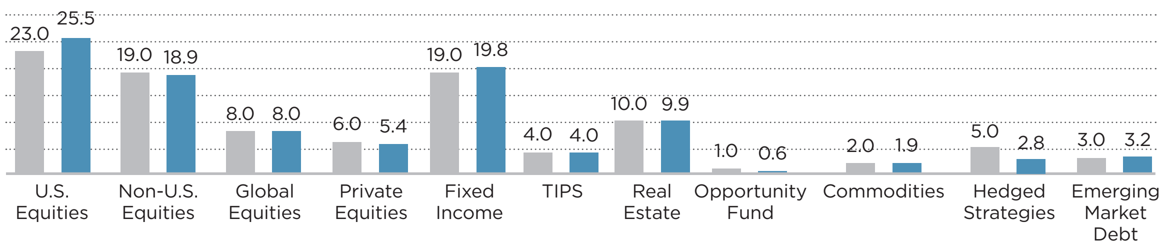
SURS invests in multiple asset classes utilizing various investment managers and strategies as a method to ensure overall fund diversification. As of June 30, 2016, the System had retained the services of 52 investment management firms, several of which manage multiple mandates, and an additional 12 managers through the Progress Emerging Manager of Managers program, of which six 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 and System cash flows. At year end, the fund was invested 66% in equities, 28% in fixed income, and 6% in direct real estate 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



Long-Term Investment Results

The 10-year period ended June 30, 2016, provided returns that have matched the overall benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 5.9%. As shown in the investment results table, over the long term, SURS total fund returns are consistent with its market goal (policy portfolio) and more favorable than the median public pension funds benchmark.

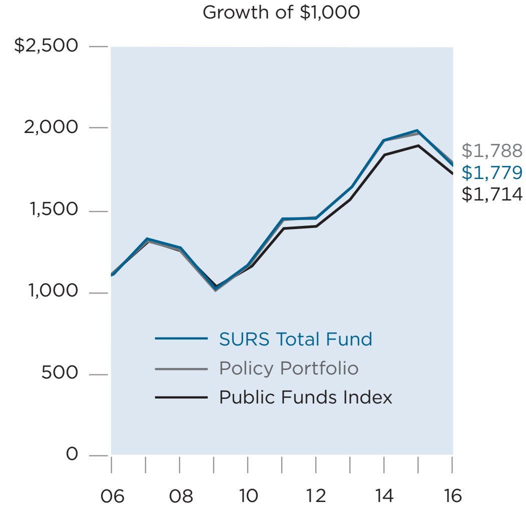
This consistent performance is best illustrated by the growth of $1,000 invested in SURS total fund, the policy portfolio and median public funds index during the past 10 years. The ending points indicate that $1,000 invested in SURS total fund would have grown to $1,779, while the same $1,000 invested in the policy portfolio and median public funds index would have grown to $1,788 and $1,714, respectively.

Fiscal Year 2016 Results

For the fiscal year ended June 30, 2016, SURS total fund returned 0.2%, trailing the market goal or policy portfolio, by 0.6%. SURS' one-year return lagged that of the median public pension fund return, as measured by the Investorforce Public DB > $1 Billion Index, by 0.6%. For the period, four of the 10 asset class portfolios, including non-U.S. equity, global equity, private equity, and the Opportunity Fund, met or exceeded the returns of their respective benchmarks. Strong absolute returns were experienced in private equity, fixed income, TIPS, emerging market debt, direct real estate, REITs, and the Opportunity Fund.

Total Fund

Growth of $1,000



INVESTMENT RESULTS

	Fiscal Year Ended June 30					Annualized		
	2012	2013	2014	2015	2016	3 YR	5 YR	10 YR
Total Fund								
SURS	0.5%	12.5%	18.2%	2.9%	0.2%	6.8%	6.6%	5.9%
Policy Portfolio	1.7	12.4	18.0	2.9	0.8	7.0	6.9	6.0
Public Funds Index	0.7	11.9	17.6	2.6	0.8	6.7	6.5	5.5
CPI-U	1.7	1.8	2.1	0.1	1.0	1.1	1.3	1.7
U.S. Equity								
SURS	2.9	21.9	24.8	7.6	0.8	10.6	11.2	7.3
Dow Jones U.S. Total Stock Market	4.0	21.5	25.0	7.2	2.0	11.0	11.5	7.5
Non-U.S. Equity								
SURS	(13.5)	15.0	22.4	(3.7)	(9.6)	2.1	1.2	1.9
MSCI All Country World Index Ex-U.S.	(14.6)	13.6	21.8	(5.3)	(10.2)	1.2	0.1	1.9
Global Equity (2)								
SURS	(5.8)	15.1	24.3	2.7	(2.4)	7.6	6.2	4.4
Performance Benchmark	(6.5)	16.6	22.9	0.7	(3.7)	6.0	5.4	4.2
Private Equity (1)								
SURS	8.4	7.1	18.7	6.2	4.4	10.4	9.1	10.2
Dow Jones U.S. Total Stock Market + 3%	12.3	17.5	25.6	15.2	2.6	14.1	14.0	10.0
Fixed Income								
SURS	6.7	0.8	4.4	1.7	4.3	3.4	3.5	5.6
Performance Benchmark	7.5	(0.7)	4.4	1.9	6.0	4.1	3.8	5.1
TIPS								
SURS	12.0	(4.4)	4.9	(2.4)	3.8	2.0	2.6	5.2
Performance Benchmark	11.7	(4.8)	4.4	(1.7)	4.4	2.3	2.6	4.7
Emerging Market Debt								
SURS					3.9	1.6		
Performance Benchmark					4.9	3.8		
Direct Real Estate (1)								
SURS	12.5	9.8	14.6	12.2	12.2	12.9	12.2	6.9
Performance Benchmark	13.6	9.7	13.5	11.1	12.6	12.6	12.2	5.4
Real Estate (REITs)								
SURS	7.2	10.1	14.1	1.7	15.4	10.2	9.6	5.6
Performance Benchmark	7.7	10.0	13.4	1.7	15.5	10.1	9.6	4.9
Opportunity Fund								
SURS	2.6	27.0	8.1	5.4	8.7	7.4	10.0	10.3
Performance Benchmark	10.3	6.2	1.5	5.0	6.0	5.9	7.5	4.1

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

(1) Private equity returns and direct real estate 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) MSCI World Index through July 2008; asset-weighted benchmark of MSCI World Index and MSCI All Country World Index (ACWI) from August 2008 through November 2008; MSCI ACWI since December 2008.

INVESTMENT RESULTS

U.S. Equities

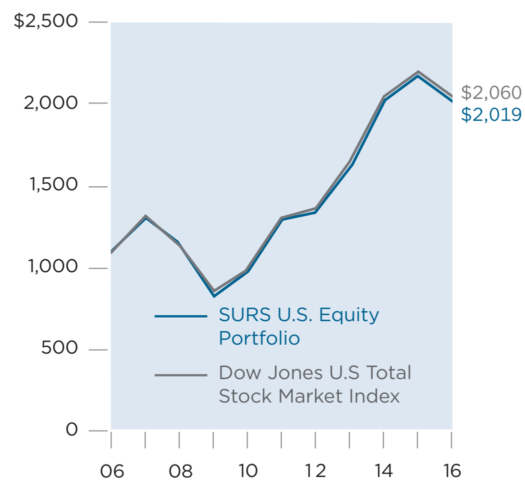
For the fiscal year 2016, SURS U.S. equity portfolio returned 0.8%. SURS portfolio trailed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 1.2%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 2.0%. Over the past year, value outperformed growth stocks, and large cap outpaced small cap stocks. The portfolio currently maintains a structural tilt 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 $2,019 (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 $2,060.

	FY 2016	3 YR	5 YR	10 YR
SURS	**0.8%**	**10.6%**	**11.2%**	**7.3%**
DJ U.S. Total Stock Market (TSM)	2.0	11.0	11.5	7.5
DJ U.S. Large Cap TSM	3.2	11.4	11.9	7.5
DJ U.S. Large Cap Growth TSM	(2.2)	12.3	11.6	8.1
DJ U.S. Large Cap Value TSM	7.1	10.2	11.7	6.4
DJ U.S. Small Cap TSM	(4.0)	8.4	9.7	7.9
DJ U.S. Small Cap Growth TSM	(11.9)	6.3	8.1	7.7
DJ U.S. Small Cap Value TSM	4.0	10.5	11.1	8.0
S & P 500	4.0	11.7	12.1	7.4
Russell 3000	2.1	11.1	11.6	7.4
Russell 2000	(6.7)	7.1	8.4	6.2

U.S. Equity Portfolio

Growth of $1,000



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
Apple Inc	978,318	$93,527,201
Microsoft Corp	1,665,070	85,201,632
Amazon.com Inc	103,489	74,058,798
Johnson & Johnson	575,823	69,847,330
Exxon Mobil Corp	669,146	62,725,746
Facebook Inc Class A	469,748	53,682,801
AT&T Inc	1,223,899	52,884,676
Pfizer Inc	1,417,243	49,901,126
Wells Fargo & Co	926,381	43,845,613
Procter & Gamble	517,464	43,813,677

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

INVESTMENT RESULTS

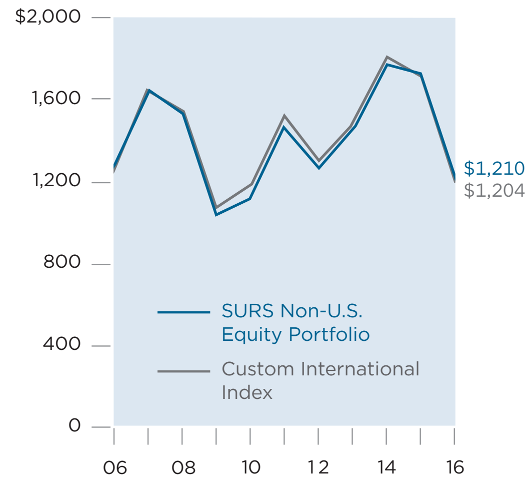
Non-U.S. Equities

For fiscal year 2016, SURS non-U.S. equity portfolio returned (9.6)%, surpassing its benchmark return by 0.6%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, fell 10.2% 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 $1,210 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,204.

	FY 2016	3 YR	5 YR	10 YR
SURS	**(9.6)%**	**2.1%**	**1.2%**	**1.9%**
ACWI Ex-US	(10.2)	1.2	0.1	1.9
MSCI EAFE	(10.2)	2.1	1.7	1.6
MSCI Emerging Markets	(12.1)	(1.6)	(3.8)	3.5

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



TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)	**Shares**	**Carrying Value**
GlaxoSmithKline PLC (United Kingdom)	1,093,229	$23,448,619
Allergan PLC (Ireland)	101,454	23,445,005
Nestle SA (Switzerland)	273,667	21,110,732
Daito Trust Construction (Japan)	127,100	20,615,499
Diageo PLC (United Kingdom)	733,250	20,452,051
Accenture PLC (Ireland)	149,195	16,902,302
Sanofi (France)	200,363	16,676,689
Medtronic PLC (Ireland)	178,379	15,477,946
Unilever PLC (Netherlands)	316,603	15,147,576
Tyco International PLC (Ireland)	344,217	14,663,644

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

INVESTMENT RESULTS

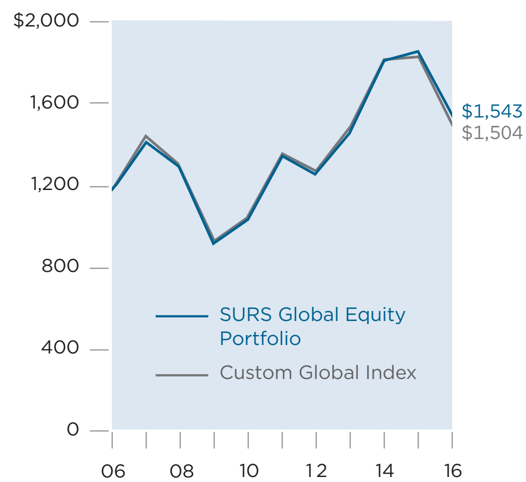
Global Equities

SURS global equity portfolio surpassed its benchmark by 1.3% for the fiscal year, returning (2.4)%. 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 $1,543 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,504.

	FY 2016	3 YR	5 YR	10 YR
SURS	**(2.4)%**	**7.6%**	**6.2%**	**4.4%**
MSCI ACWI	(3.7)	6.0	5.4	4.3
MSCI World	(2.8)	6.9	6.6	4.4
Dow Jones U.S. Total Stock Market	2.0	11.0	11.5	7.5
MSCI EAFE	(10.2)	2.1	1.7	1.6
MSCI ACWI Ex-US	(10.2)	1.2	0.1	1.9

Global Equity Portfolio
Growth of $1,000



Private Equities

SURS private equity portfolio posted a positive return of 4.4% during fiscal year 2016. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +3%, returned 2.6%. As of June 30, 2016, the valuation of SURS private equity portfolio was $0.916 billion, representing 5.4% of total plan assets. Since inception, the asset class has added significant value to the SURS investment program.

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 is diversified by 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 $3.0 billion has been committed to the asset class, and of this amount approximately $2.4 billion has been invested. In addition, during this same period, SURS has received approximately $3.0 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 2016	3 YR	5 YR	10 YR	Since Inception
SURS	**4.4%**	**10.4%**	**9.1%**	**10.2%**	**20.7%**
Performance Benchmark	2.6	14.1	14.0	10.0	13.0

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

INVESTMENT RESULTS

Fixed Income

The SURS fixed income portfolio returned 4.3% for fiscal year 2016, trailing the 6.0% return of the portfolio's benchmark by 1.7%. 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 28 fiscal years.

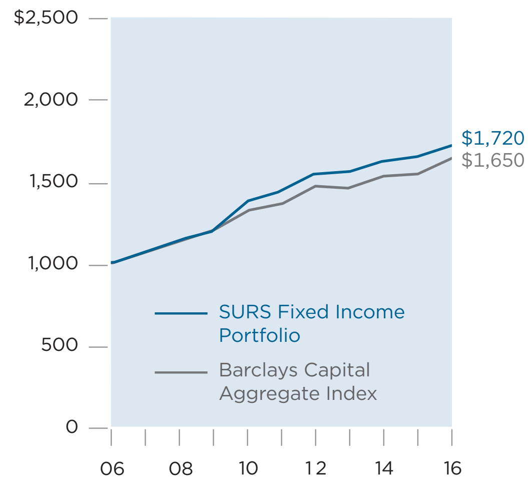
During fiscal year 2013, an unconstrained fixed income investment strategy was introduced into the portfolio. The addition of the unconstrained strategy provided further diversification and downside protection within the overall fixed income portfolio by introducing a strategy that has a low correlation with SURS other fixed income strategies. The unconstrained portfolio employs both a top-down and a bottom-up approach to the global fixed income universe with the opportunity to add exposure to securities outside of those included in the Barclays Capital Aggregate Index.

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.

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 $1,720 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,650.

	FY 2016	3 YR	5 YR	10 YR
SURS	**4.3%**	**3.4%**	**3.5%**	**5.6%**
Barclays Capital Aggregate	6.0	4.1	3.8	5.1
Barclays Capital Universal	5.8	4.2	4.0	5.3
Long-Term Government	19.0	10.4	10.2	8.7
Intermediate Government	3.9	2.4	2.3	4.1
Long-Term Corporate	14.1	8.6	8.5	8.1
Intermediate Corporate	5.4	4.1	4.3	5.6
Mortgage-Backed	4.3	3.8	3.0	5.0

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
Fannie Mae Mortgage-Backed Bonds	AA+	3.500	August 15, 2046	96,700,000	101,912,710
Fannie Mae Mortgage-Backed Bonds	AA+	3.000	August 15, 2046	58,385,000	60,480,905
U.S. Treasury Inflation Index Notes	AA+	0.125	July 15, 2024	56,445,000	57,439,408
U.S. Treasury Bonds	AA+	2.750	August 15, 2042	47,640,000	52,489,609
U.S. Treasury Inflation Index Bonds	AA+	1.750	January 15, 2028	35,530,000	47,431,409
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2027	31,885,000	46,402,940
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2025	28,380,000	43,004,598
U.S. Treasury Notes	AA+	2.500	May 15, 2024	39,085,000	42,451,508
U.S. Treasury Notes	AA+	2.250	November 15, 2024	39,606,500	42,249,006
U.S. Treasury Bonds	AA+	1.375	February 15, 2044	35,230,000	41,803,188

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

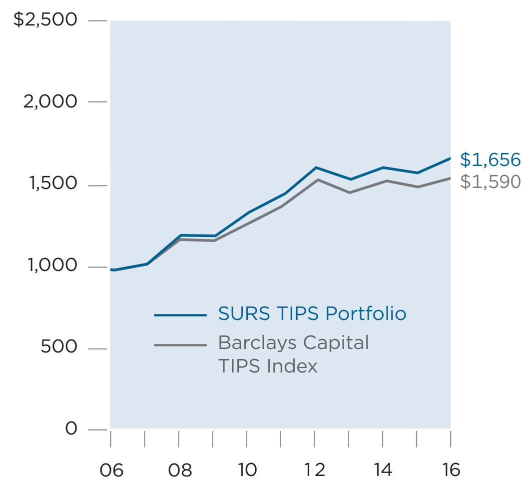
Treasury Inflation-Protected Securities (TIPS)

During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2016, TIPS accounted for a 4.0% allocation of the total fund. The TIPS portfolio returned 3.8% for fiscal year 2016, lagging its Barclays Capital U.S. TIPS benchmark by 0.6%. The portfolio's ten-year return outpaced the annualized benchmark return by 0.5%.

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 $1,656 (net of investment management expenses), while the same $1,000 invested in the portfolio's benchmark would have grown to $1,590.

	FY 2016	3 YR	5 YR	10 YR
SURS	**3.8%**	**2.0%**	**2.6%**	**5.2%**
Barclays Capital U.S. TIPS	4.4	2.3	2.6	4.7

TIPS Portfolio
Growth of $1,000



Emerging Market Debt

At the June 2014 Board of Trustees meeting, the results of an asset/liability study were presented and the Board of Trustees approved new asset allocation policy targets. As a result of the study, emerging market debt became a new asset class with a target allocation of 3% of the overall SURS portfolio. A search was completed during FY 2015 and emerging market debt managers were funded beginning in March 2015. SURS emerging market debt portfolio employs a combination of strategies including local currency, corporate, and blended strategies. The combination of strategies provides diversification within the asset class and gives SURS exposure to government and corporate emerging market debt denominated in U.S. dollar or local currency.

	FY 2016	3 YR
SURS	**3.9%**	**1.6%**
Custom Benchmark	4.9	3.8
JPM CEMBI Broad	5.6	5.8
JPM EMBI Global Diversified	9.8	.5
JPM GBI-EM Global Diversified	2.0	0.8

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 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 $1.137 billion has been committed to direct real estate funds, and of this amount approximately $553 million has been invested. The direct real estate portfolio returned 12.2% for the fiscal year, lagging its benchmark by 0.4%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned 12.6% 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.

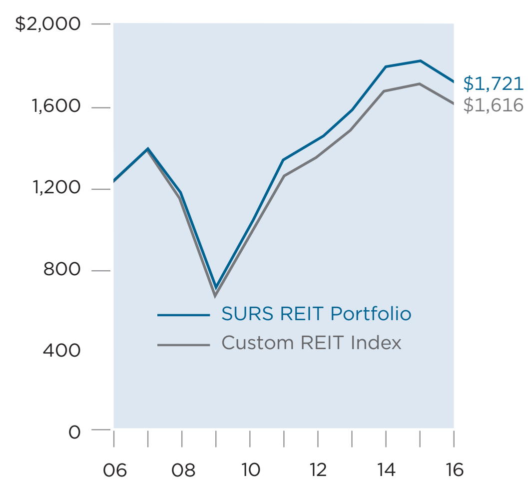
SURS REIT portfolio increased 15.4% during the fiscal year, trailing its benchmark, the FTSE EPRA/NAREIT Developed Index by 0.1%. The portfolio's three- and ten-year returns exceeded the benchmark return by 0.1% and 0.7%, respectively, on an annualized basis.

The accompanying chart indicates the growth of $1,000 invested in the REIT market during the past 10 years. The ending points indicate that $1,000 invested in SURS REIT portfolio would have increased to $1,721 (net of investment management expenses), while the same $1,000 invested in the performance benchmark would have grown to $1,616.

	FY 2016	3 YR	5 YR	10 YR
SURS	**12.2%**	**12.9%**	**12.2%**	**6.9%**
NCREIF ODCE Index	12.6	12.6	12.2	5.4

	FY 2016	3 YR	5 YR	10 YR
SURS	**15.4%**	**10.2%**	**9.6%**	**5.6%**
Performance Benchmark	15.5	10.1	9.6	4.9
FTSE EPRA /NAREIT Developed	11.6	8.1	7.8	4.2
FTSE EPRA /NAREIT Developed Ex-US	0.8	3.8	4.5	2.7

REITs Portfolio
Growth of $1,000



INVESTMENT RESULTS

Opportunity Fund

The SURS Board of Trustees created the Opportunity Fund during fiscal year 2000 to provide an arena for investments in new opportunities, which might otherwise not be included in the total investment portfolio. Each of the investment portfolios is evaluated on an annual basis to determine whether or not they continue to merit inclusion in the fund. This unique portfolio has been designed in such a manner that no more than approximately 5% of the total fund assets can be invested in the fund. As of June 30, 2016, there was one type of investment in the portfolio: an infrastructure portfolio. SURS has committed $130 million to the infrastructure portfolio.

The Opportunity Fund returned 8.7% during the fiscal year, surpassing its custom benchmark return by 2.7%. 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 2016	3 YR	5 YR	10 YR
SURS	**8.7%**	**7.4%**	**10.0%**	**10.3%**
Performance Benchmark	6.0	5.9	7.5	4.1

Commodities

At the June 2014 Board of Trustees meeting, the results of an asset/liability study were presented and the Board of Trustees approved new asset allocation policy targets. As a result of the study, commodities became a new asset class with a target allocation of 2% of the overall SURS portfolio. Initially, the 2% exposure was achieved passively through the Parametric Clifton overlay program using futures to mimic the benchmark, the Bloomberg Commodity Index. The intent was to remove this passive commodity exposure as active managers were hired at the conclusion of a manager search that began in June 2015. In December 2015, the Board of Trustees selected two active commodities managers to fulfill the 2% targeted mandate. These two managers were funded in June 2016 and have therefore just begun to invest the mandate. As a result, it is too early to tell how the two managers are performing.

Hedged Strategies

At the June 2014 Board of Trustees meeting, the results of an asset/liability study were presented and the Board of Trustees approved new asset allocation policy targets. As a result of the study, hedged strategies became a new asset class with a target allocation of 5% of the overall SURS portfolio. A search was initiated in December 2014 to identify diversified, multi-strategy Fund of Hedge Fund providers. In October 2015, two firms were selected by the Board to manage a total of 3% of the portfolio and begin the initial implementation of the hedged strategies allocation. Initial funding occurred in March and April of 2016.

Self-Managed Plan

Fiscal year 2016 marks the 18th complete year of the Self-Managed Plan (SMP). As of June 30, 2016, the SMP had accumulated plan assets of approximately $1.83 billion. This represents an increase of $72 million since the end of fiscal year 2015. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of approximately $3 million. During the past several years, SMP participants have continued to maintain a balanced exposure to equities. In aggregate, the total funds invested by SMP participants have an allocation of 69% equity, 29% fixed income, and 2% real estate. This was a 2% 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, 2016

	U.S. Equity	Non-U.S. Equity	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio Class 2	$ -	$ -	$ 35,186,130	$ -	$ -	$ 35,186,130
Fidelity U.S. Bond Index Institutional	-	-	36,645,993	-		36,645,993
PIMCO Total Return Institutional	-	-	37,787,611	-		37,787,611
Fidelity Puritan Class K	-	-	-	182,769,217		182,769,217
Ariel Fund Institutional	27,223,075	-	-	-		27,223,075
American Beacon Large Cap Value Inst.	9,066,752	-	-	-		9,066,752
Wells Fargo Small Company Growth R6	12,654,547	-	-	-		12,654,547
Fidelity Growth Company Commingled Pool	83,564,506	-	-	-		83,564,506
Fidelity Extended Market Index Advantage	31,658,143	-	-	-		31,658,143
Fidelity Contrafund Commingled Pool	88,011,817	-	-	-		88,011,817
Fidelity Low Priced Stock Class K	43,311,468	-	-	-		43,311,468
Fidelity 500 Index Institutional	164,513,499	-	-	-		164,513,499
Fidelity Diversified International Class K	-	38,096,191	-	-		38,096,191
Fidelity Global ex-U.S. Index Institutional	-	19,737,909	-	-		19,737,909
Fidelity Real Estate Investment	-	-	-	-	20,981,351	20,981,351
Fidelity Freedom Index 2005 (1)	-	-	-	677,285		677,285
Fidelity Freedom Index 2010 (1)	-	-	-	2,181,754		2,181,754
Fidelity Freedom Index 2015 (1)	-	-	-	8,735,826		8,735,826
Fidelity Freedom Index 2020 (1)	-	-	-	25,653,252		25,653,252
Fidelity Freedom Index 2025 (1)	-	-	-	27,925,050		27,925,050
Fidelity Freedom Index 2030 (1)	-	-	-	32,784,784		32,784,784
Fidelity Freedom Index 2035 (1)	-	-	-	32,140,491		32,140,491
Fidelity Freedom Index 2040 (1)	-	-	-	30,431,568		30,431,568
Fidelity Freedom Index 2045 (1)	-	-	-	15,175,930		15,175,930
Fidelity Freedom Index 2050 (1)	-	-	-	9,943,478		9,943,478
Fidelity Freedom Index 2055 (1)	-	-	-	2,865,692		2,865,692
Fidelity Freedom Index 2060 (1)	-	-	-	138,882		138,882
Fidelity Freedom Index Income	-	-	-	2,170,373		2,170,373
Fidelity Total	**460,003,807**	**57,834,100**	**109,619,734**	**373,593,582**	**20,981,351**	**1,022,032,574**
						59.3%
TIAA-CREF Funds						
CREF Money Market Account R3	-	-	19,691,669	-		19,691,669
TIAA Traditional Annuity	-	-	99,381,595	-		99,381,595
CREF Bond Market Account R3	-	-	49,038,631	-		49,038,631
CREF Inflation-Linked Bond Account R3	-	-	23,222,854	-		23,222,854
CREF Social Choice Account R3	-	-	-	50,157,639		50,157,639
CREF Equity Index Account R3	73,696,405	-	-	-		73,696,405
CREF Growth Account R3 (2)	490,779	-	-	-		490,779
CREF Stock Account R3	145,701,581	-	-	-		145,701,581
CREF Global Equities Account R3	-	49,096,935	-	-		49,096,935
TIAA Real Estate Account	-	-	-	-	16,069,924	16,069,924
TIAA-CREF Large-Cap Growth Index Inst	94,335,418	-	-	-		94,335,418
TIAA-CREF Lifecycle Index Fund 2010 - Inst	-	-	-	1,049,497		1,049,497
TIAA-CREF Lifecycle Index Fund 2015 - Inst	-	-	-	3,689,230		3,689,230
TIAA-CREF Lifecycle Index Fund 2020 - Inst	-	-	-	9,103,209		9,103,209
TIAA-CREF Lifecycle Index Fund 2025 - Inst	-	-	-	9,995,364		9,995,364
TIAA-CREF Lifecycle Index Fund 2030 - Inst	-	-	-	12,769,196		12,769,196
TIAA-CREF Lifecycle Index Fund 2035 - Inst	-	-	-	11,582,377		11,582,377
TIAA-CREF Lifecycle Index Fund 2040 - Inst	-	-	-	17,151,001		17,151,001
TIAA-CREF Lifecycle Index Fund 2045 - Inst	-	-	-	8,408,047		8,408,047
TIAA-CREF Lifecycle Index Fund 2050 - Inst	-	-	-	4,627,926		4,627,926
TIAA-CREF Lifecycle Index Fund 2055 - Inst	-	-	-	1,480,363		1,480,363
TIAA-CREF Lifecycle Index Fund 2060 - Inst	-	-	-	33,239		33,239
TIAA-CREF Lifecycle Retirement Inc - Inst	-	-	-	848,492		848,492
TIAA-CREF Total	**314,224,183**	**49,096,935**	**191,334,749**	**130,895,580**	**16,069,924**	**701,621,371**
						40.7%
GRAND TOTALS	**$ 774,227,990**	**$106,931,035**	**$300,954,483**	**$504,489,162**	**$37,051,275**	**$1,723,653,945**
	44.9%	**6.2%**	**17.5%**	**29.3%**	**2.1%**	**100.0%**
SMP Forfeiture Reserve (3)						**9,519,791**
SMP Disability Reserve (3)						**87,339,088**
Total SMP Investments						**$1,820,512,824**

1. As of June 30, 2016, 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.

INVESTMENT ALLOCATION

Defined Benefit Plan Investment Allocation
June 30, 2016 ($ thousands)

	Fair Value
U.S. Equity Managers	
Northern Trust Asset Management	$ 1,658,879
RhumbLine Advisers	998,001
CastleArk Management	139,625
Channing Capital Management	156,547
EARNEST Partners	110,930
Holland Capital Management	103,694
Lombardia Capital Partners	96,861
Mesirow Financial Investment Mgmt	141,228
Piedmont Investment Advisors	460,822
T. Rowe Price	335,665
Subtotal	4,202,252
Non-U.S. Equity Managers	
BTC Custom International Fund	1,174,880
BTC Emerging Markets Fund	153,460
Ativo Capital Management	234,892
BTC International Alpha Tilts	421,411
Fidelity Institutional Asset Management	455,645
GlobeFlex Capital	236,555
Progress Emerging Managers	167,974
Strategic Global Advisors	261,227
Subtotal	3,106,044
Global Equity Managers - Active	
Mondrian Investment Partners	371,266
Parametric Clifton Transition	234,584
T. Rowe Price	381,283
Wellington Management	361,205
Subtotal	1,348,338
Private Equity Managers	
Adams Street Partners	93,074
Adams Street 2015 Global Fund	7,637
Adams Street 2014 Global Fund	35,446
Adams Street 2013 Global Fund	47,949
Adams Street 2012 Global Fund	47,632
Adams Street 2009 Global Offering	80,583
Adams Street 2008 Global Offering	80,960
Adams Street 2007 Global Oppor Ptf	59,424
Adams Street Global Oppor Secondary	4,896
Adams Street Global Secondary Fund 5	8,756
Adams Street 2004 Non-U.S. Fund	17,437
Fairview Lincoln Fund I	17,073
Muller and Monroe ILPEFF	8,081
Muller and Monroe MPEFF	11,565
Pantheon Europe Fund III	13,313
Pantheon Europe Fund VI	26,401
Pantheon Europe Fund VII	24,607
Pantheon Multi-Strategy Program 2014	16,292
Pantheon Global	145
Pantheon Global Secondary Fund II	4,868
Pantheon USA IX	63,861
Pantheon USA VIII	89,802
Pantheon Ventures, Inc.	173,860
Subtotal	933,662
Treasury Inflation-Protected Securities	
Longfellow Investment Management	171,370
New Century Advisors	170,277
Pacific Investment - U.S. TIPS	340,079
Subtotal	$ 681,726

INVESTMENT ALLOCATION

Defined Benefit Plan Investment Allocation
June 30, 2016 ($ thousands)

	Fair Value
Emerging Market Debt	
BlueBay Emerging Markets Select Debt	174,694
Colchester Local Markets Debt Fund	102,108
Progress Emerging Manager	70,822
Prudential Emerging Markets Debt Blend	184,309
Subtotal	531,933
Fixed Income Managers	
Cash	220,777
State Street Global Advisors	430,344
Chicago Equity Partners	339,889
Garcia Hamilton & Associates	158,253
LM Capital Group	161,596
Neuberger Berman	337,216
Pacific Investment - Total Return	386,720
Pacific Investment - Unconstrained	437,875
Progress Emerging Managers	143,988
Pugh Capital Management	162,566
Smith Graham & Company	104,601
TCW Metropolitan West Asset Mgmt	538,550
Subtotal	3,422,375
Direct Real Estate	
Blue Vista Real Estate Partners IV	7,189
Brookfield Strategic RE Partners II	11,225
Crow Holdings Realty Partners VII	15,132
Dune Real Estate Parallel Fund II	32,727
Dune Real Estate Fund III	68,924
Franklin Templeton EMREFF	49,265
Franklin Templeton FTPREF	25,672
Franklin Templeton MDP RE 2015	3,068
Heitman America Real Estate Trust	183,742
JPMCB Strategic Property Fund	188,547
Courtland/Pru RE Global Partnership II	47,029
RREEF America III Fund	1,747
RREEF West VI Fund	140
UBS Trumbull Property Fund	358,877
Subtotal	993,284
Real Estate Investment Securities	
BTC Developed Real Estate Index	409,128
CBRE Clarion Real Estate Securities	287,863
Subtotal	696,991
Cash Overlay	
Parametric Clifton	66,052
Subtotal	66,052
Hedged Strategies	
KKR Prisma Codlin Fund	270,131
PAAMCO Newport Monarch Fund	195,833
Subtotal	465,964
Commodities	
Invesco Balanced Risk Commodity Trust	255,670
PIMCO Commodity Alpha Fund	83,218
Subtotal	338,888
Infrastructure Managers	
Alinda Capital Partners	45,945
Macquarie Infrastructure Partners II	32,068
Macquarie Infrastructure Partners III	20,799
Subtotal	98,812
SMP Forfeiture/Disability Reserves (B)	(96,859)
Total Fund	**$ 16,789,462**(A)

(A) Amount includes net pending transactions of ($419,473) and accrued investment income receivable of $42,367.
(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, 2016

	2016		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 157,942	7,068,293	$ 0.02
Cheevers & Company	120,549	6,527,759	0.02
Credit Suisse	108,197	4,013,593	0.03
Williams Capital Group	107,028	5,873,328	0.03
ITG (Investment Technology Group)	74,537	6,414,786	0.05
Interstate Group	66,922	2,210,109	0.03
Bank of New York ConvergEx Execution	65,877	1,973,976	0.03
JP Morgan Chase & Company	60,300	2,064,223	0.03
Robert W. Baird & Company	54,150	1,532,886	0.03
Barclays	53,177	1,835,339	0.03
CAPIS (Capital Institutional Services)	46,196	1,293,193	0.04
Stifel, Nicolaus & Company	45,705	1,340,567	0.04
Merrill Lynch	44,843	1,024,102	0.05
Goldman Sachs	38,826	2,152,052	0.03
William Blair & Company	36,929	1,196,323	0.03
Cabrera Capital Markets	33,589	1,355,935	0.03
Northern Trust Securities	30,717	3,071,687	0.01
M Ramsey King Securities	27,347	1,080,397	0.03
Topeka Capital Markets	27,342	970,993	0.03
Jefferies & Company	26,666	1,060,701	0.03
Guzman & Company	25,238	2,509,030	0.01
Craig-Hallum	23,334	789,881	0.03
JonesTrading Institutional Services	22,165	796,662	0.03
Stephens	20,952	673,493	0.03
BTIG (Bass Trading International Group)	19,546	451,275	0.04
Morgan Stanley	18,415	570,657	0.03
CL King & Associates	18,371	606,152	0.03
Andes Capital Group	17,713	440,898	0.04
Instinet	17,253	722,264	0.03
BNY Mellon	16,980	562,230	0.03
Ivy Securities	16,744	400,721	0.04
Valdes & Moreno	15,401	369,050	0.04
Cantor Fitzgerald	14,872	517,352	0.03
CastleOak Securities	14,112	468,643	0.03
Piper Jaffray & Company	13,067	427,351	0.03
Raymond James & Associates	11,321	319,593	0.04
Mischler Financial Group	9,642	345,854	0.03
KeyBanc Capital Markets	9,306	287,678	0.03
Northland Securities	8,934	304,020	0.03
Sanford C. Bernstein	8,668	459,855	0.03
Keefe, Bruyette & Woods	8,301	202,097	0.04
Liquidnet	7,638	370,181	0.01
Citigroup Global Markets	7,502	382,325	0.03
Security Capital Brokerage	7,381	166,968	0.04
Wunderlich Securities	7,018	199,947	0.04
RBC Capital Markets	6,794	393,187	0.03
ROTH Capital Partners	6,755	225,153	0.03
Bloomberg Tradebook	6,574	214,982	0.03
Needham & Company	6,441	224,150	0.03
ISI Group	6,114	177,096	0.03
All Other Brokers	150,402	6,112,369	0.02
Grand Totals, All Brokers	**$ 1,769,793**	**74,751,356**	**$ 0.02**

SUPPORTING SCHEDULES

Top 50 Brokers and Total International Equity Investment Commissions For the Year Ended June 30, 2016

	2016		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	$ 168,738	25,211,421	$ 0.01
Instinet	124,704	13,720,802	0.02
North South Capital	111,353	5,611,050	0.02
Goldman Sachs	109,063	9,982,300	0.01
UBS	89,832	24,461,788	0.00
M Ramsey King Securities	79,453	17,951,442	0.00
Jefferies & Company	69,893	4,791,711	0.02
Cheevers & Company	68,118	9,876,440	0.03
Deutsche Bank	61,086	5,656,166	0.02
Bank of New York ConvergEx Execution	52,162	14,199,409	0.01
BTIG (Bass Trading International Group)	50,562	1,459,022	0.03
Credit Suisse	50,465	4,962,157	0.02
CLSA	48,219	13,169,930	0.01
ITG (Investment Technology Group)	41,811	4,809,782	0.01
Penserra Securities	33,816	5,768,902	0.01
JP Morgan Chase & Company	31,560	1,800,326	0.02
Merrill Lynch	31,312	7,889,898	0.00
Citigroup Global Markets	31,200	2,934,759	0.01
Northern Trust Securities	30,895	8,960,554	0.00
Exane	18,636	1,537,124	0.02
Macquarie Securities	18,288	2,574,260	0.01
Bloomberg Tradebook	17,624	2,152,087	0.01
Morgan Stanley	17,519	5,683,667	0.00
Wallachbeth Capital	14,897	2,979,312	0.01
HSBC	13,079	2,547,689	0.02
Cabrera Capital Markets	10,722	1,482,903	0.01
Guzman & Company	9,749	1,085,366	0.01
Sanford C. Bernstein	9,098	475,157	0.05
Daiwa Securities Group	6,581	652,650	0.01
Barclays	6,000	301,982	0.02
Mischler Financial Group	5,654	62,700	0.09
Weeden & Company	4,832	277,100	0.02
Liquidnet	4,256	1,098,299	0.00
Scotia Capital	4,157	401,800	0.01
Royal Bank of Canada	4,150	307,368	0.02
CAPIS (Capital Institutional Services)	4,150	40,157	0.10
China International Capital	3,718	913,000	0.00
Societe Generale Securities	3,420	654,418	0.00
BMO Capital Markets	3,284	206,300	0.02
Divine Capital Markets	2,763	92,100	0.03
Topeka Capital Markets	2,753	245,037	0.01
Investec Securities	2,610	465,399	0.01
Williams Capital Group	2,330	79,888	0.03
Cantor Fitzgerald	2,270	116,459	0.02
Auerbach Grayson & Company	2,221	125,050	0.02
Mizuho Securities	1,847	102,625	0.02
JonesTrading Institutional Services	1,786	89,858	0.02
Nordea Bank	1,775	159,512	0.01
Themis Trading	1,638	327,570	0.01
Sumitomo Mitsui Banking Corporation	1,627	529,293	0.00
All Other Brokers	20,565	2,636,109	0.01
Grand Totals, All Brokers	**$ 1,508,241**	**213,620,098**	**$ 0.01**

INVESTMENT

Top 50 Brokers and Total Global Equity Investment Commissions
For the Year Ended June 30, 2016

	2016		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Goldman Sachs	$ 70,171	7,296,975	$ 0.01
Morgan Stanley	67,260	8,283,017	0.01
UBS	64,481	8,800,087	0.02
Citigroup Global Markets	55,181	8,898,085	0.02
Bank of America	53,688	5,700,692	0.02
Sanford C. Bernstein	44,377	9,454,356	0.01
Deutsche Bank	38,834	5,094,108	0.01
Credit Suisse	37,893	3,330,190	0.02
JP Morgan Chase & Company	35,011	3,969,657	0.01
Loop Capital Markets	32,174	3,139,047	0.02
Cabrera Capital Markets	29,480	1,393,250	0.02
CLSA	27,033	3,586,026	0.02
Jefferies & Company	26,702	2,628,978	0.02
Telsey Advisory Group	25,988	745,490	0.03
Barclays	23,650	1,259,439	0.02
Nomura	21,926	3,291,419	0.02
Drexel Hamilton	21,180	605,079	0.04
Macquarie Securities	19,078	3,996,160	0.01
HSBC	19,021	4,923,965	0.01
Academy Securities	17,575	637,205	0.03
RBC Capital Markets	17,121	1,831,706	0.02
Danske Bank	14,297	204,794	0.07
Exane	13,477	1,414,938	0.03
Mischler Financial Group	12,557	1,002,085	0.04
Credit Agricole	12,323	2,963,087	0.01
Instinet	12,104	902,157	0.01
Redburn Partners	11,160	1,250,306	0.01
CRT Capital Group	10,665	269,148	0.04
Liquidnet	10,099	3,373,713	0.00
CL King & Associates	9,251	266,660	0.03
Merrill Lynch	8,759	3,371,826	0.00
Wells Fargo Advisors	7,417	390,483	0.03
Daiwa Securities Group	7,318	402,831	0.02
Raymond James & Associates	6,549	209,548	0.03
Mizuho Securities	6,371	659,421	0.01
Societe Generale Securities	6,216	189,699	0.03
Haitong Securities Company	6,148	44,594	0.14
ITG (Investment Technology Group)	5,972	2,712,403	0.00
Stifel, Nicolaus & Company	5,622	189,505	0.04
Evercore Partners	5,615	555,928	0.04
BMO Capital Markets	5,277	185,279	0.03
Kepler Capital Markets	5,209	130,803	0.04
Williams Capital Group	4,522	122,226	0.04
M Ramsey King Securities	3,999	135,496	0.03
BTG Pactual	3,785	288,785	0.03
Bank of America Securities	3,760	100,584	0.04
Investec Securities	3,667	107,952	0.01
CastleOak Securities	3,004	85,839	0.03
Robert W. Baird & Company	2,670	72,084	0.04
Mediobanca	2,624	614,431	0.00
All Other Brokers	78,454	8,638,760	0.01
Grand Totals, All Brokers	**$ 1,036,715**	**119,720,296**	**$ 0.01**

SUPPORTING SCHEDULES

All Brokers and Total REIT Investment Commissions
For the Year Ended June 30, 2016

	2016		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Cheevers & Company	$ 101,037	2,278,865	$ 0.04
UBS	19,327	2,630,540	0.01
JP Morgan Chase & Company	15,704	1,970,165	0.01
Merrill Lynch	8,566	866,839	0.01
Citigroup Global Markets	8,041	1,578,307	0.01
Morgan Stanley	6,004	724,846	0.01
CLSA	5,967	1,334,410	0.00
Kempen & Company	5,956	165,717	0.04
Jefferies & Company	5,295	260,433	0.02
Deutsche Bank	3,658	219,006	0.02
Macquarie Securities	3,629	1,164,013	0.01
Exane	3,413	149,917	0.02
Green Street Advisors	3,212	88,451	0.04
Credit Suisse	2,881	457,014	0.01
Raymond James & Associates	2,871	74,800	0.04
Stifel, Nicolaus & Company	2,354	103,084	0.02
Instinet	2,167	24,437	0.26
Daiwa Securities Group	2,101	61,230	0.03
Mizuho Securities	2,010	27,900	0.07
Evercore Partners	1,911	125,761	0.03
Sumitomo Mitsui Banking Corporation	1,894	15,525	0.12
Goldman Sachs	1,716	355,164	0.00
BMO Capital Markets	1,715	47,473	0.04
Robert W. Baird & Company	1,686	40,700	0.04
JMP Securities	1,503	41,500	0.04
DBS Vickers Securities	1,072	449,256	0.00
Mitsubishi UFJ Securities	1,026	10,831	0.09
KeyBanc Capital Markets	822	20,870	0.04
MKM Partners	717	23,900	0.03
Barclays	686	13,942	0.05
Societe Generale Securities	653	8,092	0.14
Moelis & Company	647	220,458	0.00
Cowen & Company	495	11,000	0.05
Oppenheimer & Company	103	2,300	0.05
Wells Fargo Advisors	90	2,000	0.05
ABN Amro	52	511	0.10
Commonwealth Securities	32	6,853	0.00
Grand Totals, All Brokers	**$ 221,013**	**15,576,110**	**$ 0.01**

SUPPORTING SCHEDULES

Top 50 Brokers and Total Fixed Income Investment Brokerage
For the Year Ended June 30, 2016

Investment Brokerage Firm	2016 Fair Value Traded
CastleOak Securities	$ 2,303,753,075
Barclays	1,017,363,112
Goldman Sachs	903,550,559
JP Morgan Chase & Company	739,153,487
Citigroup Global Markets	722,041,244
Credit Suisse	618,582,256
Nomura	557,593,113
Deutsche Bank	511,443,198
Ramirez & Company	510,320,907
Loop Capital Markets	491,111,986
Morgan Stanley	342,480,730
Wells Fargo Advisors	285,312,225
Bank of America	182,950,138
Cabrera Capital Markets	158,942,150
Merrill Lynch	158,604,334
UBS	113,075,927
RBS Securities	110,687,271
RBC Capital Markets	97,920,625
Williams Capital Group	88,213,943
HSBC	71,561,035
Mizuho Securities	65,098,138
Daiwa Securities Group	63,190,684
BNP Paribas	61,935,901
Bank of America Securities	54,807,886
Amherst Securities Group	46,900,729
Lebenthal & Company	40,000,000
MFR Securities	38,472,570
Jefferies & Company	38,391,752
Royal Bank of Canada	38,181,349
Mischler Financial Group	38,040,841
FTN Financial Capital Markets	35,724,905
CAPIS (Capital Institutional Services)	35,230,697
RBC Dain Rauscher	34,889,488
MF Global	32,400,000
Brown Brothers Harriman & Company	29,412,669
Credit Agricole	22,495,383
SMBC Nikko Securities	22,397,390
Royal Bank of Scotland	18,337,284
TD Securities	18,225,137
Danske Bank	17,579,174
Stifel, Nicolaus & Company	16,145,043
US Bancorp	15,536,910
Mitsubishi UFJ Securities	15,221,543
SunTrust Robinson Humphrey	14,257,524
Alamo Capital	13,935,351
First Tennessee	13,465,682
Jyske Bank	13,226,513
Stephens	13,209,548
SG Americas Securities	11,459,359
BMO Capital Markets	10,675,601
All Other Brokers	192,765,665
Grand Totals, All Brokers	**$11,066,272,031**

SUPPORTING SCHEDULES

Top 50 Brokers and Total TIPS Investment Brokerage
For the Year Ended June 30, 2016

Investment Brokerage Firm	2016 Fair Value Traded
Bank of America	$ 172,379,916
Barclays	161,363,983
Goldman Sachs	82,130,611
Deutsche Bank	63,754,016
Credit Suisse	60,944,139
Ramirez & Company	60,176,697
Societe Generale Securities	53,770,022
Morgan Stanley	51,783,070
Nomura	46,573,757
Merrill Lynch	36,614,956
RBS Securities	33,037,719
JP Morgan Chase & Company	32,745,794
TD Securities	28,866,503
CastleOak Securities	28,758,320
HSBC	26,826,809
Scotia Capital	25,723,976
Cabrera Capital Markets	25,564,515
Wells Fargo Advisors	24,126,786
Citigroup Global Markets	18,986,638
Mizuho Securities	17,994,277
Jefferies & Company	16,773,680
BNP Paribas	15,931,347
Westpac Group	14,194,870
Bank of Nova Scotia	13,913,120
UBS	12,614,236
Banco Santander	10,677,809
Royal Bank of Scotland	9,381,569
Daiwa Securities Group	7,756,160
Mesirow Financial	6,809,000
SG Americas Securities	6,410,817
Banca IMI Securities	6,005,760
Loop Capital Markets	5,948,881
Guggenheim Capital Markets	5,798,750
Credit Agricole	5,734,008
ANZ Securities	3,320,912
Sierra Pacific Securities	2,114,377
First Tryon Securities	2,035,580
Royal Bank of Canada	1,952,821
Danske Bank	1,544,917
SEB Enskilda	1,515,024
Banco Bilbao Vizcaya	1,335,911
Commerzbank	1,283,384
Itau Securities	1,256,413
UniCredit Banca Mobiliare S.p.A.	1,229,435
Susquehanna Financial Group	741,435
Incapital Securities	704,755
Brown Brothers Harriman & Company	568,756
Rabo Securities	419,063
Cantor Fitzgerald	404,300
Jyske Bank	402,974
All Other Brokers	1,337,364
Grand Totals, All Brokers	**$1,212,239,932**

ACTUARIAL

Online information, a permanent home, new program options

1991

SURS celebrated 50 years of service.

The first edition of *The Advocate* member newsletter was published.

1992

SURS moved into the current building at 1901 Fox Drive in Champaign after beginning construction in 1991. At 37,000 square feet, the building housed approximately 75 employees.

1995

SURS established its first website.

1998

The defined benefit Portable Plan and the defined contribution Self-Managed Plan were introduced, giving members the choice of three retirement program options.

2001

Members get access to their data and records on the SURS website for the first time.

The SURS Call Center was created for service representatives to respond to member questions by phone.

2010

Public Act 96-0889 was signed into law, creating a second tier of SURS benefits for participants hired on or after January 1, 2011.

LETTER OF CERTIFICATION

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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Suite 1350
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December 12, 2016

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, 2016. 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 actuarial 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 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 verified or audited. First effective with the actuarial 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 actuarial 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 actuarial valuation as of June 30, 2013. The investment return assumption was decreased from 7.75% to 7.25% first effective with the actuarial valuation as of June 30, 2014. The remaining actuarial 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 actuarial valuation as of June 30, 2015.

The actuarial assumptions and methods used to calculate the actuarial liabilities, including the economic and demographic assumptions and the actuarial cost method, are in accordance with the Actuarial Standards of Practice. The actuarial assumptions are set by the Board and the actuarial cost method is prescribed in the statute. 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 7.01% for fiscal year ending June 30, 2016. Liabilities as of June 30, 2015, projected to June 30, 2016, 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 (to limit contribution volatility) and no more than the period of time in order attain 100% funding by 2045 (28 years remaining in the actuarial valuation as of June 30, 2016). 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, 2016, 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 actuarial 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, FCA
Consultant

Lance J. Weiss

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant

David T. Kausch

David T. Kausch, FSA, EA, MAAA, FCA
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.

In addition to an annual actuarial valuation, SURS periodically undertakes an actuarial audit by an independent firm. An actuarial audit is conducted to ensure that the actuarial valuation and other actuarial processes are performed accurately and that the methods and assumptions utilized are reasonable and prudent. An actuarial audit was performed and completed by Segal Consulting June 2016. The results of the audit were favorable and concluded that the calculations, method and assumptions were reasonable.

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 2016 was 12.69%. The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs. For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the postretirement increases, the same procedure as outlined above is followed. Estimated annual administrative expenses are added to the normal cost.

Employee Data

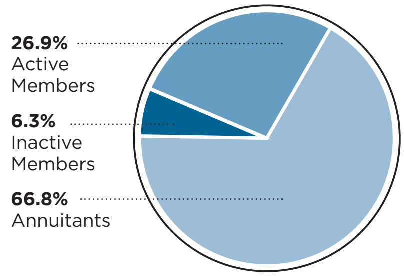
Employee data are provided by the administrative staff of the State Universities Retirement System. Various tests are applied to check internal consistency as well as consistency from year to year. No calculations are made for employees not yet hired as of the valuation date.

ACTUARIAL REPORT

Valuation Results For Fiscal Year Ended June 30, 2016 ($ millions)

Actuarial liability (reserves)	
For members receiving annuities	$ 27,342.2
For inactive members	2,560.4
For active members	11,020.7
Total	40,923.3
Actuarial value of assets available for benefits	17,701.6
Unfunded actuarial accrued liability	$ 23,221.7

Actuarial Liability



As of June 30, 2016, the Unfunded Actuarial Accrued Liability (UAAL) to be amortized was $23,221,700,000.

Calculation of Actuarial Value of Assets

Actuarial value of assets, July 1, 2015		$17,104,606.7
Net investment income/(loss)	17,043.7	
Less: projected investment income at 7.25%	1,249,169.7	
Investment income/(loss) in excess of projected	(1,232,126.0)	
Less: deferral to smooth asset values over 5 years	(985,700.8)	
Recognized investment income – current year		(246,425.2)
Projected investment income		1,249,169.7
Recognized investment loss – prior years		68,676.3
Excess of contributions over disbursements		(474,381.6)
Actuarial value of assets, June 30, 2016		$17,701,645.9

Analysis of Financial Experience For Fiscal Year Ended June 30, 2016 ($ millions)

Investments other than 7.25%	$ 151.8
Salary increases other than 3.75%	(135.0)
Age and service retirement differences	59.3
Termination differences	5.7
Mortality and disability differences	(0.7)
Benefit recipient differences	68.2
New entrants	63.2
Other actuarial differences	129.5
Total actuarial loss	$ 342.0

Change in the Unfunded Actuarial Accrued Liability ($ millions)

Unfunded actuarial accrued liability at July 1, 2015	$ 22,416.1
Expected increase in unfunded actuarial accrued liability	463.6
Impact of change in actuarial assumptions	–
Total actuarial loss	342.0
Unfunded actuarial accrued liability at June 30, 2016	$ 23,221.7

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
11	.045
12	.040
13	.037
14	.032
15-19	.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.

Employer Contributions Received in Fiscal Year 2016

State appropriations	$ 1,352,946,474
State pension fund	190,000,000
Federal/trust/employer funds/other	39,348,478
Total	**$ 1,582,294,952**

Reconciliation to Total State Appropriations

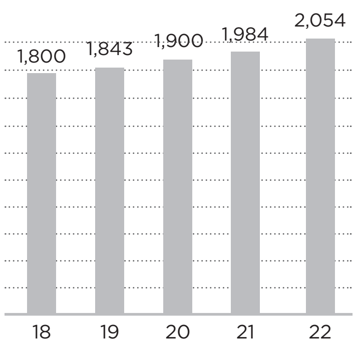
Defined benefit plan–State appropriations received	$ 1,542,946,474
Defined contribution plan–State appropriations received	58,533,526
Total State appropriations received	**$ 1,601,480,000**

The net State appropriation results are based on the projected unit credit actuarial cost method, and on the data provided, and assumptions used, for the June 30, 2016 actuarial valuation.

Projected Required Contribution

Fiscal Year	Assumed % of Payroll	Payroll ($ billions)	Required Contribution ($ millions)
2018	39.2%	$ 4.59	$ 1,800.2
2019	39.3	4.69	1,842.5
2020	39.6	4.80	1,899.9
2021	40.4	4.91	1,983.7
2022	40.8	5.04	2,053.8

Projected Required Contribution
$ (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
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
2016	1,926.5	278.9	1,647.7	1,582.3	96.0	96.6

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.

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
2007	$15,985.7	$ 23,362.1	$ 7,376.4	68.4%	$ 3,181.0	231.9%
2008	14,586.3	24,917.7	10,331.4	58.5	3,303.2	312.8
2009	14,282.0	26,316.2	12,034.2	54.3	3,463.9	347.4
2010	13,966.6	30,120.4	16,153.8	46.4	3,491.1	462.7
2011	13,945.7	31,514.3	17,568.6	44.3	3,460.8	507.6
2012	13,949.9	33,170.2	19,220.3	42.1	3,477.2	552.8
2013	14,262.6	34,373.1	20,110.5	41.5	3,533.9	569.1
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
2016	17,701.6	40,923.3	23,221.7	43.3	3,513.1	661.0

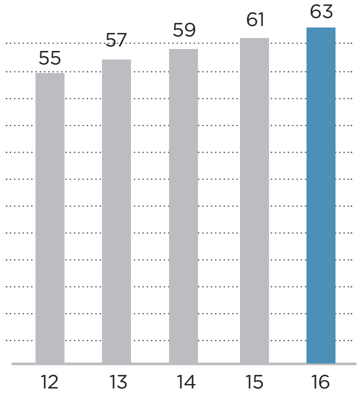
(A) Per Public Act 96-0043, beginning fiscal year 2009, measures of financial soundness will be calculated using an actuarial value of assets based on a smoothed investment income rate. Investment income in excess or shortfall of the expected 7.25% rate on fair value is smoothed over a five-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

ANALYSIS OF FUNDING

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

Fiscal Year	Beginning Balance	Additions	Subtractions	Ending Balance
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
2016	61,020	4,058	1,932	63,146

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
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	(1.6)	48,893	1.3	47.1	9.8
2015	29,420	39,961	69,381	(0.1)	50,103	2.5	47.2	10.0
2016	28,041	38,204	66,245	(4.5)	51,115	2.0	47.3	10.2

ANALYSIS OF FUNDING

Analysis of Change in Membership
10-Year Summary

Fiscal Year	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
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
2016	69,381	7,443	2,135	92	8,352	66,245

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
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
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
2016	61,020	4,058	175,156,703	1,932	(56,407,539)	63,146	2,218,653,518	35,135	5.3

(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 2007-2016 ($ 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)
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	1,590.9	2,144.0	1,528.5	82.2	96.1	71.3
2016	1,926.5	1,647.7	2,250.5	1,582.3	82.1	95.9	70.3

(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 actuarially determined 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 actuarially determined contribution (Column 4 divided by Column 1).
(F) Employer contributions divided by the actuarially determined 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
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
2016	15,070.8	17,701.6	40,923.3	36.8	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)

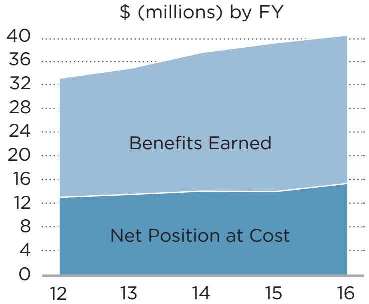
Fiscal Year	Member Accumulated Contributions {1}(A)	Members Currently Receiving Benefits {2}(A)	Active/Inactive Members/ Employers' Portion {3}(A)	Net Position/ Actuarial Value of Assets (B)	% of Benefits Covered by Net Position/Actuarial Value of Assets {1}	{2}	{3}
2007	$ 5,239.9	$ 12,838.1	$ 5,284.1	$ 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)	–
2016	6,145.8	27,342.2	7,435.3	17,701.6	100.0	42.3	–

(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.

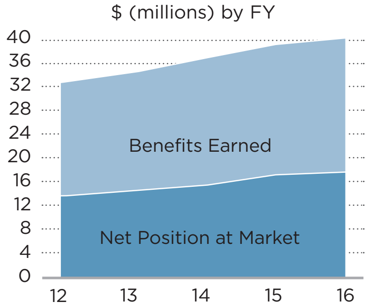
(B) Per Public Act 96-0043, the actuarial value of assets is used in determining the funding progress of the System and in establishing the employer contribution rates necessary to adhere to the statutory funding plan. The actuarial value of assets is based on a smoothed investment income rate. Investment 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 2016, the percentage of benefits covered by net position would decrease to 39.6%.

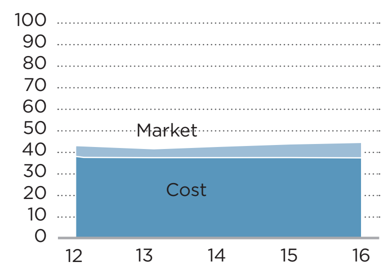
Benefits Covered by Net Position at Cost
$ (millions) by FY



Benefits Covered by Net Position at Market/Actuarial Value[A]
$ (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 2007-2016 ($ 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
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
2016	3,513.1	23,221.7	661.0	460.7	13.1	1,466.8	1,927.5	54.9	1,582.3	45.0

(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

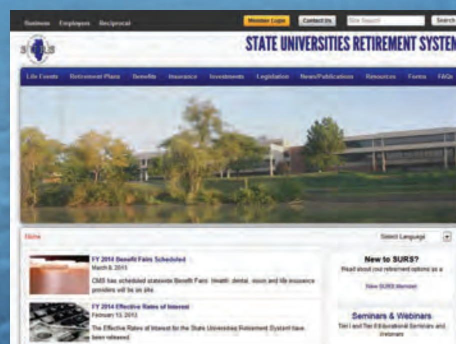
There were no changes in the SURS benefit plan provisions in fiscal year 2016. The plan summary can be found in the Notes to the Financial Statements.

STATISTICAL

Satellite office, language interpreter services, pension reform

2012

SURS opened a satellite office in Naperville at the Northern Illinois University Outreach Center.



2013

The SURS Call Center added interpreter services, giving members access to operators fluent in more than 200 languages.

The counseling department began offering monthly educational webinars for participants.

Public Act 98-0599 was signed into law, making comprehensive changes to the plan design.

SURS redesigned its website, adding a new Life Events section.

2014

The Illinois Circuit Court entered a final declaratory judgment that Public Act 98-0599 is unconstitutional and void in its entirety. The case moved to the Illinois Supreme Court.

SURS launched its Facebook page

2015

The Illinois Supreme Court unanimously ruled Public Act 98-0599, the state pension law, unconstitutional.

2016

SURS celebrates 75 years of service with a new logo design, website updates and redesigned materials.

The System has 132 employees serving 228,221 members.

Recognition from the Illinois House and Senate -- sponsored by Rep. Carol Ammons (D-103rd District), Rep. Chad Hays (R-104th District), Sen. Scott Bennett (D-52nd District) and Sen. Chapin Rose (R-51st District) -- commemorates the System's anniversary.

Martin Noven, a University of Illinois graduate, became SURS ninth executive director.

INTRODUCTION TO STATISTICAL SECTION

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

Section Contents

FINANCIAL SCHEDULES

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

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

Additions

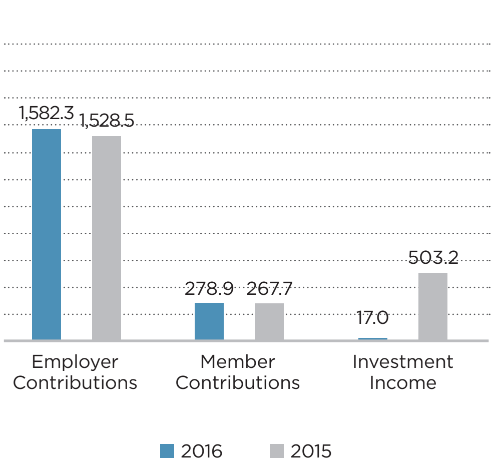
Fiscal Year	Member Contributions	Investment Income (Loss)	Employer Contributions Amount	Employer Contributions % of Payroll	Total
2007	$ 262.4	$ 2,517.5	$ 261.1	8.2%	$ 3,041.0
2008	264.1	(675.7)	345.0	10.4	(66.6)
2009	273.3	(2,859.5)	451.6	13.0	(2,134.6)
2010	275.0	1,653.8	696.6	19.9	2,625.4
2011	260.2	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
2016	278.9	17.0	1,582.3	45.0	1,878.2

Deductions (A)

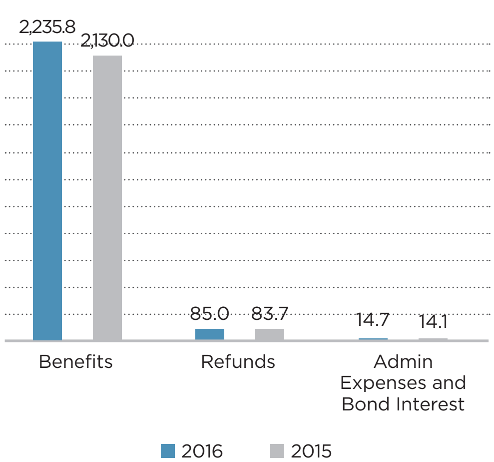
Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest	Total	Changes in Plan Net Position
2007	$ 1,169.0	$ 49.7	$ 11.7	$ 1,230.4	$ 1,810.6
2008	1,267.4	53.3	12.1	1,332.8	(1,399.4)
2009	1,362.7	51.9	12.9	1,427.5	(3,562.1)
2010	1,468.8	56.0	12.1	1,536.9	1,088.6
2011	1,598.6	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
2016	2,235.8	85.0	14.7	2,335.5	(457.3)

(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
$ (millions) by FY



Deductions
$ (millions) by FY



STATISTICAL

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
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
2016	2,059.8	142.5	16.4	4.0	13.1	2,235.8

Refund Deductions by Type (A)

Fiscal Year	Withdrawals	Survivor Ins Refunds	Death Benefits	Portable Lump Sum Retirement	Total
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
2016	44.5	10.5	15.9	14.1	85.0

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

FINANCIAL SCHEDULES

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
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
2016	76.5	3.2	65.3	7.6	145.0

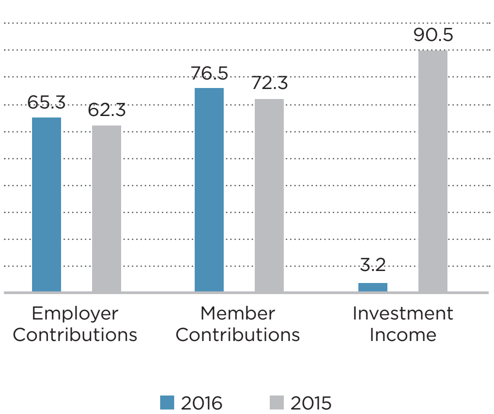
Deductions (A)

Fiscal Year	Benefits	Contribution Refunds	Administrative Expenses and Bond Interest (B)	Total	Changes in Plan Net Position
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
2016	46.0	26.6	0.5	73.1	72.0

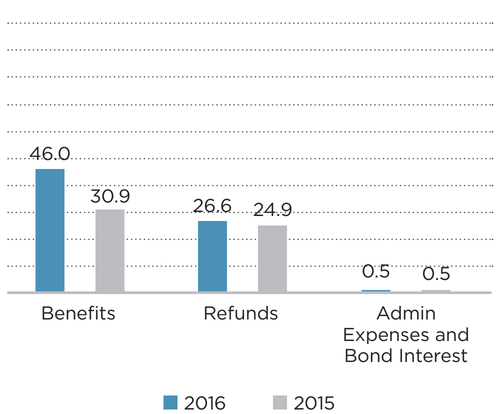
(A) Breakdown of deductions into benefit and refund types has been revised for the 10-year period according to Governmental Accounting Standards Board Statement No. 44 and Governmental Accounting, Auditing and Financial Reporting guidelines.

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

Additions
$ (millions) by FY



Deductions
$ (millions) by FY



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

Fiscal Year	Survivor	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
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
2016	8,481	671	4,376	53,596	398

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

Fiscal Year	HR & Admin	Inv & Acctg	Member Svcs & Outreach	IS & Support Svcs	SMP	Total
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
2016	14.00	11.55	73.00	22.25	4.20	125.00

BENEFIT SUMMARY

Schedule of New Benefit Payments - Defined Benefit Plan
July 1, 2015 through June 30, 2016

	Retirement		Disability		Survivors	
Age	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)	Number	Average Monthly Benefit (A)
Under 10	–	$ –	–	$ –	3	$ 159
10-14	–	–	–	–	3	1,793
15-19	–	–	–	–	4	673
20-24	–	–	–	–	3	1,205
25-29	–	–	–	–	–	–
30-34	–	–	9	1,421	2	832
35-39	–	–	8	2,448	1	2,176
40-44	–	–	13	1,789	1	412
45-49	10	3,032	26	1,804	3	1,227
50-54	127	3,911	46	1,763	15	839
55-59	856	2,502	35	2,057	31	1,005
60-64	1,123	2,368	34	1,993	59	1,623
65-69	804	2,212	7	1,802	73	1,514
70-74	242	2,049	5	1,560	101	1,923
75-79	56	2,458	–	–	97	1,815
80-84	19	1,485	1	3,625	88	1,787
85-89	12	1,752	–	–	91	1,603
90-94	–	–	–	–	43	1,573
95-99	1	1,699	–	–	6	831
over 99	–	–	–	–	–	–
Total	3,250	$ 2,397	184	$ 1,888	624	$ 1,628

Average Age - Retirement 62.7 Years
Average Age - Disabilitant 53.0 Years
Average Age - Survivor 73.7 Years

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

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 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
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

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 2016							
Number of Retirees	14,202	7,840	7,652	9,011	7,561	7,330	53,596
Avg Monthly Annuity	$ 804	1,683	2,774	4,124	5,307	6,791	3,226
Final Average Salary	$ 39,417	42,181	52,377	62,193	69,922	76,675	54,949
Avg Credited Service							18.70

Number of Covered Employees by Employer - Defined Benefit Plan

	2016		2015	
Participating Employer	Covered Employees	% of Total SURS Membership	Covered Employees	% of Total SURS Membership
University of Illinois - Chicago	11,421	17.2%	11,542	16.6%
University of Illinois - Urbana	9,723	14.7	10,048	14.5
City Colleges of Chicago	4,878	7.4	5,088	7.3
Southern Illinois University - Carbondale	3,929	5.9	4,148	6.0
Illinois State University	2,693	4.1	2,754	4.0
Northern Illinois University	2,657	4.0	2,719	3.9
College of DuPage	2,319	3.5	2,367	3.4
Southern Illinois University - Edwardsville	2,005	3.0	2,112	3.0
Western Illinois University	1,364	2.1	1,599	2.3
Triton College	1,261	1.9	1,363	2.0
Total, largest 10 employers	42,250	63.8	43,740	63.0
All other employers	23,995	36.2	25,641	37.0
Grand total	66,245	100.0	69,381	100.0

Number of Covered Employees by Employer - Defined Contribution Plan

	2016		2015	
Participating Employer	Covered Employees	% of Total SURS Membership	Covered Employees	% of Total SURS Membership
University of Illinois - Urbana	2,671	22.5%	2,602	21.8%
University of Illinois - Chicago	2,223	18.7	2,110	17.7
Southern Illinois University - Carbondale	813	6.8	813	6.8
Northern Illinois University	648	5.5	645	5.4
Illinois State University	615	5.2	616	5.2
Southern Illinois University - Edwardsville	415	3.5	414	3.5
City Colleges of Chicago	378	3.2	391	3.3
College of DuPage	338	2.8	353	3.0
Western Illinois University	299	2.5	320	2.7
Triton College	96	0.8	95	0.8
Total, largest 10 employers	8,496	71.5	8,359	70.1
All other employers	3,384	28.5	3,569	29.9
Grand total	11,880	100.0	11,928	100.0

BENEFIT SUMMARY

Schedule of Benefit Recipients by Type of Benefit - Defined Benefit Plan
For the Year Ended June 30, 2016

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivor
$0 - 500	10,566	3,837	4,394	-	152	18	5	2,160
501 - 1000	8,416	2,585	3,421	-	39	196	40	2,135
1,001 - 1,500	6,175	1,811	3,093	-	3	116	127	1,025
1,501 - 2,000	5,503	1,430	2,939	-	-	29	252	853
2,001 - 2,500	4,685	1,088	2,841	1	-	18	95	642
2,501 - 3,000	4,257	934	2,738	3	-	11	65	506
3,001 - 3,500	3,606	824	2,313	12	-	2	25	430
3,501 - 4,000	2,987	799	1,884	14	2	7	24	257
4,001 - 4,500	2,426	709	1,506	20	1	-	15	175
4,501 - 5,000	2,067	702	1,225	26	-	-	7	107
5,001 - 5,500	1,905	632	1,179	17	-	-	7	70
5,501 - 6,000	1,586	563	971	15	-	-	4	33
6,001 - 7,000	2,682	988	1,614	27	-	-	3	50
7,001 - 8,000	2,080	777	1,270	12	-	-	1	20
8,001 - 9,000	1,472	633	827	3	-	-	-	9
9,001 - 10,000	925	435	484	1	-	-	1	4
10,001 - 11,000	684	329	352	-	-	-	-	3
11,001 - 12,000	414	209	203	1	-	1	-	-
12,001 - 13,000	231	111	119	1	-	-	-	-
13,001 - 14,000	151	84	67	-	-	-	-	-
14,001 - 15,000	91	55	36	-	-	-	-	-
15,001 - 16,000	57	30	26	-	-	-	-	1
Over 16,000	180	108	70	1	-	-	-	1
Total	63,146	19,673	33,572	154	197	398	671	8,481

(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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