

The

# Advocate



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## ***SURS Welcomes New Executive Director***



The State Universities Retirement System (SURS) Board of Trustees is pleased to announce the appointment of William E. Mabe as Executive Director, effective June 21, 2010. This appointment concludes a search conducted by nationally recognized EFL Associates on behalf of the SURS Board of Trustees.

SURS Chairwoman Carrie Hightman stated, "We welcome Bill to the SURS family. He is a proven leader with a strong track record of improving the operational performance of both private and public sector organizations. His previous experience with annuities, pension, life, health, workers compensation and property casualty operations in both the public and private sectors provides a strong platform for managing the day-to-day and long-term challenges faced by SURS."

Mr. Mabe is a seasoned business executive with over 30 years of private and public sector experience. He previously worked in multiple capacities during a 25 year career at Nationwide Insurance, including as President and CEO Nationwide Health Plans, SVP Operations Officer for Nationwide Provident Insurance Co, and VP Operations for Nationwide Public Sector Pensions.

In 2005, Mr. Mabe assumed leadership of the Ohio Bureau of Workers Compensation in Columbus, Ohio. As CEO, he led the turnaround of the \$17 billion Workers Compensation Fund and was able to achieve a \$500 million improvement in the bottom line while increasing surplus by 300 percent to \$2 billion in just over 18 months.

Most recently, Mr. Mabe has provided strategic consulting services to private sector insurance companies and public sector pension plans. He holds a Bachelor of Science Degree from Ohio State University and a Law Degree from Capital University Law School. Mr. Mabe is married and has three adult children. □

## ***Public Act 96-0889***

Governor Quinn signed Senate Bill 1946 (now Public Act 96-0889) into law on April 14, 2010. The resulting changes to the Illinois Pension Code made no change to pension benefits for current employees and annuitants. The code changes do modify SURS benefits for new employees hired **on or after January 1, 2011**.

Some of these changes affect minimum vesting requirements, retirement age, final rate of earnings, automatic annual increases, and survivor benefits. SURS, in conjunction with other Illinois Reciprocal Retirement Systems, continues to analyze this legislation to ensure consistent interpretation. For more information, visit [www.surs.org](http://www.surs.org). □

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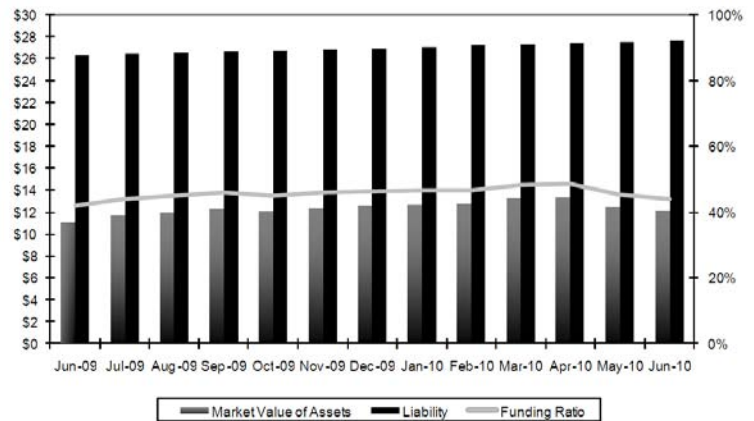
# Investment Update

SURS Funding Status  
2010 Fiscal Year-to-Date Results

## 2010 Fiscal Year-To-Date Investment Results

After a challenging year for financial markets in fiscal year 2009, world equity and fixed income markets rebounded strongly in fiscal year 2010. The SURS total fund provided an attractive return of 15.0%, net of fees, although it lagged the policy portfolio benchmark return of 16.0%. Both equity and fixed income markets continued to be afflicted with significant volatility.

The SURS investment portfolio, like the U.S. and world economies, continues to recover from the financial market declines of 2008-2009. The sharp declines in global financial markets of the last two years have strongly impacted performance over shorter and intermediate term periods. However, the long-term return of the SURS portfolio remains solid. Over the 25 years ending June 30, 2010, the portfolio returned 8.9% annually, in excess of the 8.2% return of the policy benchmark.



*Assets and liabilities are estimated and unaudited through June 30, 2010. During 2009, the asset valuation method was changed, which resulted in the use of a five-year smoothing method. The fund has a preliminary funding ratio of 50.4% at the end of fiscal year 2010.*

Some key statistics on the SURS investment portfolio, as of June 30, 2010, are included below.

- Total combined fund assets in the defined benefit and defined contribution plans exceeded \$12.8 billion.
- SURS's one year return ranks higher than 84% of other plans in a universe of other public funds greater than \$1 billion, per data provided by SURS's investment consultant, Ennis, Knupp + Associates.
- The System's funding ratio increased on a market value basis from 41.9% at the end of fiscal year 2009 to 43.7% at the end of fiscal year 2010. However, using the five-year smoothing method adopted in FY'09, the funding ratio actually declined over the fiscal year from 54.3% to 50.4% over the same time period.
- The Self-Managed Plan (SMP) celebrated its twelfth year of existence and is currently valued at over \$710 million in assets.

SURS completed several noteworthy projects in the past year. First, SURS made initial investments in the infrastructure (roads, utilities, water, etc.) and Public Private Investment Program (PPIP) asset classes. The PPIP investments are opportunistic investments in distressed residential and commercial mortgage-backed securities. Over time, these investments are expected to provide attractive returns with low correlation to other investments. In addition, SURS is in the final stages of a complete review of its fixed income portfolio in order to verify the current portfolio structure and investment managers are best in class.

## Expansion of Manager Diversity Program

The Manager Diversity Program (MDP), formerly named the Manager Development Program, was created by the SURS Board of Trustees in March 2004 in response to the call by the then-named Senate Select Committee on Public Pension Investments to increase the utilization of investment managers owned by minorities, females, and persons with a disability. After a national search concluding in March 2010, the SURS Board of Trustees selected two firms, Longfellow Investment Management and New Century Advisors, to manage a total of \$175 million in Treasury Inflation Protected Securities (TIPS), high qual-

*(continued on page 3)*

# **SURS Certifies the Required State Contribution for Fiscal Year 2011**

## **The Pension Fund Remains Secure**

**By: William Mabe, Executive Director**

Contrary to the headlines, the pension fund remains secure. However, in order to remain secure, the annual required contribution must be paid in full. Employer contributions and investment returns are not enough; therefore, it is important that we vigorously continue our efforts to get the required state contributions. SURS advised the Governor and the State Comptroller of the fiscal year 2011 state contribution amount required by the 50 year retirement system funding program (Pub. Act 88-593) that has been in effect since FY'96. The required amount, which is determined actuarially based on the System's June 30, 2009, fiscal year-end results, is \$888.1 million. Although an estimated \$40 million will be received by SURS from non-state funding sources, the remaining \$848.1 million will come from the state's General Revenue Fund and the state's unclaimed property fund, which is called the State Pension Fund.



SURS and the other four state contributory retirement systems have now been operating under the statutory funding program for 15 years. This funding program is designed to assure that each of the systems will have assets sufficient to cover 90% of their liabilities for present and earned future benefits no later than the end of state fiscal year 2045. In the aggregate, the total state required contribution for the five state systems is approximately \$3.7

billion for FY' 11. In addition, the state is obligated to pay the debt service on the \$3.5 billion of pension obligation bonds (POBs) that were issued January 7, 2010, and used to fund the FY 2010 contributions. Although the Governor's Office of Management and Budget indicated that it is too early to tell what the state's revenue situation will be in state FY'2011, the current forecast is certainly not encouraging with little evidence of a near term improvement, but we remain hopeful. The General Assembly adjourned without appropriating the SURS certified contribution. The System's continuing appropriation authority is still in effect, but the state may lack the revenue to make any General Revenue Fund contributions.

SURS actuaries estimate over \$1.6 billion in benefits will be paid in FY 2011. Planned revenues total \$1.17 billion, which includes \$848 million in planned employer contributions from state appropriations, of which \$125 million will come from the state pension fund (unclaimed funds) and \$723 million will come from general revenue funds or borrowing, \$285 million in member contributions, and \$40 million in employer contributions from federal and privately funded grants. This results in an operating loss of \$427 million. Failure by the state to fully fund the employer contribution will require SURS to liquidate additional plan assets, further eroding the solvency of the pension fund. □

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## **Investment Update**

*(continued from previous page)*

ity fixed income securities whose income stream is tied to the rate of inflation. A search for the first real estate manager for the MDP was recently completed and a search for U.S. equity managers is currently in progress.

In these difficult times, SURS continues to focus on the long-term. The portfolio is professionally and prudently managed and is structured to provide attractive rates of return at reasonable levels of risk over time. The portfolio's diversification remains the best defense against volatile markets and SURS continues to take steps to further enhance the diversification of the portfolio. □

# A Year in Review

By: Carrie Hightman, SURS Board Chairwoman



As the board has completed its first year together, I'm reminded of how much we have grown as a team and of all the positive things we have accomplished. Our board meetings have provided us with a good foundation to make sound investment decisions. Our prior and future meetings will continue to educate the board on SURS benefits, our membership, and our fiduciary duties. We have reached out to our elected officials in Springfield to communicate the need to receive full funding to ensure that SURS does not fall even further behind in its funding level. The SURS Board of Trustees hosted a legislative outreach event in March which was a great success and helped strengthen our relationship with members of the legislature. All in all, it has certainly been a busy year.

One of the most important things the board has done this year is choose a new Executive Director, Bill Mabe. Bill has hit the ground running. During his first two months of employment, Bill

gave presentations to various constituent groups, including the State Universities Annuitants Association, Cook County College Teachers' Union, and the Exchange Club of Urbana. Additionally, Bill has met with his counterparts at other state-funded systems and members of the legislative staff. Bill will continue to meet with stakeholders during the balance of the year to better understand their concerns. Additionally, we are engaged in a search for a new General Counsel with extensive pension experience to strengthen the SURS management team. This is a tough time for all state pension systems and we are fortunate to have such a talented individual at the helm. I would like to thank Judy Parker for the time she has served as interim Executive Director and for her continuing work for SURS.

A recent piece of legislation will have a significant impact on SURS. Governor Quinn signed Senate Bill 1946 (now Public Act 96-0889) into law on April 14, 2010. While the resulting changes do not affect current employees or annuitants, new employees hired on or after January 1, 2011, will have a different set of rules applicable to their benefits. SURS will continue to educate our membership on who is impacted by these changes and how their benefits will be affected. □

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## Legislative Outreach Event a Success



*SURS Board Chairwoman Carrie Hightman talks to Representative Michael Connelly (left) and Representative Ed Sullivan (right).*

On March 10, 2010, SURS held a legislative outreach event in Springfield in conjunction with The Illinois Higher Board of Education (IHBE) and the State Universities Annuitants Association (SUAA). Legislators and staff members were invited to a reception and dinner where they were able to meet with various SURS staff members and SURS board members.

Associate Executive Director, Judy Parker, and SURS Board Chairwoman, Carrie Hightman, were in attendance. Board and staff members were available to speak to legislators and distribute funding information about SURS, its participants, and the importance of adequate state funding.

Over 20 legislators attended the reception and dinner, which was an excellent opportunity for SURS, SUAA, and IHBE to build their relationship with the lawmakers of Illinois. □

# The Truth About SURS

## Who participates in SURS?

- 45% of SURS participants are professors and teachers.
- 55% are support staff, such as custodians, grounds keepers, and clerical staff.
- At least 65% of SURS participants earn \$50,000 or less per year.
- The average SURS retirement age is 61.
- 78% of SURS benefit recipients live in Illinois.

## Defined Benefit Plan Membership

Benefit Recipients	46,810
Active Members	73,699
Inactive Members	71,280
<b>Total</b>	<b>191,789</b>

## Self-Managed Plan

Benefit Recipients	110
Active Members	9,846
Inactive Member	6,500
<b>Total</b>	<b>16,456</b>

## What kind of benefits do SURS retirees receive?

64% of SURS benefit recipients receive \$2,600 or less per month. SURS participants don't contribute to or receive Social Security – and neither the state nor their employer contributes to Social Security on their behalf. Private sector employers contribute 6.2% of pay for Social Security for their employees. SURS participants will not receive a benefit from Social Security upon retirement from SURS-covered employment. In addition, SURS is a disability program, as SURS participants are not eligible for Social Security disability. SURS annuitants who also qualify for Social Security benefits may be affected by the Windfall Elimination Provision or the Government Pension Offset, resulting in an offset of Social Security benefits.

## What does it cost to pay for the SURS benefits?

The cost to the employer to provide the whole range of SURS benefits in fiscal year 2011 will be 10.14% of pay – equivalent to a private sector employer providing 3.74% of employee pay into a retirement plan. That number will vary from year to year. □

## Why Join SUAA?

The State Universities Annuitants Association (SUAA) is an organization that advocates for current SURS participants, annuitants, spouses, and survivors. SUAA was founded in 1971 as a voluntary membership association and continues its vigilance to preserve and protect the pension system, the healthcare plans, and all other benefits provided for the well-being of the over 200,000 SURS members. With its main office located in Springfield, SUAA works with its membership to assure that legislators, executive officers, and other policymakers are knowledgeable about member issues.

Membership in this organization affords you the opportunity to interact and build relationships with other members of SURS through the local chapters on each public university and community college campus and helps you build a knowledge base in order to understand how each element of legislation can affect your pension and healthcare benefits for both today and the future.

SUAA continues to advocate on your behalf through meetings at the Capitol and presentations of testimonies from the membership to address the negative effects from the state's late payments to providers for healthcare claims. To learn more about how to join SUAA, visit [www.suaa.org](http://www.suaa.org) or call (217) 523-4040. □

# Self-Managed Plan News

## *Retirement Education Seminars*

SURS is offering fall SMP seminars at its office in Champaign. Topics will include:

- Social Security review of the Windfall Elimination provision and Government Pension Offset
- Insurance for university and community college participants
- SMP statistics
- Purchasing service credit: cost, availability and methods, as well as benefit
- Reallocating contributions and fund choice
- Applying for a retirement benefit: how and when.

Presentations will also be made by Fidelity and TIAA-CREF. Their presentations will provide information on market volatility and the importance of asset allocation and diversification and will help convey economic perspective and provide fund education. To learn more about presentation dates and how to register, visit [www.surs.org](http://www.surs.org).

## *Member Website*

If you have not registered as a Member Website user, please take a few moments of your time and enhance your knowledge. As an SMP member, your website includes:

- Graphic details of your contributions, state matching contributions and total account value
- Employment history while a SURS participant
- Unified Account Statements
- Fund performance for the 52 investments
- An overview of each fund
- Links to important sites and contacts including TIAA-CREF and Fidelity
- Pertinent articles dealing with financial planning and trends
- Financial planning calculators and benefit estimators that help you save for the future and determine your approximate benefit amount. To register, visit [www.surs.org](http://www.surs.org) and click on “Member Access.”

## *What Can I Do?*

We have certainly seen unprecedented times in the financial marketplace in the past two years. Much has been written as to why and how this economic downturn and ensuing “recovery” occurred and we are left feeling somewhat overwhelmed. What can you do to help yourself in these unusual times?

- Review your existing asset allocation and determine if your goals are still being met.
- Contact your fund provider(s) or financial planner; they can discuss your current asset allocation, your short and/or long term goals and determine an appropriate asset mix.
- Contact SURS if you wish to re-allocate your contributions from one provider to another.
- Review your budget and any current or future debt. Most financial planners agree you should maintain a reserve equal to 6 months of income.
- Make sure your beneficiaries are up to date with SURS and we have written verification of your date of birth and proof of marriage.
- Create or review your estate plan.
- Determine the best time to retire.
- Review eligibility for insurance and the cost, if any.
- Contact the Social Security Administration to determine eligibility and possible benefit.

Current studies indicate you will need 70-80% of your current income to maintain your current lifestyle. Estimator tools are available on the Member Website or you can contact your provider(s) for an estimate.

## *SMP Survey*

SURS recently conducted an SMP Participant and Annuitant Satisfaction survey. All SURS SMP members with a current email address on file received an email invitation to participate in this survey.

Specifically, this survey will help determine if the current features of the SURS Self-Managed Plan meet member needs. Once the surveys have been calculated and evaluated, the findings will be reported back to all SURS members. □

# News You Can Use

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## **Video Tutorials Now Available on Website**

In an effort to better educate our members, SURS is creating a variety of videos and tutorials that are available on our website. The Member Website Video demonstrates how to log on and navigate the Member Website for a Traditional plan participant. The Benefit Estimator Tutorial demonstrates how an active member's Benefit Estimator works on the SURS Member Website. The Benefit Estimator is a tool for you to use to estimate your own retirement benefits. The Traditional Plan Video describes the Traditional defined benefit plan.

SURS will continue to add more videos and tutorials to the website, including more information on the Portable plan and Reciprocal systems. Visit our website at [www.surs.org](http://www.surs.org) and click on the Videos tab at the top to view these new educational tools. □

## **Benefit Recipients: Direct Deposit Information**

Benefit recipients using direct deposit must notify SURS in writing if your direct deposit information changes in any way. This includes changes of the following information: bank name, address, account number, account type, and ACH routing number. You can log onto the SURS website at [www.surs.org](http://www.surs.org) to access a Direct Deposit Authorization form under Forms & Guides to complete and mail to our office. No copies, faxes, or email attachments will be accepted. Original signature is required. □

## **Got Mail?**

To ensure that you are receiving all of the latest information about your SURS benefits, please notify us if your email address changes. You can check to see which email address you have on file by visiting the SURS Member Website. Once you are logged onto your account, your contact information will appear on the right in the "Welcome Back" box. If you need to update the address you see listed, click on "Change Personal Info." You can also contact a Benefits Counselor at 1-800-ASK-SURS or 378-8800 in the Champaign-Urbana area to review your contact information. □

## **Retail Maintenance Pharmacy Changes**

Effective September 1, 2010, the Retail Maintenance Pharmacy Network for the Quality Care Health Plan, Health Alliance Illinois, Humana-Winnebago and HealthLink OAP has changed. The Retail Maintenance Program permits a member to purchase a 90 day supply of maintenance medication for two co-payments at a retail maintenance network pharmacy. A list of pharmacies participating in the Retail Maintenance Pharmacy Network effective September 1, 2010, can be found at [www.benefitschoice.il.gov](http://www.benefitschoice.il.gov) and will be updated as the network changes. Members may also contact their pharmacy to determine whether or not they intend to join the network. □

## **Benefit Payment Schedule**

On the first working day of the month, all electric fund transfers (EFTs) for disability retirement allowances, retirees, survivors, beneficiary annuitants, and reversionary annuities are made. Dates for these payments are: January 3, 2011, February 1, 2011, March 1, 2011, April 1, 2011, May 2, 2011, June 1, 2011, July 1, 2011, August 1, 2011, September 1, 2011, October 3, 2011, November 1, 2011, December 1, 2011, and January 3, 2012.

On the last working day of the month, all paper checks and statements are mailed and disability EFTs are deposited. Dates for these payments are: January 31, 2010, February 28, 2011, March 31, 2011, April 29, 2011, May 31, 2011, June 30, 2011, July 29, 2011, August 31, 2011, September 30, 2011, October 31, 2011, November 30, 2011, December 30, 2011, and January 31, 2012.

Around the 15th of the month, SURS submits a pre-notification to the financial institutions receiving EFTs, allowing them to list any corrections in account transmittal information to us. Any direct deposit changes received at SURS after the pre-notification is processed will result in a paper check being mailed directly to the bank for the first month. □

Please note that the State Universities Retirement System does not endorse any provider of financial advice. Members seeking financial advice or planning assistance are encouraged to carefully select credentialed professionals.

**Member Service Representative**  
1-800-275-7877  
217-378-8800 (Champaign-Urbana Area)

**Internet**  
[www.surs.org](http://www.surs.org)

***The Advocate* is published by the State Universities Retirement System. We welcome your comments.**

**Editor:** Kendra Iffland

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