

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

Report on Allocation of Special Funding Situation
As of and For the Year Ended June 30, 2023

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Report on the Allocation of the Special Funding Situation
Year Ended June 30, 2023**

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**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Report on the Allocation of the Special Funding Situation
Year Ended June 30, 2023**

System Officials

Executive Director	Ms. Suzanne Mayer
Chief Financial Officer	Ms. Tara Myers
Chief Investment Officer (07/01/22 – 02/29/24)	Mr. Doug Wesley
Chief Investment Officer (03/01/24 – Present)	Mr. Michael Schlachter
General Counsel	Ms. Bianca Green
Chief Internal Auditor	Ms. Jacqueline Hohn

Board Officers

Chairperson (07/01/22 – 10/19/23)	Mr. John Atkinson
Chairperson (10/20/23 – 11/14/23)	Vacant
Chairperson (11/15/23 – Present)	Mr. John Lyons

Board Trustees

Appointed Trustee (07/01/22 – 10/19/23)	Mr. John Atkinson
Appointed Trustee (10/20/23 – Present)	Mr. Pranav Kothari
Appointed Trustee	Mr. Richard Figueroa
Appointed Trustee	Ms. Jamie-Clare Flaherty
Appointed Trustee (06/30/24 – Present)	Vacant
Appointed Trustee	Mr. Scott Hendrie
Appointed Trustee	Mr. John Lyons
Elected Active Trustee	Mr. Andriy Bodnaruk
Elected Active Trustee	Mr. Colin Van Meter
Elected Active Trustee (07/01/22 – 09/29/22)	Mr. Scott Weisbenner
Elected Active Trustee (09/30/22 – 11/28/22)	Vacant
Elected Active Trustee (11/29/22 – Present)	Mr. Antonio Vasquez
Elected Active Trustee (07/01/22 – 07/14/24)	Mr. Steven Rock
Elected Active Trustee (07/15/24 – Present)	Mr. Herbert Pitman
Elected Annuitant Trustee	Mr. J. Fred Giertz
Elected Annuitant Trustee (07/01/22 – 07/14/24)	Mr. Mitchell Vogel
Elected Annuitant Trustee (07/15/24 – Present)	Mr. Steven Rock

Office Location

1901 Fox Drive
Champaign, Illinois 61820

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Report on the Allocation of the Special Funding Situation
Year Ended June 30, 2023**

Summary

The audit of the accompanying Schedule of the Special Funding Situation Allocation of the State of Illinois, State Universities Retirement System (System) was performed by RSM US LLP.

Based on their audit, the auditors expressed an unmodified opinion on the System's Schedule.

Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino
Auditor General, State of Illinois

Board of Trustees
State Universities Retirement System of Illinois

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the Schedule of the Special Funding Situation Allocation (Schedule) including the employer allocations and the columns titled the net pension liability allocation, total defined benefit special funding situation allocation and total defined contribution special funding situation allocation (specified column totals) included in the Schedule, of the State Universities Retirement System of Illinois (the System), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the accompanying Schedule referred to above presents fairly, in all material respects, the employer allocations and the net pension liability allocation, total defined benefit special funding situation allocation and total defined contribution special funding situation allocation for the total of all participating entities for the System as of and for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedule

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

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the employer allocations and specified column totals included in the Schedule are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the employer allocations and specified column totals included in the Schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule of the Special Funding Situation Allocation, including the employer allocations and the specified column totals included in the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the Schedule of the Special Funding Situation Allocation, including the employer allocations and the specified column totals included in the Schedule and the related disclosures.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule of the Special Funding Situation Allocation, including the employer allocations and the specified column totals included in the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

The Schedule of the Special Funding Situation Allocation, as of and for the year ended June 30, 2022, was audited by other auditors, whose report, dated July 31, 2023, expressed unmodified opinions on that schedule.

The financial statements of the System, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated December 16, 2022, expressed an unmodified opinion on those financial statements.

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended June 30, 2023, and our report thereon, dated February 8, 2024, expressed an unmodified opinion on those financial statements.

In addition, as Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United State of America, the Schedule of Allocation of the State Universities Retirement System of Illinois, a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the schedule. We have also audited the total for all entities of the columns titled ending net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense subject to allocation included in the Schedule of Pension Amounts of the System as of and for the year ended June 30, 2023, and the related notes, and our report thereon, dated March 20, 2024, expressed an unmodified opinion on those schedules.

Restriction on Use

Our report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, System management, System Board of Trustees, System Employers and their auditors as of and for the year ended June 30, 2023, and is not intended to be, and should not be, used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
September 23, 2024

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

Schedule of the Special Funding Situation Allocation
As of and for the Year Ended June 30, 2023

Defined Benefit Plan				
Employer	Employee Contributions	Allocation Percentage	Net Pension Liability Allocation	Special Funding Situation Allocation
Black Hawk College	\$ 1,181,089	0.386006%	\$ 113,657,684	\$ 7,273,853
Carl Sandburg College	697,320	0.227900%	67,104,102	4,294,521
City Colleges of Chicago	15,099,583	4.934881%	1,453,052,916	92,992,331
College of DuPage	7,562,610	2.471630%	727,760,037	46,575,112
College of Lake County	5,065,014	1.655360%	487,413,106	31,193,414
Danville Area Community College	926,162	0.302690%	89,125,672	5,703,856
Elgin Community College	3,769,675	1.232014%	362,760,832	23,215,930
Heartland Community College	1,378,035	0.450373%	132,610,250	8,486,777
Highland Community College	707,351	0.231178%	68,069,294	4,356,292
Illinois Central College	2,493,066	0.814790%	239,911,152	15,353,809
Illinois Eastern Community College	1,288,898	0.421241%	124,032,467	7,937,817
Illinois Valley Community College	894,230	0.292254%	86,052,840	5,507,201
John A. Logan College	1,420,691	0.464314%	136,715,113	8,749,480
John Wood Community College	664,490	0.217170%	63,944,703	4,092,327
Joliet Junior College	4,488,371	1.466900%	431,921,929	27,642,095
Kankakee Community College	978,650	0.319845%	94,176,883	6,027,122
Kaskaskia College	1,018,858	0.332986%	98,046,190	6,274,750
Kishwaukee College	907,218	0.296499%	87,302,761	5,587,193
Lake Land College	1,691,496	0.552819%	162,775,001	10,417,258
Lewis and Clark Community College	1,447,795	0.473172%	139,323,310	8,916,399
Lincoln Land Community College	2,253,374	0.736453%	216,845,184	13,877,636
McHenry College	1,795,078	0.586672%	172,742,861	11,055,180
Moraine Valley Community College	4,007,935	1.309883%	385,688,999	24,683,285
Morton College	1,286,928	0.420597%	123,842,844	7,925,682
Oakton Community College	3,660,129	1.196212%	352,219,098	22,541,282
Parkland College	2,407,892	0.786953%	231,714,676	14,829,252
Prairie State College	1,393,213	0.455333%	134,070,699	8,580,243
Rend Lake College	822,700	0.268877%	79,169,591	5,066,687
Richland Community College	780,937	0.255228%	75,150,706	4,809,487
Rock Valley College	1,862,656	0.608758%	179,245,981	11,471,366
Sauk Valley College	638,819	0.208780%	61,474,307	3,934,226
Shawnee College	493,661	0.161339%	47,505,523	3,040,254
South Suburban College	1,427,784	0.466632%	137,397,637	8,793,160
Southeastern Illinois College	427,556	0.139735%	41,144,325	2,633,150
Southwestern Illinois College	2,525,837	0.825500%	243,064,662	15,555,627
Spoon River College	482,472	0.157683%	46,429,031	2,971,360
Triton College	2,581,443	0.843673%	248,415,618	15,898,077
Waubensee Community College	2,445,542	0.799258%	235,337,826	15,061,126
William Rainey Harper College	4,410,264	1.441373%	424,405,622	27,161,067
Chicago State University	3,106,946	1.015419%	298,985,434	19,134,439
Eastern Illinois University	4,447,488	1.453538%	427,987,550	27,390,303
Governors State University	3,450,185	1.127597%	332,015,728	21,248,308
Illinois State University	12,866,946	4.205205%	1,238,203,188	79,242,400
Northeastern Illinois University	4,692,100	1.533483%	451,526,986	28,896,778
Northern Illinois University	11,391,668	3.723051%	1,096,235,170	70,156,746
Northern Illinois University Foundation	33,927	0.011088%	3,264,810	208,941
Southern Illinois University System	27,879,179	9.111538%	2,682,850,278	171,696,777
University of Illinois Alumni Association	71,435	0.023347%	6,874,416	439,948
University of Illinois Foundation	699,353	0.228564%	67,299,614	4,307,034
University of Illinois System	141,018,717	46.088063%	13,570,417,269	868,478,169
Western Illinois University	5,234,214	1.710658%	503,695,347	32,235,443
Board of Examiners	12,194	0.003985%	1,173,365	75,093
Illinois Community College Trustees' Association	15,818	0.005170%	1,522,283	97,423
Illinois Federation of Teachers	28,069	0.009174%	2,701,242	172,874
State of Illinois	1,643,599	0.537159%	158,163,986	10,122,161
TOTALS	\$ 305,976,660	100.000000%	\$ 29,444,538,098	\$ 1,884,388,521

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Schedule of the Special Funding Situation Allocation
As of and for the Year Ended June 30, 2023**

Employer	Defined Contribution Plan			
	Adjusted Net Contributions	Allocation Percentage	Special Funding Situation Allocation	Special Funding Sourced by Forfeitures
Black Hawk College	\$ 360,143	0.394760%	\$ 356,587	\$ 32,917
Carl Sandburg College	64,637	0.070850%	63,999	5,908
City Colleges of Chicago	1,279,085	1.402031%	1,266,455	116,909
College of DuPage	1,279,569	1.402562%	1,266,935	116,954
College of Lake County	1,042,793	1.143027%	1,032,497	95,312
Danville Area Community College	120,360	0.131929%	119,172	11,001
Elgin Community College	630,592	0.691205%	624,366	57,637
Heartland Community College	364,393	0.399419%	360,795	33,306
Highland Community College	125,470	0.137530%	124,231	11,468
Illinois Central College	405,973	0.444995%	401,964	37,106
Illinois Eastern Community College	228,219	0.250156%	225,966	20,859
Illinois Valley Community College	186,142	0.204034%	184,304	17,014
John A. Logan College	168,653	0.184864%	166,988	15,415
John Wood Community College	104,262	0.114284%	103,233	9,530
Joliet Junior College	590,834	0.647625%	585,000	54,003
Kankakee Community College	150,563	0.165035%	149,076	13,762
Kaskaskia College	208,766	0.228833%	206,705	19,081
Kishwaukee College	161,076	0.176559%	159,486	14,723
Lake Land College	235,686	0.258340%	233,359	21,542
Lewis and Clark Community College	351,307	0.385075%	347,838	32,110
Lincoln Land Community College	441,113	0.483513%	436,758	40,318
McHenry College	443,909	0.486578%	439,526	40,574
Moraine Valley Community College	622,326	0.682144%	616,181	56,881
Morton College	132,506	0.145243%	131,198	12,111
Oakton Community College	635,312	0.696378%	629,039	58,068
Parkland College	522,489	0.572711%	517,330	47,756
Prairie State College	249,455	0.273433%	246,992	22,800
Rend Lake College	124,220	0.136160%	122,993	11,354
Richland Community College	166,355	0.182345%	164,712	15,205
Rock Valley College	281,109	0.308129%	278,333	25,694
Sauk Valley College	157,389	0.172517%	155,835	14,385
Shawnee College	55,536	0.060874%	54,988	5,076
South Suburban College	99,549	0.109118%	98,566	9,099
Southeastern Illinois College	35,808	0.039250%	35,455	3,273
Southwestern Illinois College	361,017	0.395718%	357,452	32,997
Spoon River College	78,824	0.086401%	78,046	7,205
Triton College	315,887	0.346250%	312,768	28,872
Waubensee Community College	695,158	0.761977%	688,294	63,538
William Rainey Harper College	1,442,418	1.581064%	1,428,176	131,838
Chicago State University	380,962	0.417580%	377,200	34,820
Eastern Illinois University	1,189,274	1.303588%	1,177,532	108,701
Governors State University	714,254	0.782908%	707,201	65,283
Illinois State University	4,150,776	4.549750%	4,109,791	379,384
Northeastern Illinois University	912,161	0.999838%	903,154	83,372
Northern Illinois University	4,548,911	4.986154%	4,503,995	415,774
Northern Illinois University Foundation	23,265	0.025501%	23,035	2,126
Southern Illinois University System	9,195,676	10.079568%	9,104,878	840,492
University of Illinois Alumni Association	89,872	0.098511%	88,985	8,214
University of Illinois Foundation	432,940	0.474554%	428,665	39,571
University of Illinois System	52,904,263	57.989445%	52,381,891	4,835,492
Western Illinois University	1,508,907	1.653944%	1,494,008	137,915
Board of Examiners	-	0.000000%	-	-
Illinois Community College Trustees' Association	-	0.000000%	-	-
Illinois Federation of Teachers	13,176	0.014442%	13,045	1,204
State of Illinois	247,509	0.271301%	245,066	22,624
TOTALS	\$ 91,230,849	100.000000%	\$ 90,330,044	\$ 8,338,573

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Schedule of the Special Funding Situation Allocation
As of and for the Year Ended June 30, 2023**

<u>Employer</u>	<u>Total Allocation of the Special Funding Situation</u>		
	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total</u>
Black Hawk College	\$ 7,273,853	\$ 356,587	\$ 7,630,440
Carl Sandburg College	4,294,521	63,999	4,358,520
City Colleges of Chicago	92,992,331	1,266,455	94,258,786
College of DuPage	46,575,112	1,266,935	47,842,047
College of Lake County	31,193,414	1,032,497	32,225,911
Danville Area Community College	5,703,856	119,172	5,823,028
Elgin Community College	23,215,930	624,366	23,840,296
Heartland Community College	8,486,777	360,795	8,847,572
Highland Community College	4,356,292	124,231	4,480,523
Illinois Central College	15,353,809	401,964	15,755,773
Illinois Eastern Community College	7,937,817	225,966	8,163,783
Illinois Valley Community College	5,507,201	184,304	5,691,505
John A. Logan College	8,749,480	166,988	8,916,468
John Wood Community College	4,092,327	103,233	4,195,560
Joliet Junior College	27,642,095	585,000	28,227,095
Kankakee Community College	6,027,122	149,076	6,176,198
Kaskaskia College	6,274,750	206,705	6,481,455
Kishwaukee College	5,587,193	159,486	5,746,679
Lake Land College	10,417,258	233,359	10,650,617
Lewis and Clark Community College	8,916,399	347,838	9,264,237
Lincoln Land Community College	13,877,636	436,758	14,314,394
McHenry College	11,055,180	439,526	11,494,706
Moraine Valley Community College	24,683,285	616,181	25,299,466
Morton College	7,925,682	131,198	8,056,880
Oakton Community College	22,541,282	629,039	23,170,321
Parkland College	14,829,252	517,330	15,346,582
Prairie State College	8,580,243	246,992	8,827,235
Rend Lake College	5,066,687	122,993	5,189,680
Richland Community College	4,809,487	164,712	4,974,199
Rock Valley College	11,471,366	278,333	11,749,699
Sauk Valley College	3,934,226	155,835	4,090,061
Shawnee College	3,040,254	54,988	3,095,242
South Suburban College	8,793,160	98,566	8,891,726
Southeastern Illinois College	2,633,150	35,455	2,668,605
Southwestern Illinois College	15,555,627	357,452	15,913,079
Spoon River College	2,971,360	78,046	3,049,406
Triton College	15,898,077	312,768	16,210,845
Waubensee Community College	15,061,126	688,294	15,749,420
William Rainey Harper College	27,161,067	1,428,176	28,589,243
Chicago State University	19,134,439	377,200	19,511,639
Eastern Illinois University	27,390,303	1,177,532	28,567,835
Governors State University	21,248,308	707,201	21,955,509
Illinois State University	79,242,400	4,109,791	83,352,191
Northeastern Illinois University	28,896,778	903,154	29,799,932
Northern Illinois University	70,156,746	4,503,995	74,660,741
Northern Illinois University Foundation	208,941	23,035	231,976
Southern Illinois University System	171,696,777	9,104,878	180,801,655
University of Illinois Alumni Association	439,948	88,985	528,933
University of Illinois Foundation	4,307,034	428,665	4,735,699
University of Illinois System	868,478,169	52,381,891	920,860,060
Western Illinois University	32,235,443	1,494,008	33,729,451
Board of Examiners	75,093	-	75,093
Illinois Community College Trustees' Association	97,423	-	97,423
Illinois Federation of Teachers	172,874	13,045	185,919
State of Illinois	10,122,161	245,066	10,367,227
TOTALS	\$ 1,884,388,521	\$ 90,330,044	\$ 1,974,718,565

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Notes to the Schedule of the Special Funding Situation Allocation
Year Ended June 30, 2023**

Note 1. Summary of Plans

The State Universities Retirement System (SURS or the System) is the administrator of a cost-sharing, multiple-employer defined benefit plan (DB Plan) and a cost-sharing, multiple-employer defined contribution plan (DC Plan). SURS was established on July 21, 1941, and provides retirement annuities and other benefits for employees of the state universities, state community colleges, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, defines special funding situations as circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the nonemployer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a nonemployer contributing entity to the community colleges, the universities, the Board of Examiners, the Illinois Community College Trustees' Association, and the Illinois Federation of Teachers. Additionally, this Schedule aggregates agencies of the State of Illinois together to reflect their participation in the System to fairly allocate activity among the System's employers; however, these agencies' activity within the System is not subject to a special funding situation and is included within the State of Illinois' activity within SURS' Schedules of Allocation and Pension Amounts released under a separate cover.

SURS is included in the State of Illinois' financial reports as a component unit. SURS is governed by Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes. These statutes assign the authority to establish and amend the benefit provisions of the System's plans to the General Assembly. The statutes also define the scope of SURS reporting entity. Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System. 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.

Benefit Provisions

The traditional defined benefit plan was established in 1941. An alternative defined benefit program, known as the portable benefit package, and a defined contribution plan were established effective January 1, 1998, due to the enactment of Public Act 90-0448. A summary of the benefit provisions can be found in the System's Annual Comprehensive Financial Report (ACFR), specifically within the Notes to the Financial Statements. The System's ACFR can be accessed on its website at www.surs.org.

Note 2. Summary of Significant Accounting Policies

Nature of Schedule

Employers participating in a cost-sharing pension plan under a special funding situation must recognize their proportionate share of the collective pension expense supported by the non-employer contributing entity as pension expense and special funding situation revenue within their financial statements. In addition, these employers must present certain information on their net pension liability (NPL) associated with the special funding situation within their notes to their financial statements and required supplementary information disclosures.

**State of Illinois
State Universities Retirement System
(A Component Unit of the State of Illinois)**

**Notes to the Schedule of the Special Funding Situation Allocation (Continued)
Year Ended June 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 68, paragraph 92, states that in determining the employer's proportion of the collective NPL, the basis should be consistent with the manner in which contributions to the pension plan, excluding those to separately finance specific liabilities of the individual employer to the Plan, are determined, which is consistent with paragraphs 48-51. GASB 68, paragraph 92 further states that in determining the non-employer's proportion of the collective NPL and corresponding pension amounts the Plan should follow the Plan terms to determine the specific relationship of the contribution requirements of the non-employer contributing entity to those of the employer and other contributing entities.

Under the Illinois Compiled Statutes (40 ILCS 5/15-157(a)), employees participating within SURS must contribute 8% of their gross earnings, with certain police officers and firefighters contributing 9.5% of their gross earnings.

Due to the nature of the Schedule, the contributions utilized in the allocation calculation were actual employee contributions received and numbers throughout the Schedule have been rounded. Therefore, the total amounts reported within the Schedule may not agree to the summation of the individual columns.

Timing of Contributions Used for Allocation

The allocation methodologies for the DB Plan and DC Plan differ due to the underlying inputs into the amounts being allocated.

Defined Benefit Plan

The Schedule presents the allocation among the System's employers of the State of Illinois' (1) ending NPL of \$29,444,538,098 as of the measurement date of June 30, 2023, and (2) total defined benefit pension expense of \$1,884,388,521 for the measurement year ended June 30, 2023.

The NPL as of June 30, 2023, and total defined benefit pension expense for the year ended June 30, 2023, are based on a one-year roll-forward of an actuarial valuation performed as of June 30, 2022. For the allocations in the Schedule to be reflective of the employee census underpinning that actuarial valuation, the basis of these allocations is the proportion of each employer's employee contributions to the DB Plan for the year ended June 30, 2022.

Defined Contribution Plan

The Schedule presents the allocation among the System's employers of the State of Illinois' total defined contribution pension expense of \$90,330,044 for the measurement year ended June 30, 2023.

The total defined contribution pension expense for the year ended June 30, 2023, is based on financial statement information for the same year. For the contributions used in the allocations to be reflective of the State of Illinois' pension expense, employee contributions per employer were adjusted to reflect the lower employer contribution rate of 7.6% (compared to 8% for employees) and then reduced by the forfeited contributions specifically attributable to each employer*. These adjusted net contributions per employer are the basis of this allocation. Unlike the DB Plan, there are no underlying actuarial inputs and, therefore, no inherent one-year lag in the employee population driving these contributions. As a result, the adjusted net contributions to the DC Plan used for this allocation are for the year ended June 30, 2023.

*Employees whose SURS-covered employment is terminated before attaining five years of service credit mandatorily forfeit their accumulated employer contributions. Employee contributions are always 100% vested.

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**Notes to the Schedule of the Special Funding Situation Allocation (Continued)
Year Ended June 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial transactions are recorded using the economic resources measurement focus and the accrual basis of accounting. Employer and non-employer contributing entity contributions are recognized as revenue when due pursuant to statutory or contractual requirements. The total pension liability valued for this report is based on an actuarial valuation performed as of June 30, 2022, rolled forward to June 30, 2023, the measurement date.

Use of Estimates in the Preparation of the Schedule

The preparation of the Schedule 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, and changes therein, and disclosures. Actual results could differ from those estimates and differences could be material. The System uses an actuary to determine the total pension liability for the defined benefit plan and to calculate the actuarially determined contributions of the State and employers.

Basis of Allocation

In determining the proportionate share of the NPL and corresponding employer pension amounts subject to the special funding situation, the basis should be consistent with the manner in which contributions to the Plan, excluding those to separately finance specific liabilities of an individual employer, are determined. The System's approach to determining which contributions to use as the basis of allocation is explained in *Timing of Contributions Used for Allocation* above. The System has determined that this approach is representative of the non-employer pension expense incurred by the State of Illinois.

The contributions to the System for SURS' employees were not included because the costs for SURS' employees ultimately must be recovered through charges to the nonemployer contributing entity. By excluding these contributions from the denominator, the cost of SURS' employees is recognized by the other employers included in the Schedule.

The fiscal year 2022 actual employee contributions used as the denominator for the defined benefit allocation calculations in the Schedule can be reconciled to the System's ACFR as follows:

Contributions used as basis of allocation	\$ 305,976,660
Plus: Contributions made by SURS employees for current service	<u>838,811</u>
Total member contributions to SURS for current service	306,815,471
Plus: Member contributions for service credit purchases	8,527,074
Less: Refunds of excess contributions to retiring members	(24,576,127)
Less: Member contributions transferred to DC Plan upon plan election	(2,141,781)
Plus: Contribution adjustments, timing differences, etc.	<u>446,025</u>
Member contributions per Statement of Changes in Fiduciary Net Position	<u><u>\$ 289,070,662</u></u>

**State of Illinois
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**Notes to the Schedule of the Special Funding Situation Allocation (Continued)
Year Ended June 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Allocation (Continued)

The fiscal year 2023 adjusted net contributions used as the denominator for the defined contribution allocation calculation in the Schedule can be reconciled to the System's ACFR as follows:

Adjusted net contributions used as basis of allocation, at employer rate	\$ 91,230,849
Plus: Employer matches forfeited	8,607,366
Less: Previously-forfeited employer matches reinstated	<u>(268,793)</u>
Adjusted contributions to SURS for current service, at employer rate	<u>\$ 99,569,422</u>
Apply employee/employer contribution rate ratio of $8.0/7.6$	\$ 104,809,916
Plus: Contributions made by SURS employees for current service	<u>189,439</u>
Total member contributions to SURS for current service	104,999,355
Plus: Member contributions for service credit purchases	404,029
Plus: Member contributions transferred from DB Plan upon DC Plan election	<u>2,466,587</u>
Member contributions per Combining Statement of Changes in Fiduciary Net Position	<u>\$ 107,869,971</u>

**State of Illinois
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**Notes to the Schedule of the Special Funding Situation Allocation (Continued)
Year Ended June 30, 2023**

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Allocation (Continued)

In addition, the various campuses of the Southern Illinois University System and the University of Illinois System were aggregated for the purposes of the Schedule. The contributions associated with each campus were as follows:

	DB Plan	DC Plan
Southern Illinois University Carbondale	\$ 18,877,312	\$ 6,591,224
Southern Illinois University Edwardsville	9,001,867	2,604,452
	\$ 27,879,179	\$ 9,195,676
University of Illinois Chicago	\$ 81,688,152	\$ 26,106,469
University of Illinois Springfield	3,048,771	961,096
University of Illinois Urbana-Champaign	56,281,794	25,836,698
	\$ 141,018,717	\$ 52,904,263

Finally, the agencies of the State of Illinois were aggregated for the purposes of the Schedule. The contributions associated with each agency or purpose were as follows:

	DB Plan	DC Plan
State Universities Civil Service System	\$ 44,253	\$ 9,882
Board of Higher Education	197,970	7,734
Department of Innovation and Technology	171,304	34,715
Illinois Community College Board	219,301	9,840
Illinois Mathematics and Science Academy	972,948	170,610
Gubernatorial Appointees under the Civil Administrative Code of Illinois Pursuant to Section 15-107(c) of the Illinois Pension Code	37,823	14,728
	\$ 1,643,599	\$ 247,509

**State of Illinois
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**Notes to the Schedule of the Special Funding Situation Allocation (Continued)
Year Ended June 30, 2023**

Note 3. Pension Expense and Amortization of Pension Expense

Additional information about the System's NPL and pension expense, as well as deferred outflows of resources and deferred inflows of resources, are available within SURS' Annual Comprehensive Financial Report and SURS' Schedules of Allocation and Pension Amounts released under separate covers.

Note 4. Requests for Information

SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.