



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**STATE UNIVERSITIES RETIREMENT SYSTEM**

**Financial Audit  
For the Year Ended: June 30, 2010**

**Release Date: January 12, 2011**

**Summary of Findings:**

<b>Total this audit:</b>	<b>0</b>
<b>Total last audit:</b>	<b>2</b>
<b>Repeated from last audit:</b>	<b>0</b>

**INTRODUCTION**

This digest covers our financial audit of the System for the year ended June 30, 2010. A compliance examination report covering the year ending June 30, 2010 will be issued separately.

**UNDERFUNDING OF THE SYSTEM**

The actuarial accrued liability was valued at \$30.1 billion at June 30, 2010. The actuarial value of assets (at smoothed value) totaled approximately \$14.0 billion at June 30, 2010. The method for determining the actuarial value of assets was changed beginning with the June 30, 2009 valuation. The method was changed from the market value to a smoothed value where the actuarial gains or losses for each year are recognized in equal amounts over the ensuing five-year period.

The difference between the actuarial accrued liability and the actuarial value of assets of \$16.1 billion reflects the unfunded liability of the System at June 30, 2010. The System had a funded ratio (at smoothed value) of 46.4% at June 30, 2010. When using the market value, the System would have a funded ratio of 40.2%.

{Expenditures and Activity Measures are summarized on the reverse page.}

**STATE UNIVERSITIES RETIREMENT SYSTEM**  
**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2010**

<b>FINANCIAL OPERATIONS</b>	<b>2010</b>	<b>2009</b>
<b>Additions</b>		
Contributions		
Participants.....	\$ 323,570,314	\$ 322,117,492
Employer.....	739,711,843	489,881,392
Total Contributions.....	<u>\$ 1,063,282,157</u>	<u>\$ 811,998,884</u>
Investment Income		
Net appreciation (depreciation) in fair market value....	\$ 1,294,472,087	\$ (3,290,131,425)
Interest.....	324,588,475	183,668,534
Dividends.....	153,916,871	153,789,636
Securities lending.....	6,534,929	16,649,099
Less: Investment expense.....	(54,177,017)	(31,095,737)
Net Investment Income (Loss).....	<u>1,725,335,345</u>	<u>(2,967,119,893)</u>
Total Additions.....	<u>\$ 2,788,617,502</u>	<u>\$ (2,155,121,009)</u>
<b>Deductions</b>		
Benefits.....	\$ 1,483,740,506	\$ 1,376,726,389
Refund of contributions.....	57,467,779	51,372,312
Administrative expense.....	12,455,584	12,922,070
Total Deductions.....	<u>\$ 1,553,663,869</u>	<u>\$ 1,441,020,771</u>
Net Increase (Decrease).....	<u>\$ 1,234,953,633</u>	<u>\$ (3,596,141,780)</u>

<b>INVESTMENT PORTFOLIO ANALYSIS</b> (Fair Value)	<b>JUNE 30, 2010</b>	<b>JUNE 30, 2009</b>
Equities.....	\$ 7,634,359,192	\$ 6,967,844,154
Fixed income.....	3,596,346,644	3,565,341,020
Real estate.....	266,184,186	228,750,215
Mutual funds and variable annuities.....	667,015,195	530,092,101
Total.....	<u>\$ 12,163,905,217</u>	<u>\$ 11,292,027,490</u>

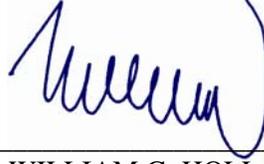
<b>FUNDING PROGRESS (Millions)</b>	<b>JUNE 30, 2010</b>	<b>JUNE 30, 2009</b>
Actuarial Accrued Liability.....	\$ 30,120	\$ 26,316
Actuarial Value of Assets.....	13,966.6	14,282.0
Unfunded Actuarial Accrued Liability.....	<u>\$ 16,154</u>	<u>\$ 12,034</u>
Funded Ratio.....	46.4%	54.3%

<b>SUPPLEMENTARY INFORMATION</b>	<b>JUNE 30, 2010</b>	<b>JUNE 30, 2009</b>
Benefit recipients.....	49,056	46,920
Active members.....	82,742	83,545
Inactive members.....	80,438	77,780
Total.....	<u>212,236</u>	<u>208,245</u>

<b>AGENCY DIRECTOR</b>
During Audit Period: Interim Executive Director: Judith A. Parker
Currently: William Mabe

**AUDITORS' OPINION**

Our auditors state the June 30, 2010 financial statements of the State Universities Retirement System are presented fairly in all material respects.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

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WILLIAM G. HOLLAND  
Auditor General

WGH:TLK:PP

**SPECIAL ASSISTANT AUDITORS**

McGladrey & Pullen LLP were our Special Assistant Auditors for this engagement.