

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

Independent Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2021
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

State of Illinois
State Universities Retirement System
Independent Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2021

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Independent Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2021

System Officials

Acting Executive Director (2/20/21 – 12/8/21)	Ms. Suzanne Mayer
Executive Director (12/9/21 – Present)	Ms. Suzanne Mayer
Executive Director (7/1/20 – 2/19/21)	Mr. Martin Noven
Chief Financial Officer	Ms. Tara Myers
Chief Investment Officer	Mr. Doug Wesley
General Counsel	Ms. Bianca Green
Director of Internal Audit	Ms. Jacqueline Hohn

Board Officers

Chairperson	Mr. John Atkinson
Vice Chairperson	Mr. Colin Van Meter
Treasurer	Mr. John Lyons

Board Members

Board of Trustees	Mr. Andriy Bodnaruk
	Mr. Richard Figueroa
	Ms. Jamie-Clare Flaherty
	Mr. J. Fred Giertz
	Mr. Scott Hendrie
	Mr. Steven Rock
	Mr. Mitchell Vogel
	Mr. Scott Weisbenner

Office Location

1901 Fox Drive
Champaign, Illinois 61820

State of Illinois
State Universities Retirement System
Independent Auditor's Report on the Special Funding Situation Allocation
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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 FORVIS, LLP.

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

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General, State of Illinois
Springfield, Illinois
and
Board of Trustees
State Universities Retirement System
Champaign, Illinois

Report on the Pension Schedules

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Schedule of the Special Funding Situation Allocation of the State Universities Retirement System (System), a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related Notes to the Schedule.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of the Special Funding Situation Allocation 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 Schedule of the Special Funding Situation Allocation are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of the Special Funding Situation Allocation. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of the Special Funding Situation Allocation, 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 Schedule of the Special Funding Situation Allocation 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 Schedule of the Special Funding Situation.

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 Schedule referred to above, presents fairly, in all material respects, the employer allocations as of and for the year ended June 30, 2021, for the total of all participating employers for the System as of and for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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, 2021, and our report thereon, dated December 13, 2021, expressed an unmodified opinion on those financial statements.

We have previously audited the System's 2020 financial statements, and we expressed an unmodified audit opinion in our report dated December 11, 2020.

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, the Board of Trustees, and System Employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
August 9, 2022

State Universities Retirement System
Schedule of Special Funding Situation Allocation
As of and for the Year Ended June 30, 2021

Employer	Contributions to SURS' Defined Benefit Plan	Allocation Percentage	Contributions to SURS' Defined Contribution Plan	Allocation Percentage	Allocation of the Net Pension Liability	Allocation of Special Funding Situation
Black Hawk College	\$ 1,195,460	0.400778%	\$ 330,007	0.405639%	\$ 114,335,860	\$ 9,697,490
Carl Sandburg College	684,987	0.229642%	83,303	0.102395%	65,513,365	5,457,380
City Colleges of Chicago	14,748,781	4.944533%	1,229,770	1.511611%	1,410,599,964	116,976,780
College of DuPage	7,528,952	2.524083%	1,356,448	1.667321%	720,082,440	60,397,482
College of Lake County	4,883,099	1.637060%	944,744	1.161262%	467,028,287	39,233,297
Danville Area Community College	883,304	0.296128%	100,311	0.123300%	84,480,809	7,030,734
Elgin Community College	3,597,395	1.206028%	649,131	0.797900%	344,061,422	28,859,369
Heartland Community College	1,324,447	0.444021%	318,961	0.392061%	126,672,429	10,700,082
Highland Community College	712,774	0.238958%	123,892	0.152286%	68,171,078	5,713,661
Illinois Central College	2,657,992	0.891093%	328,787	0.404139%	254,215,262	21,181,779
Illinois Eastern Community College	1,272,913	0.426744%	165,784	0.203779%	121,743,564	10,151,752
Illinois Valley Community College	915,609	0.306958%	184,663	0.226984%	87,570,443	7,363,514
John A. Logan College	1,498,077	0.502231%	123,227	0.151468%	143,278,856	11,880,102
John Wood Community College	629,441	0.211020%	117,322	0.144210%	60,200,792	5,053,064
Joliet Junior College	4,331,307	1.452072%	573,482	0.704914%	414,254,028	34,551,921
Kankakee Community College	1,049,005	0.351679%	116,470	0.143163%	100,328,663	8,347,146
Kaskaskia College	981,892	0.329180%	141,858	0.174369%	93,910,041	7,843,920
Kishwaukee College	947,285	0.317578%	157,546	0.193653%	90,600,167	7,586,858
Lake Land College	1,807,364	0.605919%	218,117	0.268105%	172,859,463	14,397,924
Lewis and Clark Community College	1,607,513	0.538919%	316,656	0.389228%	153,745,383	12,920,868
Lincoln Land Community College	2,064,511	0.692128%	385,841	0.474269%	197,453,578	16,574,598
McHenry College	1,811,874	0.607431%	432,850	0.532051%	173,290,814	14,634,682
Moraine Valley Community College	3,947,127	1.323276%	565,439	0.695027%	377,510,490	31,527,384
Morton College	1,284,830	0.430740%	133,755	0.164409%	122,883,562	10,215,325
Oakton Community College	3,656,480	1.225836%	590,384	0.725689%	349,712,342	29,268,281
Parkland College	2,584,595	0.866486%	486,926	0.598521%	247,195,260	20,753,645
Prairie State College	1,438,273	0.482181%	221,798	0.272630%	137,558,896	11,502,861
Rend Lake College	789,365	0.264635%	117,102	0.143940%	75,496,335	6,308,768
Richland Community College	800,252	0.268285%	160,551	0.197346%	76,537,625	6,435,006
Rock Valley College	1,856,296	0.622324%	225,427	0.277091%	177,539,560	14,789,058
Sauk Valley College	561,704	0.188311%	131,081	0.161122%	53,722,260	4,534,015
Shawnee College	512,677	0.171875%	77,681	0.095484%	49,033,320	4,098,939
South Suburban College	1,537,711	0.515518%	119,873	0.147346%	147,069,434	12,188,200
Southeastern Illinois College	428,819	0.143762%	30,727	0.037769%	41,013,109	3,396,378
Southwestern Illinois College	2,635,405	0.883520%	325,548	0.400158%	252,054,801	21,001,347

State Universities Retirement System
Schedule of Special Funding Situation Allocation (Continued)
As of and for the Year Ended June 30, 2021

Employer	Contributions to SURS' Defined Benefit Plan	Allocation Percentage	Contributions to SURS' Defined Contribution Plan	Allocation Percentage	Allocation of the Net Pension Liability	Allocation of Special Funding Situation
Spoon River College	\$ 439,054	0.147193%	\$ 75,921	0.093321%	\$ 41,991,921	\$ 3,519,123
Triton College	2,677,797	0.897732%	316,672	0.389247%	256,109,268	21,325,935
Waubensee Community College	2,523,968	0.846161%	571,289	0.702218%	241,396,847	20,356,641
William Rainey Harper College	4,296,853	1.440521%	1,323,722	1.627095%	410,958,703	34,984,791
Chicago State University	3,251,002	1.089899%	393,418	0.483582%	310,931,586	25,899,329
Eastern Illinois University	4,316,998	1.447275%	1,281,319	1.574974%	412,885,517	35,103,242
Governors State University	2,989,510	1.002234%	734,118	0.902364%	285,922,097	24,165,262
Illinois State University	12,783,918	4.285812%	4,072,883	5.006314%	1,222,676,894	104,212,292
Northeastern Illinois University	5,000,843	1.676534%	927,473	1.140033%	478,289,618	40,141,766
Northern Illinois University	11,642,502	3.903152%	4,040,433	4.966427%	1,113,509,824	95,218,209
Northern Illinois University Foundation	20,407	0.006841%	28,457	0.034979%	1,951,633	186,930
Southern Illinois University System	27,094,671	9.083496%	8,332,100	10.241665%	2,591,383,075	220,589,692
University of Illinois Alumni Association	26,700	0.008951%	67,373	0.082814%	2,553,584	272,845
University of Illinois Foundation	602,968	0.202145%	314,559	0.386650%	57,668,890	5,030,106
University of Illinois System	134,346,551	45.039721%	45,505,941	55.935075%	12,849,146,482	1,097,705,216
Western Illinois University	5,403,477	1.811517%	1,504,273	1.849025%	516,798,212	43,844,514
Board of Examiners	55,603	0.018641%	-	0.000000%	5,317,993	436,658
Illinois Community College Trustees' Association	15,186	0.005091%	-	0.000000%	1,452,385	119,255
Illinois Federation of Teachers	24,036	0.008058%	12,147	0.014931%	2,298,825	200,144
State of Illinois	1,605,035	0.538094%	267,371	0.328647%	153,510,023	12,855,330
Total	\$ 298,284,595	100.000000%	\$ 81,354,931	100.000000%	\$ 28,528,477,079	\$ 2,418,740,890

State Universities Retirement System
(A Component Unit of the State of Illinois)
Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021

Plan Description

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, 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.

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 plan to the General Assembly. 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.

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, was 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) Notes to the Financial Statements. The System's ACFR can be accessed on its website at www.surs.org.

State Universities Retirement System
(A Component Unit of the State of Illinois)
Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021

Summary of Significant Accounting Policies

Nature of Schedules

Employers participating in a cost-sharing defined benefit pension plan under a special funding situation must recognize their proportionate share of the collective pension expense supported by the nonemployer 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.

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, as 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 percent of their gross earnings, with certain police officers and firefighters contributing 9.5 percent of their gross earnings.

Due to the nature of this 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 this 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 Schedules present the allocation among the System's employers of the State of Illinois' (1) ending NPL of \$28,528,477,079 as of the measurement date of June 30, 2021, and (2) total defined benefit pension expense of \$2,342,460,058 for the measurement year ended June 30, 2021.

State Universities Retirement System
(A Component Unit of the State of Illinois)
Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021

The NPL as of June 30, 2021, and total defined benefit pension expense for the year ended June 30, 2021, are based on a one-year roll-forward of an actuarial valuation performed as of June 30, 2020. For the allocations in the Schedules 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, 2020.

Defined Contribution Plan

The Schedules present the allocation among the System's employers of the State of Illinois' total defined contribution pension expense of \$76,280,832 for the measurement year ended June 30, 2021.

The total defined contribution pension expense for the year ended June 30, 2021, 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 7.35% (compared to 8% for employees) and then reduced by the forfeited contributions specifically attributable to each employer¹. 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, 2021.

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 shown in this report is based on an actuarial valuation performed as of June 30, 2020, the measurement date.

Use of Estimates in the Preparation of the Schedules

The preparation of this 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.

¹ 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.

**State Universities Retirement System
(A Component Unit of the State of Illinois)
Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021**

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 Allocations* above. The System has determined that this approach is representative of the nonemployer 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 these Schedules.

The fiscal year 2020 actual employee contribution total used as the denominator for the defined benefit allocation calculation in this Schedule can be reconciled as follows:

Total Employee Contributions to the Defined Benefit Pension Plan	\$ 299,058,045
Less: SURS' Contributions to the System	<u>(773,450)</u>
 Total Allocated Employer Contributions to the Defined Benefit Plan	 \$ <u>298,284,595</u>

The fiscal year 2021 adjusted net contributions used as the denominator for the defined contribution allocation calculation in these Schedules can be reconciled as follows:

Adjusted Net Contributions to the DC Plan	\$ 81,486,216
Less: SURS' Adjusted Net Contributions to the Plan	<u>(131,285)</u>
 Total Allocated Employer Contributions to the DC Plan	 \$ <u>81,354,931</u>

State Universities Retirement System
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Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021

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

	DB Plan	DC Plan
Southern Illinois University Carbondale	\$ 18,321,923	\$ 5,681,770
Southern Illinois University Edwardsville	<u>8,772,748</u>	<u>2,650,330</u>
Total, Southern Illinois University System	<u>\$ 27,094,671</u>	<u>\$ 8,332,100</u>
University of Illinois Chicago	\$ 75,983,834	\$ 22,107,496
University of Illinois Springfield	3,005,475	800,120
University of Illinois Urbana-Champaign	<u>55,357,242</u>	<u>22,598,325</u>
Total, University of Illinois System	<u>\$ 134,346,551</u>	<u>\$ 45,505,941</u>

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

	DB Plan	DC Plan
State Universities Civil Service System	\$ 51,456	\$ 5,420
Board of Higher Education	176,150	13,458
Department of Innovation and Technology	204,850	29,508
Illinois Community College Board	180,785	26,234
Illinois Mathematics and Science Academy	969,261	192,751
Gubernatorial Appointees under the Civil Administrative Code of Illinois Pursuant to Section 15-107(c) of the Illinois Pension Code	<u>22,533</u>	<u>-</u>
Total, State of Illinois	<u>\$ 1,605,035</u>	<u>\$ 267,371</u>

State Universities Retirement System
(A Component Unit of the State of Illinois)
Notes to the Schedule of Special Funding Situation Allocation
Year Ended June 30, 2021

Pension Expense and Net Pension Liability

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.

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.