



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, 2022
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



State of Illinois
State Universities Retirement System
Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2022

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State of Illinois
State Universities Retirement System
Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2022

System Officials

Acting Executive Director (2/20/21 – 12/8/21)	Ms. Suzanne Mayer
Executive Director (12/9/21 – Present)	Ms. Suzanne Mayer
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
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Board Members

Board of Trustees	Mr. Andriy Bodnaruk Mr. Richard Figueroa Ms. Jamie-Clare Flaherty Mr. J. Fred Giertz Mr. Scott Hendrie Mr. John Lyons Mr. Steven Rock Mr. Colin Van Meter Mr. Mitchell Vogel Mr. Antonio Vasquez (9/29/22 – Present)
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Office Location

1901 Fox Drive
Champaign, Illinois 61820

State of Illinois
State Universities Retirement System
Auditor's Report on the Special Funding Situation Allocation
For the Year Ended June 30, 2022

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 Schedule.

Independent Auditor's Report

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

Report on the Audit of the Pension Schedule

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the Schedule of Special Funding Situation Allocation 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, 2022, and the related Notes to the Schedule.

In our opinion, the accompanying Schedule referred to above presents fairly, in all material respects, the employer allocations as of and for the year ended June 30, 2022, for the total of all participating employers for the System as of and for the year ended June 30, 2022, 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 Pension Schedule section of our report. We are required to be independent of the System, and to meet our 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 opinion.

Responsibilities of Management for the Pension Schedule

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

Auditor's Responsibilities for the Audit of the Pension Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule of Special Funding Situation Allocation is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 judgement made by a reasonable user based on the Schedule of Special Funding Situation Allocation.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the Schedule of Special Funding Situation Allocation, 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 and disclosures in the Schedule of Special Funding Situation Allocation.
- 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 polices used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of special funding situation.

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 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, 2022, and our report thereon, dated December 16, 2022, expressed an unmodified opinion on those financial statements.

We have previously audited the System's 2021 financial statements, and we expressed an unmodified audit opinion in our report dated December 13, 2021.

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
July 31, 2023

State Universities Retirement System
Schedule of Special Funding Situation Allocation
As of and for the Year Ended June 30, 2022

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	\$ 1,145,821	0.383123%	\$ 291,472	0.342680%	\$ 111,404,712	\$ 7,599,663
Carl Sandburg College	700,043	0.234070%	74,504	0.087593%	68,063,001	4,533,722
City Colleges of Chicago	14,155,630	4.733156%	1,300,541	1.529030%	1,376,309,651	91,459,479
College of DuPage	7,378,115	2.466988%	1,428,868	1.679903%	717,352,099	48,462,610
College of Lake County	5,010,727	1.675415%	971,756	1.142482%	487,178,076	32,914,037
Danville Area Community College	918,456	0.307100%	116,399	0.136849%	89,298,703	5,967,930
Elgin Community College	3,739,972	1.250518%	632,390	0.743493%	363,626,298	24,468,734
Heartland Community College	1,275,252	0.426400%	305,513	0.359188%	123,988,822	8,438,180
Highland Community College	729,131	0.243796%	123,696	0.145428%	70,891,132	4,770,757
Illinois Central College	2,502,200	0.836650%	374,609	0.440423%	243,281,538	16,319,454
Illinois Eastern Community College	1,200,107	0.401275%	190,530	0.224004%	116,682,961	7,838,616
Illinois Valley Community College	896,271	0.299682%	138,164	0.162438%	87,141,693	5,849,714
John A. Logan College	1,483,293	0.495962%	129,696	0.152482%	144,216,097	9,576,603
John Wood Community College	647,433	0.216479%	83,231	0.097854%	62,947,880	4,208,121
Joliet Junior College	4,323,563	1.445651%	583,773	0.686335%	420,367,176	28,131,417
Kankakee Community College	989,776	0.330947%	168,989	0.198678%	96,232,947	6,477,318
Kaskaskia College	1,009,975	0.337701%	183,089	0.215256%	98,196,879	6,620,750
Kishwaukee College	909,332	0.304049%	192,281	0.226062%	88,411,532	5,989,947
Lake Land College	1,771,289	0.592258%	242,016	0.284535%	172,217,100	11,527,964
Lewis and Clark Community College	1,523,001	0.509239%	316,379	0.371963%	148,076,791	10,026,336
Lincoln Land Community College	2,177,245	0.727996%	436,711	0.513436%	211,687,069	14,316,971
McHenry College	1,755,815	0.587084%	459,386	0.540095%	170,712,602	11,658,904
Moraine Valley Community College	3,906,830	1.306310%	564,480	0.663652%	379,849,525	25,458,957
Morton College	1,325,468	0.443191%	142,821	0.167913%	128,871,318	8,586,056
Oakton Community College	3,683,596	1.231668%	590,789	0.694584%	358,145,084	24,066,053
Parkland College	2,433,187	0.813574%	501,965	0.590154%	236,571,486	16,014,661
Prairie State College	1,412,965	0.472447%	206,080	0.242286%	137,378,393	9,209,655
Rend Lake College	790,269	0.264239%	128,466	0.151036%	76,835,559	5,164,886
Richland Community College	785,773	0.262735%	180,488	0.212198%	76,398,225	5,191,166
Rock Valley College	1,905,008	0.636969%	279,678	0.328814%	185,218,189	12,418,704
Sauk Valley College	616,924	0.206278%	161,039	0.189332%	59,981,628	4,096,084
Shawnee College	466,740	0.156062%	48,231	0.056705%	45,379,792	3,021,256
South Suburban College	1,484,139	0.496245%	105,740	0.124317%	144,298,388	9,556,705
Southeastern Illinois College	400,893	0.134045%	48,619	0.057161%	38,977,677	2,602,612
Southwestern Illinois College	2,499,297	0.835679%	356,055	0.418610%	242,999,190	16,281,391

State Universities Retirement System
Schedule of Special Funding Situation Allocation (Continued)
As of and for the Year Ended June 30, 2022

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	445,172	0.148850%	87,392	0.102746%	43,282,683	2,925,320
Triton College	2,525,859	0.844560%	191,945	0.225667%	245,581,612	16,277,218
Waubensee Community College	2,380,363	0.795912%	620,133	0.729083%	231,435,720	15,803,215
William Rainey Harper College	4,171,671	1.394863%	1,293,713	1.521003%	405,599,014	27,914,052
Chicago State University	3,170,115	1.059977%	406,806	0.478277%	308,220,683	20,604,052
Eastern Illinois University	4,419,817	1.477835%	1,326,729	1.559819%	429,725,657	29,528,115
Governors State University	3,220,388	1.076787%	863,277	1.014944%	313,108,704	21,405,770
Illinois State University	13,068,234	4.369568%	4,147,880	4.876613%	1,270,585,336	87,544,411
Northeastern Illinois University	4,808,406	1.607766%	960,601	1.129367%	467,507,063	31,614,690
Northern Illinois University	11,198,980	3.744554%	4,430,377	5.208741%	1,088,843,429	75,946,583
Northern Illinois University Foundation	29,695	0.009929%	(4,894)	-0.005754%	2,887,160	183,815
Southern Illinois University System	27,178,941	9.087704%	8,748,685	10.285724%	2,642,527,464	182,201,197
University of Illinois Alumni Association	57,231	0.019136%	83,089	0.097687%	5,564,376	451,913
University of Illinois Foundation	631,466	0.211141%	274,553	0.322789%	61,395,694	4,308,449
University of Illinois System	137,098,388	45.840987%	47,694,989	56.074427%	13,329,666,888	922,836,785
Western Illinois University	5,157,073	1.724348%	1,580,760	1.858481%	501,406,840	34,488,145
Board of Examiners	11,289	0.003775%	-	0.000000%	1,097,697	71,850
Illinois Community College Trustees' Association	15,492	0.005180%	-	0.000000%	1,506,243	98,592
Illinois Federation of Teachers	27,292	0.009126%	12,821	0.015073%	2,653,663	187,227
State of Illinois	1,504,407	0.503021%	279,279	0.328344%	146,268,718	9,868,827
Total	\$ 299,073,815	100.000000%	\$ 85,056,579	100.000000%	\$ 29,078,053,857	\$ 1,993,085,639

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, 2022

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, 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) 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 the Special Funding Situation Allocation
Year Ended June 30, 2022

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 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, are determined, which is consistent with paragraphs 48-51. GASB 68, paragraph 92 further states that in determining the nonemployer'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 nonemployer 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 Schedule present the allocation among the System's employers of the State of Illinois' (1) ending NPL of \$29,078,053,857 as of the measurement date of June 30, 2022, and (2) total defined benefit pension expense of \$1,903,314,699 for the measurement year ended June 30, 2022.

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, 2022

The NPL as of June 30, 2022, and total defined benefit pension expense for the year ended June 30, 2022, are based on a one-year roll-forward of an actuarial valuation performed as of June 30, 2021. 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, 2021.

Defined Contribution Plan

The Schedule presents the allocation among the System's employers of the State of Illinois' total defined contribution pension expense of \$89,770,940 for the measurement year ended June 30, 2022.

The total defined contribution pension expense for the year ended June 30, 2022, 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 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, 2022.

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 nonemployer 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 a one-year roll-forward of an actuarial valuation performed as of June 30, 2021, to project it to the measurement date of June 30, 2022.

Use of Estimates in the Preparation of the Schedule

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 the Special Funding Situation Allocation
Year Ended June 30, 2022**

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 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 2021 actual employee contributions used as the denominator for the defined benefit allocation calculations in the Schedule can be reconciled as follows:

Total Employee Contributions to the DB Plan	\$ 299,875,762
Less: SURS' Contributions to the Plan	<u>(801,947)</u>
Total Allocated Employer Contributions to the DB Plan	<u>\$ 299,073,815</u>

The fiscal year 2022 adjusted net contributions used as the denominator for the defined contribution allocation calculation in this Schedule can be reconciled as follows:

Adjusted Net Contributions to the DC Plan	\$ 85,184,604
Less: SURS' Adjusted Net Contributions to the Plan	<u>(128,025)</u>
Total Allocated Employer Contributions to the DC Plan	<u>\$ 85,056,579</u>

**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, 2022**

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	\$ 18,261,605	\$ 5,981,607
Southern Illinois University Edwardsville	<u>8,917,336</u>	<u>2,767,078</u>
Total, Southern Illinois University System	<u>\$ 27,178,941</u>	<u>\$ 8,748,685</u>
University of Illinois Chicago	\$ 77,894,453	\$ 23,673,248
University of Illinois Springfield	3,052,613	838,889
University of Illinois Urbana-Champaign	<u>56,151,322</u>	<u>23,182,852</u>
Total, University of Illinois System	<u>\$ 137,098,388</u>	<u>\$ 47,694,989</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	\$ 55,528	\$ 8,872
Board of Higher Education	179,429	11,260
Department of Innovation and Technology	176,041	32,370
Illinois Community College Board	195,161	25,264
Illinois Mathematics and Science Academy	879,721	201,513
Gubernatorial Appointees under the Civil Administrative Code of Illinois Pursuant to Section 15-107(c) of the Illinois Pension Code	<u>18,527</u>	<u>-</u>
Total, State of Illinois	<u>\$ 1,504,407</u>	<u>\$ 279,279</u>

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, 2022

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.