

State Universities Retirement System Member Advisory Committee – SURS MAC

SURS MAC met Tuesday, May 8, 2012 at the SURS Office in Champaign, IL.

Legislative Update

Jeff Houch, SURS Legislative Liaison, provided a legislative update. A copy of the legislative update report is attached.

HB4996 is the most relative bill on watch. It pertains to annuitants returning to work after 8/1/2013. This bill is expected to pass. With the begin date of 8/1/2013, it will allow time for SURS to educate members and agencies. Currently, there is a working work looking at uniform Return to Work policies. [*Since this SURS MAC meeting, HB 4996 has passed both Houses on May 31, 2012 and is waiting for the Governor's signature.*]

Governor Quinn's pension reform proposal was discussed. Jeff indicated it is difficult to pass legislation of this type in an election year, however, if not passed by May 31, 2012, and then most likely some type of reform will be passed in early January.

SB1313 – Reforms state retiree health insurance. Current law allows members to earn 5% premium reimbursement for each year of service up to 100%. SB1313 will remove the 5% per year benefit. The bill gives CMS authority to determine the levels of premium reimbursement. Jeff mentioned that 85-90% of Illinois retirees (both public and private) vote in elections, so any legislation impacting this group is always a concern to the legislators. There are many rumors on healthcare such as salary based premiums based on annuitant's annual salary. Approximately 900 SURS members are not eligible for Medicare. [*Since the SURS MAC meeting, SB1313 passed both Houses 5/10/2012.*]

Appropriation Bills: HB 6019 & SB 3853

Both bills will appropriate the full FY2013 certified contributions to SURS which is a little over \$1.4 million. (Currently both bills are in committee.)

It is anticipated that the first retiree benefit that is to be targeted is the COLA.

If anything is passed, it is Jeff's opinion that the effective date will be 1/1/2013 and not 7/1/2012. Legislators need to give time for members to make a proper financial decision.

Amendment #9 would possible show some consideration to pre-1980 and non Medicare eligible members.

Retirement Claim Surge

As of April 30, SURS has received 1,755 retirement applications for June 1 and July 1 retirements. This is triple what is normally received for the same time period for the past 5 years. (1,055 for June and 700 for May).

SURS indicates that anyone who applied with the 60 day window will receive their Preliminary Estimated Check (PEP) check on time.

SURS visitors have increased 255%.

As of June 1, 2012, SURS will have a satellite office in Naperville. 50% of SURS membership is in Northern Illinois area. The office will have two counselors. It will be a multipurpose office and will be used for meetings, etc.

Investment Update

SURS investment updates are posted on their website every month. Doug reported that they increased their real estate exposure. It will increase from 7% to 10%.

SURS's 20-25 year returns are 8% or higher.

It is predicted that we will have slower growth than what has been experienced in the past. Things are getting better, it is just slower.

April is predicted to be a flat month.

Updates from the Executive Director

SURS is continuing to find ways to do things better. Over the last several months, they had a 50% increase in counseling appointments with the same number of counselors. That is a result of doing things better.

SURS is committed to strengthening communication and outreach.

Currently, 25% of SURS active members are eligible to retire. The number of active members has stayed the same while the number of people receiving pensions is growing. The number will continue to shift upward over time. The plan is becoming very mature and it needs new participants. Returning annuitants to employment does not provide contributions to the SURS system.

There will be pension reform this year in some form or fashion. The State is feeling the heat of NOT paying their bills. It is expected that if employee contributions rise and/or COLA is decreased, that there will be challenges. No one is sure of the outcome of these challenges. In other states that have experienced similar situations, the outcome has been divided.

The current legislation on pension reform offers members a choice. The thought is if a benefit is given at the same time as a reduction, it would be considered constitutional, in that it is an exchange. The exchange does not have to be equal. The State has a budget crisis and they cannot pay their bills; therefore they are being forced into difficult situations.

The IGPA proposal (combination of defined benefit and defined contribution plan), presented by University Presidents, was a good plan, however, there appears to be an overwhelming pressure to fix Tier I. (Mainly because Tier I appears to impact the bond rating where it is costing the state more to borrow money.)

As of April 30, 2012, there are 9,783 Tier II participants. SURS has seen a 3% increase in the defined contribution plan (SMP). Of the total Tier II participants, 47% defaulted to the Traditional plan, and 16.9% elected the SMP plan, and 25.25% elected the Portable plan.

Buckle up for a rough ride and don't pretend nothing is going to happen.

Benefits and Legislative Committees

The Benefits and Legislative Committees discussed ways that SURS MAC can be most effective and how we could structure ourselves to be productive for our constituents. The group believed working with SUAA and talking with people to educate them would be a good start.

Two resolutions were adopted. See attached.

Next meeting will be either October 9 or October 23, 2012.

Respectfully Submitted,

Mary Nippe
6/6/2012

Legislative Update as of May 8, 2012

Governor Quinn's Pension Reform Proposal – Press Conference on April 20, 2012

Governor Quinn is in the process of laying out his proposal for reform of current employee retirement benefits of the state retirement systems. The reforms are limited to participants hired prior to January 1, 2011. The state retirement systems include the State Employees' Retirement System, the State Universities' Retirement System, and the Teachers' Retirement System.

Members will be forced to make an election to choose to participate under the new formula or their existing benefit formula. If they do not elect the new benefit formula, salary increases after a certain date will NOT count towards the calculation of an employee's benefit and eligibility for retiree health care will be taken away from the employee. A member who elects the new benefit formula will have salary increases counted towards their benefit and will be guaranteed some level of retiree health care benefit.

In addition, downstate school districts, community colleges, and universities will be required to pay for the normal costs of their employee benefits.

No other details are available at this time.

The Governor's proposal provides for 100% funding for the 5 State Retirement Systems by 2042 and makes the following changes in benefits to the current Tier 1 plan:

- 3% increase in employee contributions;
- Reduce the Cost of Living Adjustment (COLA) to the lesser of 3% or ½ of the increase in CPI-U (same as the Tier 2 COLA);
- Delay COLA start date to the earlier of age 67 or 5 years after retirement;
- Increase Retirement age to age 67 (phased in over several years);
- Establish a 30 year closed ARC (actuarially required contribution) funding schedule;
- Limit participation in public pension systems to public sector employees.

This proposal would not impact retirees, only active Tier 1 members.

This proposal would save \$65B - \$85B over the next 30 years.

Governor Quinn projects that 75% will elect the proposed revised pension plan.

Appropriations Bills

HB 6019 – SURS FY 13 Appropriation
Rep. Madigan

HB 6019 appropriates the full Fiscal Year 2013 certified contribution to SURS, which is \$1,402,800,000. \$1,242,800,000 will come from the General Revenue Fund and \$160,000,000 shall come from the State Pensions Fund.

Status: Assigned to House General Services Appropriations Committee (Budget hearing occurred on March 26, 2012)

SB 3853 – SURS FY 13 Appropriation
Senator Steans

SB 3853 appropriates the full Fiscal Year 2013 certified contribution to SURS, which is \$1,402,800,000. \$1,242,800,000 will come from the General Revenue Fund and \$160,000,000 shall come from the State Pensions Fund.

Status: Assigned to Senate Appropriations 1 Committee (Budget hearing occurred on March 26, 2012)

House Bills

HB 4996 (as amended by House Amendments 1 and 2, and Senate Amendment #1) – SURS Return to Work
Rep. Biss/Senator Steans

Identification and Notification requirements of the Employer (as it relates to employing an annuitant)

An employer must notify SURS within 60 days upon employing a person receiving a retirement annuity, and shall identify if such annuitant is paid from federal, trust, or foundation funds (in order to claim an exemption to the payment of employing an affected annuitant). Employers must provide the employment contract (for a reemployed annuitant) and if no contract exists, then rate of compensation and anticipated length of employment.

Must certify if the annuitant is an affected annuitant (create the definition of an affected annuitant)

Employer is required to determine if a potential employee is an affected annuitant prior to hiring.

Employer shall identify the following information:

- Paid days and paid weeks worked by the annuitant in an academic year
- Annual compensation earned by an annuitant for the academic year
- Amount of compensation paid from federal, trust, or foundation funds

Requirements of an employed annuitant

Employee must disclose employment history and earnings history of employment while receiving a retirement annuity. If the employee provides false or misleading information as it relates to employment while receiving a retirement annuity, then that employee has committed fraud as defined under Section 15-186.

Definition of Affected Annuitant

An employee becomes an affected annuitant the 1st day of an academic year following the academic year in which the annuitant first meets both of the following conditions.

- 18 paid weeks that occur **after August 1, 2013** (doesn't have to be in same academic year). Such paid weeks worked by annuitants that are receiving compensation that is derived solely from federal, trust, or foundation funds shall not be counted towards this condition.
- Receives compensation during an academic year that is equal to or greater than 40% of highest annual rate of earnings. Earnings from federal, foundation, or trust funds shall not count towards this condition.

Employer payment to SURS for employing an affected annuitant

Employer must pay the System when it employs an affected annuitant. The payment shall be equal to the monthly retirement annuity of that affected annuitant multiplied by 12 (monthly retirement annuity during the 1st month of each academic year worked as an affected annuitant).

If SURS determines that an employer has failed to determine the affective annuitant status correctly, or has failed to notify SURS on any of the information that is required by this legislation, then the employer shall pay double of what it is required to pay as a result of employing an affected annuitant.

Employer has 1 year to pay SURS the required payment for employing an affected annuitant, and failure to pay within 1 year shall result in the employer paying interest (at the prescribed rate). Failure by an employer to make the required payment within 2 years shall result in the Comptroller deducting the amount owed to SURS from the state funds payable to that employer and such deduction shall be paid to SURS to cover the costs.

SURS audit of Employers

System may audit employment records of employers. Employers must submit the required information within 60 days.

Status: Passed House with a vote of 110-0-2, passed the Senate Pensions and Investments Committee with a vote of 8-0-1 and is currently on 2nd Reading in the Senate.

HB 5791 – State Retirement System Valuations
Rep. Senger/Sen. Harmon

HB 5791 provides that the 5 State Retirement Systems shall conduct an actuarial experience study at least once every 3 years, as opposed to current law which requires such studies to occur at least once every 5 years.

Status: Passed House with a vote of 114-0-0, passed Senate Pensions and Investment Committee with vote of 8-0-0 and is currently on 3rd Reading in the Senate.

Senate Bills

SB 538 (as amended by Senate Amendment #1) – Certify Normal Cost Senator Kotowski/Rep. Franks

SB 538 requires the 5 State Retirement Systems to certify the normal cost and include such certification along with the certified contribution that is submitted to the Governor and the General Assembly every November. SURS shall also include the projected employer contribution towards the Self-Managed Plan.

Status: Passed Senate with a vote of 55-0-0, passed the House Personnel and Pensions Committee with a Vote of 7-0-0 and is currently on 2nd Reading in the House.

SB 1313 (as amended by House Amendment #8) Sen. Schoenberg/Rep. Madigan

SB 1313 as amended, reforms state retiree health insurance. There is no CIP or TRIP reform included in the amendment. The proposal provides that CMS shall determine the state's contribution to the program and deletes the formula that determines annuitant premiums. Clearly the CMS determination will influence what premiums are, but it is unclear at this time how premiums will be determined.

Current law allows members to earn a 5% premium reimbursement per year of service up to a maximum of 100%. Therefore premiums are determined by a member's years of service.

By deleting that formula it is unclear whether or not premium reimbursements will be determined based on years of service.

This proposal is coming from the Governor's office so the thought is they would rely on CMS's rule making ability to determine levels of premium reimbursement.

With the amendment, SB 1313 now explicitly states that annuitants of the Judges Retirement System and General Assembly Retirement System shall be subject to the potential changes in the formula that determines premium rate reimbursements for their retiree healthcare.

Status: Passed the House Executive Committee with a vote of 11-0-0, currently on 2nd Reading in the House.

Resolutions

HR 706 – House Recommended Spending Limits for the FY 13 budget Rep. Madigan/Rep. Cross

HR 706 as amended establishes the House recommended spending limits for the FY 13 State budget. The resolution establishes that there is \$33,719,000,000 available in general revenue funds for the FY 13 budget. This limit accounts for an allowance of an overall appropriation lapse of \$650M. HR 706 also identifies the following items and the corresponding dollar amounts as “non-discretionary items” and states that such appropriations are to be made in full and will be treated with priority over the portion of the allocated budget deemed “discretionary”.

Non-discretionary budget items include:

- Pension Contribution - \$5.1B (this amount only includes appropriations to the State Retirement Systems from General Revenue funds. It must be mentioned that SURS will receive \$160M from the State Pensions Fund and SERS will receive approximately \$550M from the Other State/Federal Funds).
- Group Insurance - \$1,171,185,400
- Debt Service - \$2,218,000,000
- Statutory Transfers Out - \$2,142,000,000
- Medicaid - \$6,638,953,200
- For backlog of unpaid State obligations from the Medicaid Program - \$1B (but 50% will be provided by Federal reimbursements).
- For backlog of unpaid State obligations not related to Medicaid - \$300M

Discretionary Budget Items

After such non-discretionary items are budgeted for and appropriated, the following House Committees will be allocated the remainder of the budget in the following manner:

- Appropriations – Elementary and Secondary Education - \$6,491,836,800 (39.83%)
- Appropriations – Higher Education - \$1,978,809,900 (12.14%)
- Appropriations – General Services - \$1,165,014,700 (7.14%)
- Appropriations – Human Services - \$5,087,296,500 (31.21%)
- Appropriations – Public Safety - \$1,576,088,900 (9.67%)

The amount allocated to each House Appropriations Committee under HR 706 is contingent upon the legislature to reduce Medicaid obligations by \$2.7B, and if the legislature fails to reduce Medicaid

obligations by this amount, then such allocations to each appropriation committee shall be adjusted accordingly.

Status: Resolution adopted by the House with vote of 91-16-3

**HJR 69 – House Recommended Spending Limits for the FY 13 budget
Rep. Madigan/Rep. Cross – Senator Murphy**

HJR 69, is essentially identical to HR 706. However, HJR 69 is a joint resolution, meaning that the Senate will have a chance to act on HJR 69, whereas the Senate does not have the opportunity to act upon HR 706 as that is merely a House Resolution.

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Status: Resolution adopted by the House with vote of 91-16-3, currently assigned to the Senate Executive Committee.

Constitutional Amendments

HJRCA 49- Limitation on Benefit Increases **Rep. Michael J. Madigan/Senator Cullerton**

HJRCA 49 proposes to amend the Constitution (pending voter approval in November) and provides that no bill (except an appropriations bill) that provides a pension benefit increase shall become law unless it receives a 3/5ths vote in each legislative chamber. If the Governor vetoes such a bill that has provided a pension benefit increase, it will require a 2/3rds vote in each chamber to override the veto.

HJRCA 49 also provides that an ordinance, resolution, rule or other actions by a governing body or by an appointee/employee of the governing body of any unit of local government or school district that provides an emolument increase to a member that increases the amount of their pension shall only be valid with a concurrence of 3/5ths of the members of that governing body.

HJRCA 49 also provides that no action of a governing body of a retirement system, school district, or local unit of government that results in a beneficial determination will be valid unless 3/5ths of the members of that governing body approve.

Key Definitions

“Benefit increase” is defined as a change to any pension or other law that results in a member of a retirement system receiving a new benefit or an enhancement to a benefit, which includes but is not limited to the following:

- Increase in the amount of the pension or annuity that a member could receive upon retirement;
- Reduce or eliminate the eligibility requirements a member must meet to receive a pension;
- Any change to any pension or other law that expands the class of persons who may become a member of any retirement system;
- Increase in salary by itself shall not be considered a benefit increase.

“Emolument increase” is defined as the creation of a new or enhancement of an existing advantage, profit or gain that an official or employee receives by virtue of holding office or employment that includes and is not limited to:

- Compensated time off, bonuses, incentives, or other forms of compensation.
- Increase in salary by itself, shall not be considered an emolument increase.

“Beneficial determination” means an interpretation or application of pension or other law by the governing body that reverses or supersedes a previous interpretation or application and either:

- Results in an increase in the amount of the pension or annuity received by a member of the retirement system; or
- Results in a person becoming eligible to receive a pension from the retirement system.

Status: Passed House with vote of 113-0-0, passed the Senate with a vote of 51-2-0.

SURSMAC Resolution on Pensions
Adopted May 8, 2012

Whereas, Previous underfunding of the State Universities Retirement System (SURS) has made SURS unable to continue to pay out benefits indefinitely at current levels even though participants have fully contributed their portion of the required amounts; and

Whereas, Given Illinois ranks last among the 50 states in adequately funding its public pensions, this situation cannot be allowed to continue since retaining and recruiting top faculty and staff will be increasingly difficult unless the issue is addressed;

Whereas, All stakeholders---participants, colleges and universities, and the state of Illinois---have a necessary role in any reform to bring the SURS to a sound financial state; and

Whereas, Reforms must be guided by agreed upon principles, the most important of which is fairness to participants and annuitants who entered into the system on the basis of certain understandings and commitments that need to be honored;

Resolved, That any changes to SURS must be financially sustainable for the State, the institutions, and the participants and must respect existing constitutional protections of already-accrued benefits;

Resolved, That all promised benefits to current participants and annuitants should be maintained, as guaranteed by the State Constitution (Article 8, Section 5 General Provisions);

Resolved, That existing unfunded liabilities must remain the State's responsibility with credible guarantees that future payments will be made on time;

Resolved, That the State should continue to make its contributions to SURS at a level at least equal to that it would be paying to Social Security (6.2% of pay) along with its contributions to health care;

Resolved, That any transfer of normal costs to institutions must be nominal and phased in gradually;

Resolved, That any reform must include improvements to the current Tier II program for new employees and this revised program should be an option for Tier I employees; and

Resolved, That any changes in participant contributions must involve consultations with those affected.


**SURSMAC Resolution on Protecting the Quality
of Public Higher Education in Illinois
Adopted May 8, 2012**

Whereas, In educating a significant proportion of Illinois college students, the public colleges and universities serve a central role in ensuring a high quality Illinois workforce;

Whereas, Public colleges and universities are an economic engine based on their teaching, research and service; and

Whereas, Higher educational institutions enrich the culture and quality of life of the Illinois citizenry;


Resolved, That the state take the necessary steps to fund the pension systems and health benefits essential to attract the highest quality faculty and staff in a competitive environment and thus support the mission of public colleges and universities.



Retirement Claims Surge

Presented by:
Angie Lieb, Director of Member Services
Pam Butler, Director of Member Outreach


Serving Employees of Illinois Community Colleges and Universities



The Perfect Storm

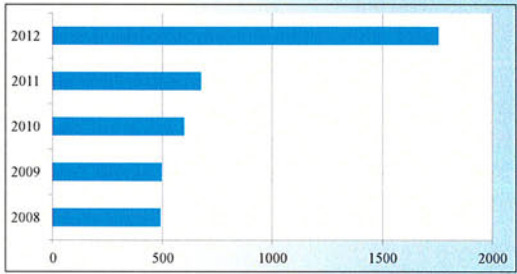
- o Money Purchase Factors Changing
- o Discussion of Pension Reform
- o Baby Boomers
- o Economy

Serving Employees of Illinois Community Colleges and Universities




Applications Received

June & July Retirement Applications Received through April



Year	Applications Received
2012	~1800
2011	~700
2010	~600
2009	~500
2008	~500

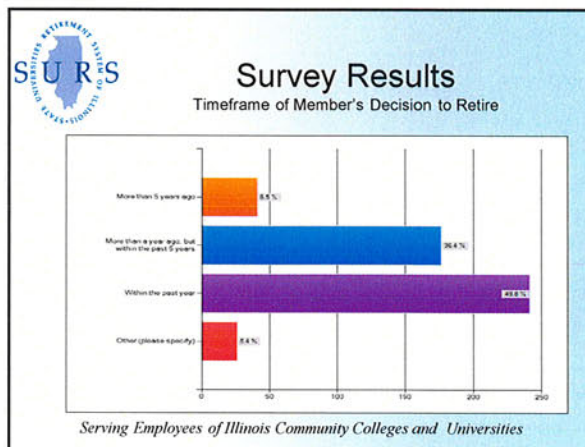
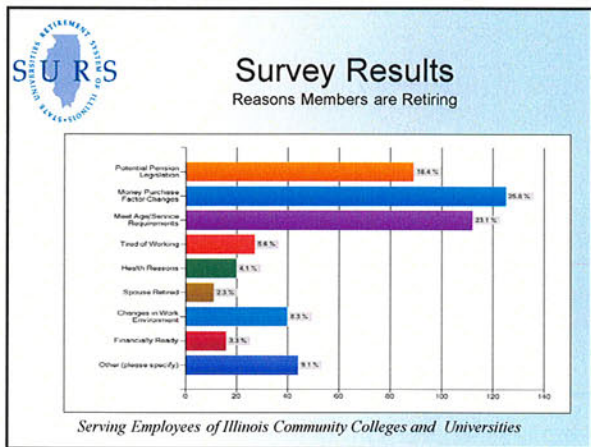
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Member Services Strategy

- o Monitor Trends (surveying membership, website usage, call volume, retirement application and counseling appointment requests)
- o Communicate (employers and members)
- o Maximize human capital (reallocate resources, utilize overtime, engage temporary staff)
- o Streamline processes (eliminated non-value added work, triage work, gathering information)

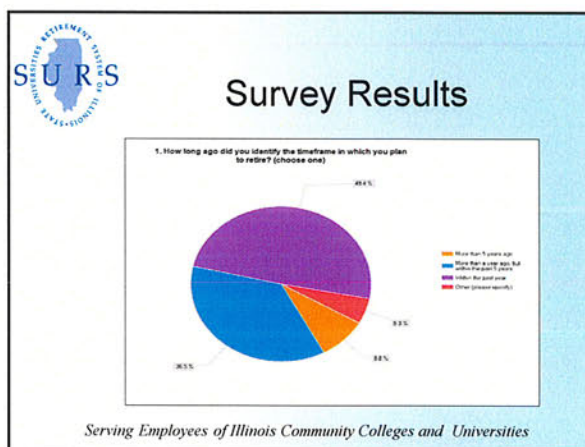
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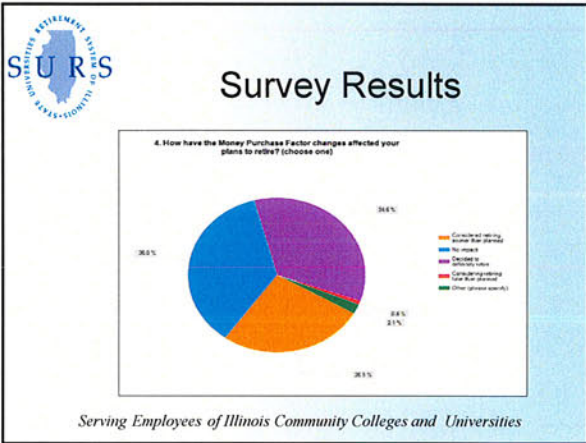
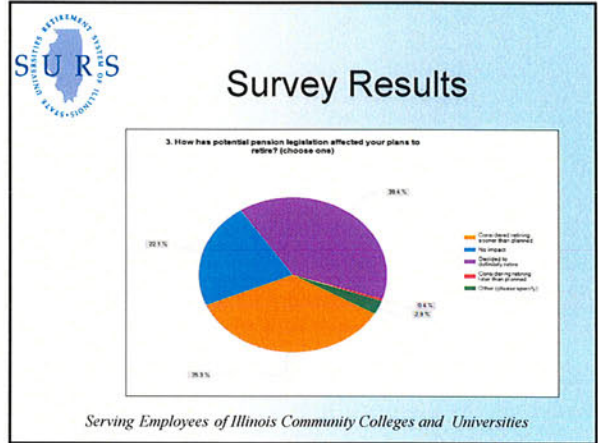
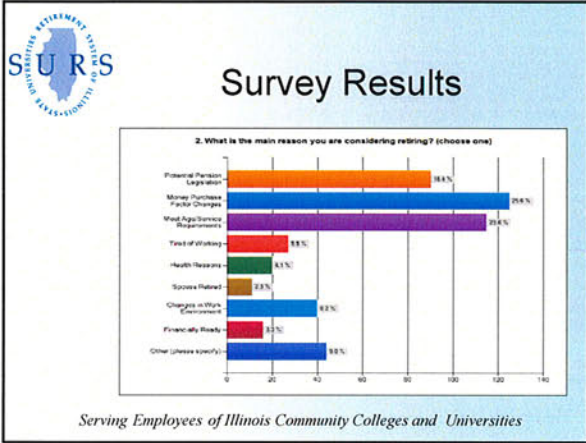


Survey of Retirement Applicants
February 24-29, 2012

- Electronic surveys were sent to 1,199 members who had submitted a retirement application with a January – July 2012 retirement date.
- 471 respondents – 39% response rate

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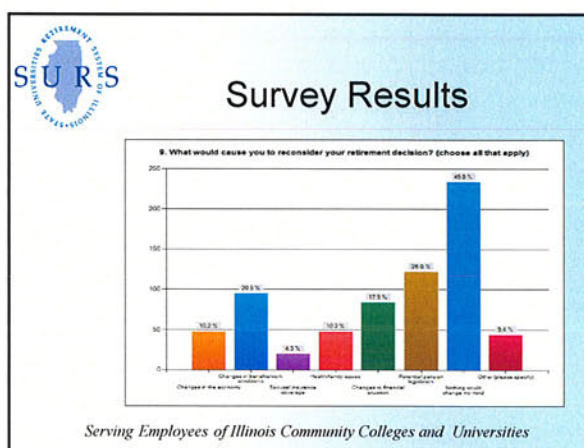
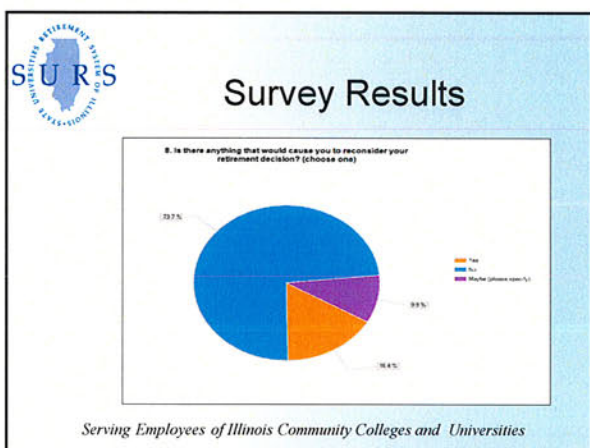
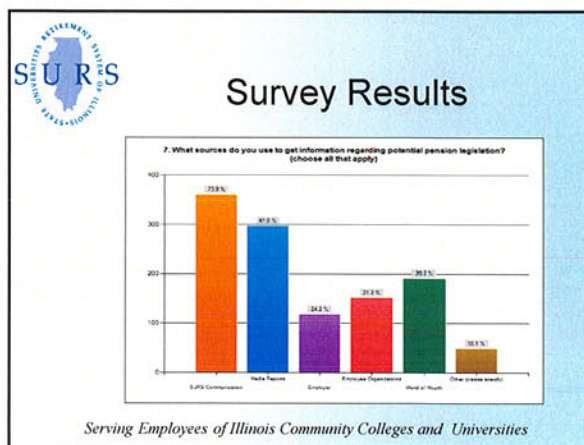
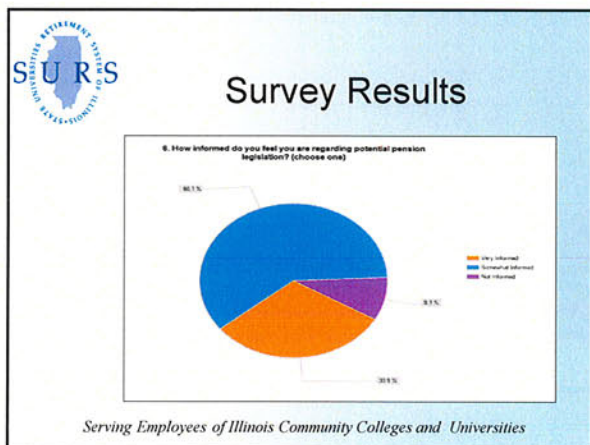


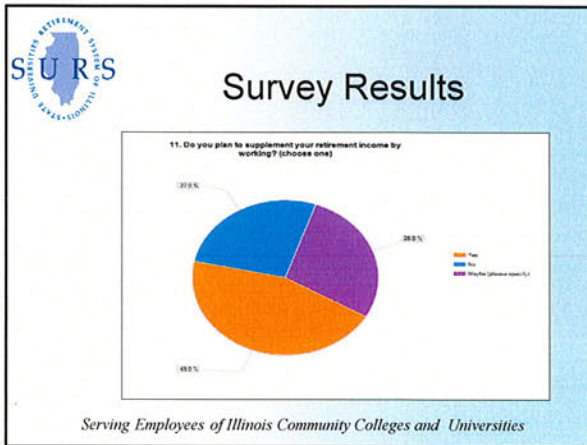
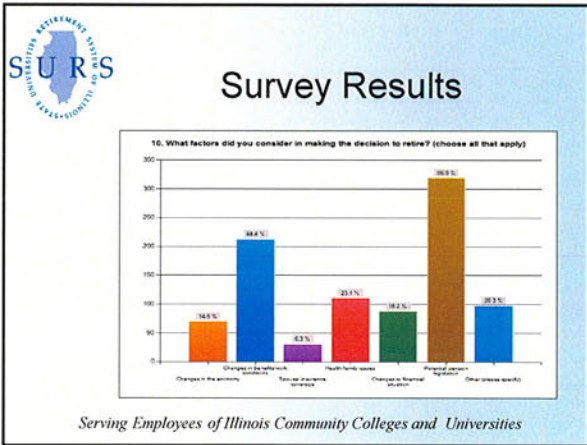


5. How important are each of the following factors in influencing your plans to retire?

	Not Important	Neutral	Important	Very Important
Potential Pension Legislation	5.7%	5.5%	23.3%	55.5%
Money Purchase Factor Changes	11.5%	19.0%	22.5%	47.0%

Serving Employees of Illinois Community Colleges and Universities





**State Universities Retirement System
of Illinois (SURS)**

Investment Update



February 2012

Volume 22, Issue 8



State Universities Retirement System Investment Update

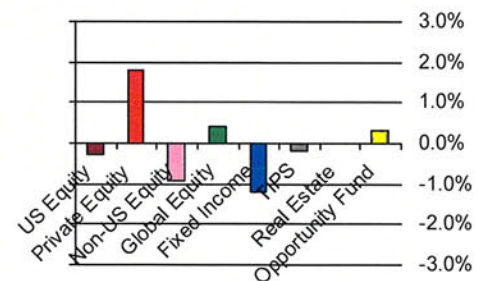
April 16, 2012
Volume 22, Issue 8
www.surs.org

	February 2012	Quarter Ended	Fiscal Y-T-D	1 Year Ended ¹	3 Years Ended ¹	5 Years Ended ¹	10 Years Ended ¹
SURS TOTAL FUND	3.1%	7.3%	1.3%	3.6%	18.9%	3.2%	6.6%
Market Goal / Policy Portfolio	3.0%	6.8%	1.5%	4.0%	19.9%	3.0%	6.6%
Public Funds Index	2.8%	7.1%	2.1%	3.2%	17.3%	3.0%	6.2%
EQUITIES							
SURS U.S. Equity	4.2%	10.3%	3.7%	4.6%	28.1%	2.0%	5.0%
Performance Benchmark	4.2%	10.4%	4.1%	4.5%	26.7%	2.0%	5.2%
SURS Private Equity	-4.5%	-4.5%	-4.5%	11.5%	5.3%	8.2%	8.5%
Performance Benchmark	-14.0%	-14.0%	-14.0%	5.7%	6.8%	4.4%	9.1%
SURS Non-U.S. Equity	5.7%	11.5%	-6.1%	-4.6%	21.1%	-1.6%	7.4%
Performance Benchmark	5.6%	11.5%	-6.2%	-6.1%	22.8%	-0.7%	8.0%
SURS Global Equity	5.0%	9.3%	-0.9%	-0.5%	23.9%	0.4%	5.5%
Performance Benchmark	5.0%	10.9%	-1.6%	-1.5%	23.7%	0.0%	5.4%
FIXED INCOME							
SURS Core / Core Plus	0.2%	2.9%	4.7%	6.8%	10.6%	7.3%	6.5%
Performance Benchmark	0.0%	2.0%	5.9%	8.4%	7.5%	6.4%	5.9%
SURS TIPS	-0.3%	2.5%	9.1%	13.9%	12.7%	8.7%	7.7%
Performance Benchmark	-0.3%	2.0%	9.4%	14.6%	11.2%	7.9%	7.1%
REAL ESTATE							
SURS Direct Real Estate	2.5%	2.5%	2.5%	14.9%	-4.4%	0.0%	1.5%
Performance Benchmark	3.5%	3.5%	3.5%	17.4%	-7.1%	-0.8%	3.3%
SURS RE Invest Trust (REITS)	0.9%	11.0%	0.9%	3.4%	38.9%	-2.9%	10.5%
Performance Benchmark	1.1%	11.5%	1.4%	3.5%	39.4%	-3.9%	9.5%
Opportunity Fund							
SURS	3.6%	4.3%	-3.9%	-2.6%	5.4%	8.0%	9.3%
Performance Benchmark	0.9%	2.3%	6.5%	10.8%	3.9%	0.3%	5.8%

U.S. Equity Benchmark –Dow Jones U.S. Total Stock Market Index; Private Benchmark –Dow Jones U.S. Total Stock Market Index +500 bps (reported quarterly in arrears); Non-U.S. Equity Benchmark –MSCI All Country World Ex-U.S. Index; Global Equity Benchmark –MSCI All Country World Index; Core Fixed Income Benchmark –Barclays Capital Aggregate Bond Index; TIPS Benchmark –Barclays Capital U.S. TIPS Index; Direct Real Estate Benchmark –NCREIF ODCE Index (reported quarterly in arrears); U.S. Real Estate Investment Trust Securities Benchmark –Dow Jones U.S. Select Real Estate Securities Index; Global Real Estate Investment Trust Securities Benchmark –FTSE EPRA/NAREIT Developed Index and Developed Ex-U.S. Index; Opportunity Fund Benchmark –Blended combination of the individual portfolio benchmarks. ¹ or since inception, whichever is less.

Asset Allocation and Target %'s	\$'s (in millions)	Actual %	Current Policy %	June 2011 Approved %
U.S. Equity	\$ 4,274	30.7%	31.0%	30.0%
Private Equity	1,084	7.8%	6.0%	6.0%
Non-U.S. Equity	2,652	19.1%	20.0%	20.0%
Global Equity	1,451	10.4%	10.0%	10.0%
Fixed Income	2,758	19.8%	21.0%	19.0%
TIPS	531	3.8%	4.0%	4.0%
Real Estate	972	7.0%	7.0%	10.0%
Opportunity Fund	185	1.3%	1.0%	1.0%
Total Fund	\$ 13,906	100.0%	100.0%	100.0%

**Actual v. Policy Deviation
As of February 29, 2012**



**Asset Allocation
As of February 29, 2012**

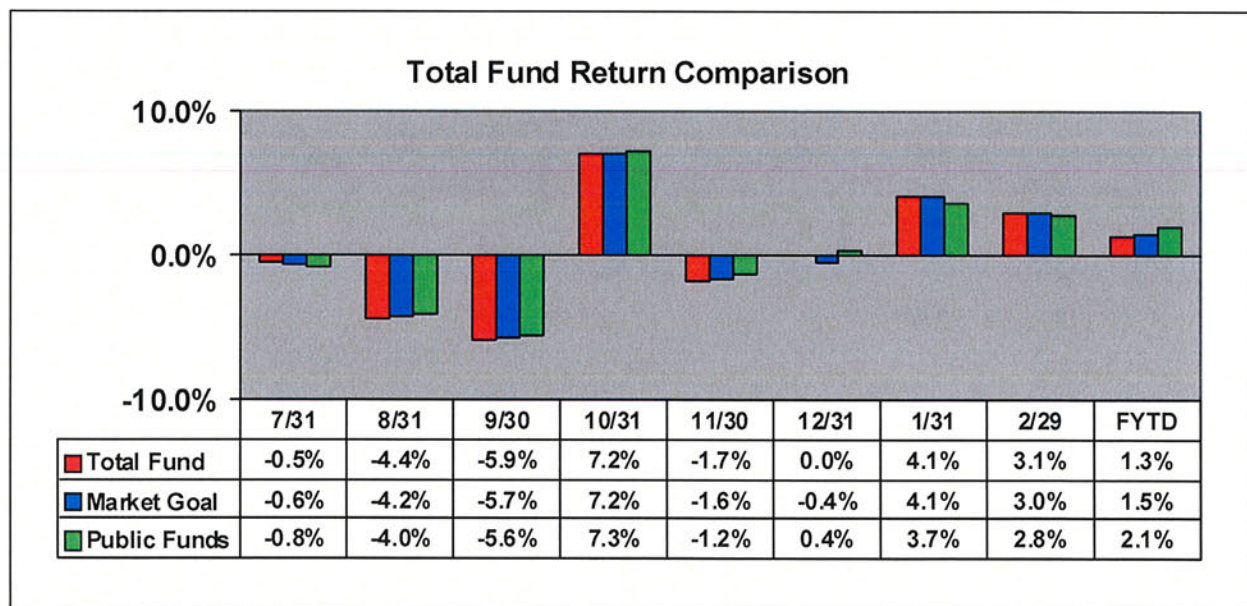
	Structured			Total
	Passive	Active	Active	
U.S. Equity	18.2%	7.2%	5.4%	30.7%
Non-U.S. Equity	8.6%	5.2%	5.3%	19.1%
Global Equity	0.0%	0.0%	10.4%	10.4%
Fixed Income	3.5%	0.0%	16.3%	19.8%
TIPS	0.0%	0.0%	3.8%	3.8%
REITS	1.1%	0.0%	3.0%	4.1%
Alternative Investment Strategies				
Private Equity	0.0%	0.0%	7.8%	7.8%
Real Estate	0.0%	0.0%	2.9%	2.9%
Opportunity Fund	0.0%	0.0%	1.3%	1.3%
Total	31.4%	12.4%	56.2%	100.0%

Total Fund Summary

SURS total fund returned 3.1% for February, exceeding the Market Goal by 0.1% and the estimated Public Funds Index by 0.3%.

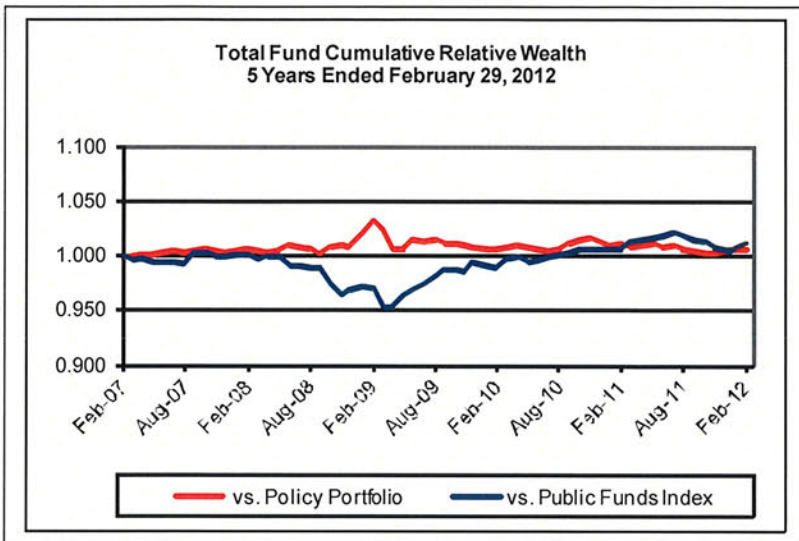
The above benchmark return relative to the Market Goal during February was due primarily to:

- Above benchmark performance in the Non-U.S. Equity and Core/Core Plus Fixed Income asset classes which was partially offset by
- Below benchmark performance in the Global Equity, TIPS and REIT asset classes. In addition, the portfolio was positively impacted by
- An above target allocation to Global Equity, one of the better absolute performing asset classes as measured against the Market Goal, and
- A below target allocation to Core/Core Plus Fixed Income and TIPS, two of the poorer absolute performing asset classes as measured against the Market Goal.

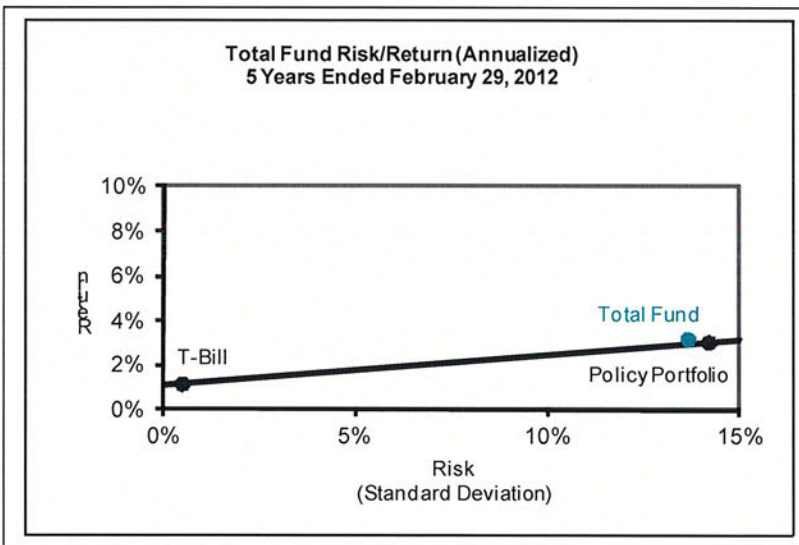


Longer-Term Results

The longer-term results, as indicated in the two graphs below, reflect how SURS compares on both an absolute and a risk-adjusted basis.



As the chart on the left indicates, SURS has performed favorably with the Policy Portfolio for the past several years. The ending values indicate that over the past five years, SURS has exceeded the Policy Portfolio by approximately 0.7%. The chart also indicates that during the same time period, SURS portfolio has exceeded the median Public Funds Index return by approximately 1.0%.



The chart to the left indicates that SURS total fund return has measured less than the level of volatility of the policy portfolio during the past five years. In addition, the chart also indicates that SURS has achieved a marginally greater return with a lower level of volatility. This can be determined by the teal marker, indicating SURS total fund, being on the line to the left of the policy portfolio marker.

On a risk-adjusted basis, SURS has exceeded its benchmark for the five-year period by 21 basis points on an annualized basis (3.17% versus required return of 2.96%).

SURS Statistics as of February 2012	
Standard Deviation of Plan (5 Year Time Period)	13.66%
Actuarially Assumed Rate of Investment Return *	7.75%
Five Year Actual Investment Return	3.17%
* On October 28, 2010, the Board reduced from 8.5% to 7.75% the long-term assumed rate of investment return, effective with the valuation period as of June 30, 2010.	
Investment Management Firms Utilized by SURS	
Emerging, Minority, Women and Disabled Ownership as of December 2011	
As a % of Total Assets	22.9%
As a % of Total Assets, per Public Act 96-0006	14.9%
As a % of Total Actively-Managed Assets, per Public Act 96-0006	21.7%

SURS Total Fund Investment Performance As of February 2012		
	SURS Fund	CPI U
1 Year Ended	3.6%	2.9%
5 Years Ended	3.2%	2.3%
10 Years Ended	6.6%	2.5%
20 Years Ended	8.0%	2.5%
25 Years Ended	8.3%	2.9%
Since October 1981	10.2%	3.0%

The returns and commentary for seven of the nine major asset portfolios follow.

U.S. Equities: \$4.3 Billion and 30.7% of Fund

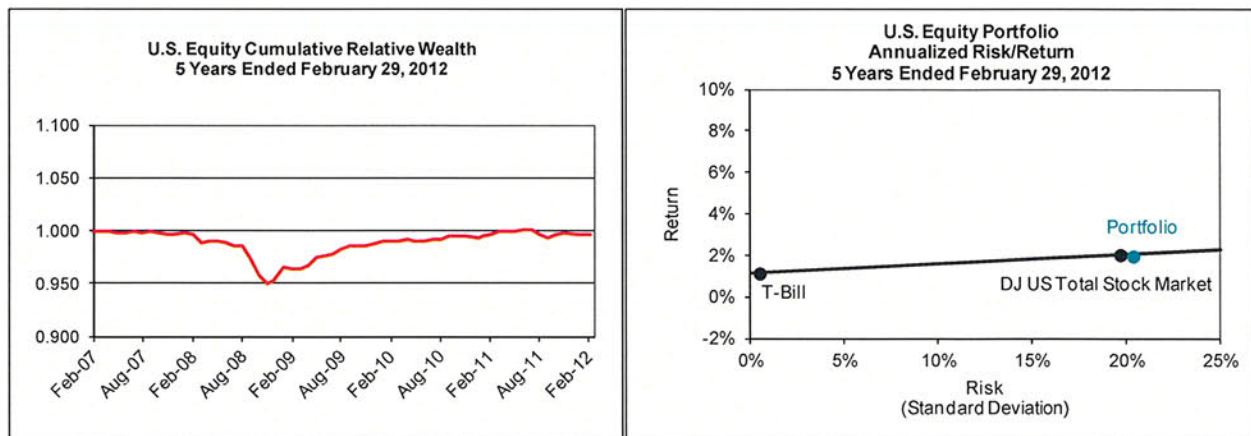
U.S. Equities experienced positive returns for the month of February. The broad market, as measured by the Dow Jones U.S. Total Stock Market (TSM) Index, posted a return of 4.2% for the month. During February, large cap outperformed small cap stocks, and growth outperformed value stocks. SURS portfolio matched the benchmark for the month, returning 4.2%. Relative results were mixed for February, with seven of the thirteen active and structured active accounts achieving returns equal to or better than their respective benchmarks. Returns worth noting for the first eight months of the 2012 fiscal year include:

<u>Portfolio</u>			<u>Benchmark</u>	
Buford, Dickson, Harper & Sparrow	-2.1%	v.	Russell 2000 Growth	-0.7%
EARNEST Partners	4.1%	v.	Russell Midcap	0.6%
Holland Capital Management	2.7%	v.	Russell Midcap Growth	0.5%
Lombardia Capital Partners	2.0%	v.	Russell 2000 Value	-1.4%
NCM Capital Management	-1.8%	v.	Russell Midcap Growth	0.5%
PIMCO StocksPlus	1.5%	v.	PIMCO StocksPlus Custom	4.0%
Profit Investment Management	-5.9%	v.	Russell 2000 Growth	-0.7%
Progress Investment Management	2.9%	v.	Russell 3000	4.0%

	February 2012	FYTD	1 YR	3 YR	5 YR	10 YR
SURS	4.2%	3.7%	4.6%	28.1%	2.0%	5.0%
DJ U.S. Total Stock Market	4.2%	4.1%	4.5%	26.7%	2.0%	5.2%
DJ U.S. Large Cap TSM	4.4%	4.7%	5.1%	25.7%	1.9%	4.7%
DJ U.S. Lrg Cap Growth TSM	5.0%	5.4%	5.1%	26.1%	3.8%	4.6%
DJ U.S. Lrg Cap Value TSM	3.9%	4.0%	4.1%	24.2%	-0.6%	4.4%
DJ U.S. Small Cap TSM	3.4%	-0.4%	0.7%	34.6%	3.8%	8.9%
DJ U.S. Sm Cap Growth TSM	3.8%	-0.8%	1.7%	35.8%	5.2%	9.0%
DJ U.S. Sm Cap Value TSM	3.1%	-0.1%	-0.4%	33.2%	2.5%	8.8%
S&P 500	4.3%	5.0%	5.1%	25.6%	1.6%	4.2%
Russell 3000	4.2%	4.0%	4.4%	26.5%	1.8%	4.8%
Russell 2000	2.4%	-1.1%	-0.2%	29.5%	1.8%	7.0%

Longer-Term Results

The five-year cumulative relative wealth chart, below (left) indicates that SURS U.S. Equity portfolio has lagged its benchmark return by approximately 0.3%. SURS U.S. Equity portfolio return trailed its benchmark by 10 basis points while incurring slightly greater risk than the benchmark. SURS portfolio has returned 1.96%, while the risk-adjusted benchmark return is 2.06%.



Non-U.S. Equities: \$2.7 Billion and 19.1% of Fund

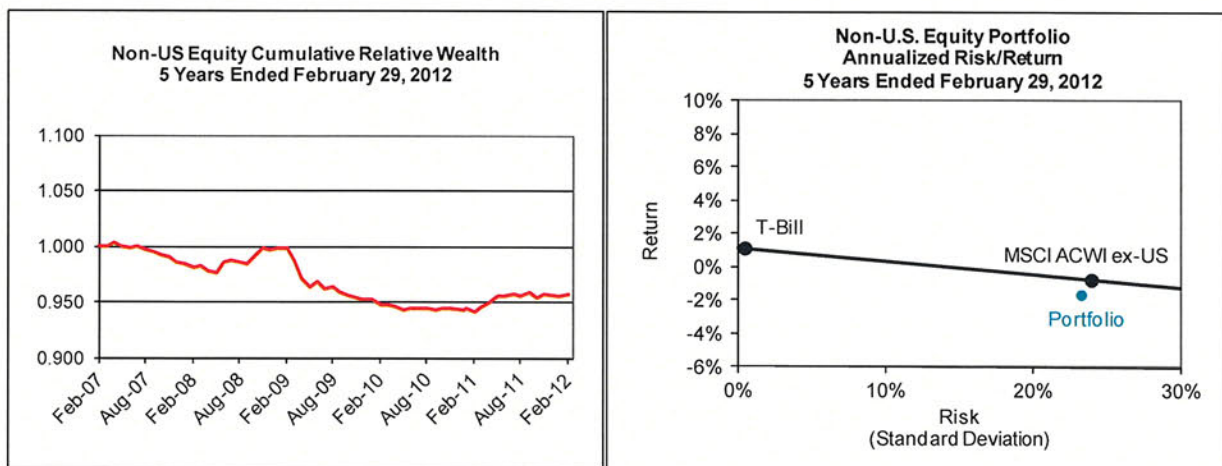
Non-U.S. Equities posted positive returns for the month of February. The broad international markets, as represented by the MSCI All Country World Ex-US Index, returned 5.6%. SURS portfolio performance exceeded the benchmark for the period by 0.1%, returning 5.7%. Growth stocks outperformed value stocks for the month. Comparative performance of the emerging markets has been strong for the one-, three-, five- and ten-year periods. Relative results were mixed for February, with four of SURS eight active and structured active accounts posting returns equal to or better than their respective benchmarks. Returns worth noting for the first eight months of the 2012 fiscal year include:

<u>Portfolio</u>		v.	<u>Benchmark</u>	
BTC International Alpha Tilts	-8.3%		MSCI EAFE	-6.8%
Ativo Capital Management	-8.2%		MSCI ACWI Ex-US	-6.2%
Herndon Capital Management	-5.8%		MSCI EAFE	-6.8%
Progress Investment Management	-5.7%		MSCI EAFE	-6.8%
Strategic Global Advisors	-5.4%		MSCI EAFE	-6.8%

	February 2012	FYTD	1 YR	3 YR	5 YR	10YR
SURS	5.7%	-6.1%	-4.6%	21.1%	-1.6%	7.4%
Performance Benchmark	5.6%	-6.2%	-6.1%	22.8%	-0.7%	8.0%
MSCI All Country World Ex-US	5.6%	-6.2%	-6.1%	22.8%	-0.7%	8.0%
MSCI All Country World Ex-US Growth	5.8%	-6.4%	-5.2%	22.0%	0.0%	N/A
MSCI All Country World Ex-US Value	5.4%	-6.1%	-7.0%	23.6%	-1.5%	N/A
MSCI EAFE	5.7%	-6.8%	-7.5%	19.7%	-2.9%	6.3%
MSCI EAFE Growth	6.0%	-5.8%	-5.0%	19.9%	-1.3%	5.9%
MSCI EAFE Value	5.4%	-7.7%	-9.8%	19.6%	-4.6%	6.6%
MSCI EAFE Small Cap	6.0%	-7.0%	-6.1%	27.1%	-1.8%	11.0%
MSCI Emerging Markets	6.0%	-4.6%	-0.1%	32.3%	6.2%	15.2%
S&P BMI Ex-US	5.6%	11.5%	-6.6%	22.7%	-1.4%	4.7%

Longer-Term Results

The five-year cumulative relative wealth chart, below (left) indicates that SURS Non-U.S. Equity portfolio has lagged its benchmark return by approximately 4.3%. On a risk-adjusted basis, SURS Non-U.S. Equity portfolio has trailed its benchmark by 93 basis points, generating a lower return although with slightly less volatility than the benchmark. SURS portfolio has returned -1.62%, while the risk-adjusted benchmark return is -0.69%.



Global Equities: \$1.5 Billion and 10.4% of Fund

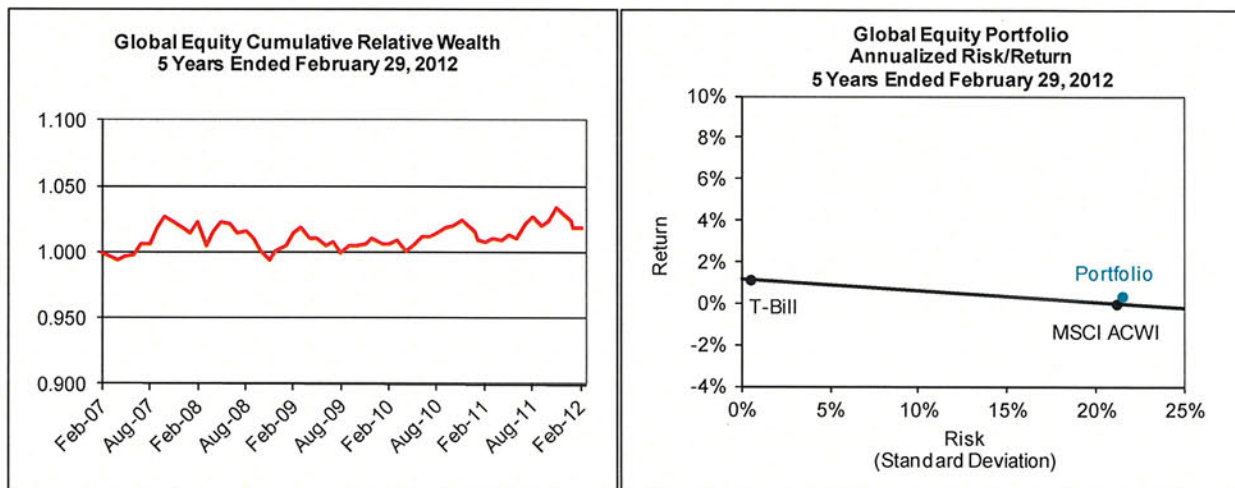
Global Equities posted positive returns for the month of February. The broad market as measured by the MSCI All Country World Index (ACWI) rose 5.0% during the month. SURS portfolio performance matched the benchmark return during January, returning 5.0%. Relative results for the SURS portfolio were mixed for February, with two of the five active accounts posting a return equal to or better than their respective benchmarks. Returns worth noting for the first eight months of the 2012 fiscal year include:

<u>Portfolio</u>			<u>Benchmark</u>	
Aberdeen Asset Management	0.5%	v.	MSCI ACWI	-1.6%
Calamos Investments	1.3%	v.	MSCI ACWI	-1.6%
T. Rowe Price	1.1%	v.	MSCI ACWI	-1.6%
Wellington Management	-0.6%	v.	MSCI ACWI	-1.6%

	February 2012	FYTD	1 YR	3 YR	5 YR	Since Inception
SURS	5.0%	-0.9%	-0.5%	23.9%	0.4%	5.5%
Performance Benchmark	5.0%	-1.6%	-1.5%	23.7%	0.0%	5.4%
MSCI All Country World	5.0%	-1.6%	-1.5%	23.7%	0.1%	5.7%
MSCI World	4.9%	-1.2%	-1.7%	22.7%	-0.6%	5.1%
Dow Jones U.S. Total Stock Mkt	4.2%	4.1%	4.5%	26.7%	2.0%	5.5%
MSCI All Country World Ex-US	5.6%	-6.2%	-6.1%	22.8%	-0.7%	7.4%

Longer-Term Results

The five-year cumulative relative wealth chart, below (left) indicates that SURS Global Equities portfolio has outpaced its benchmark return by approximately 1.9%. The portfolio is generating slightly higher returns with marginally greater volatility than the benchmark. On a risk-adjusted basis, the portfolio exceeded its benchmark by 38 basis points on an annualized basis of 0.35% versus a required return of -0.03%.



Fixed Income: \$2.8 Billion and 19.8% of Fund

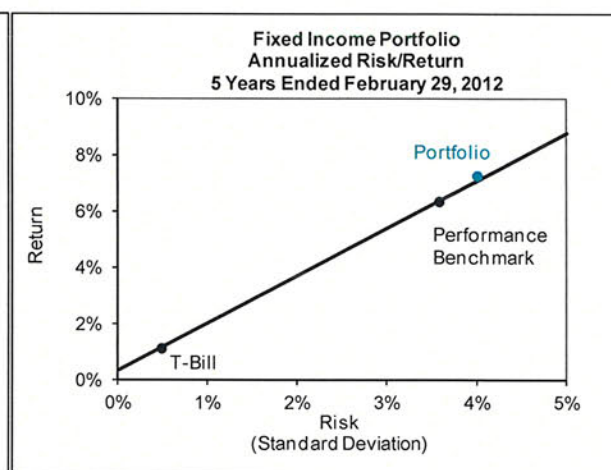
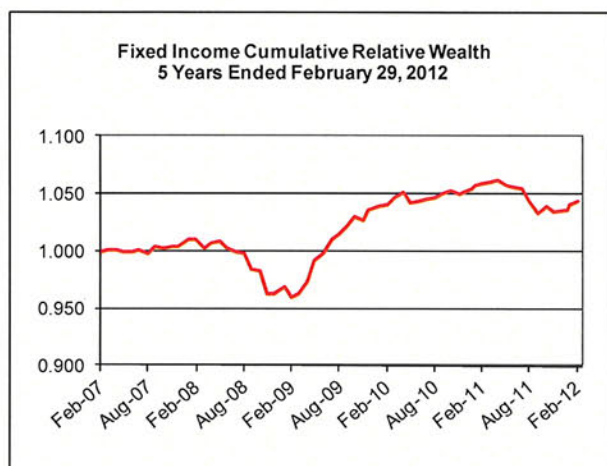
The U.S. fixed income markets experienced flat returns for the month of February. The broad market, as measured by the Barclays Capital Aggregate Index, posted a return of 0.0% for the month. SURS core/core plus fixed income portfolio returned 0.2%, outpacing the benchmark return by 0.2% during February. The Long Term Corporate and Intermediate Corporate sectors experienced the strongest performance for the period. For the month, the investment return for nine of the ten active accounts was equal to or better than the returns of their benchmarks. Returns worth noting for the first eight months of the 2012 fiscal year include:

<u>Portfolio</u>			<u>Benchmark</u>	
Chicago Equity Partners	6.4%	v.	Barclays Capital Aggregate	5.9%
Garcia Hamilton & Associates	5.3%	v.	Barclays Capital Aggregate	5.9%
PIMCO Total Return	2.9%	v.	Barclays Capital Aggregate	5.9%
Taplin, Canida & Habacht	7.8%	v.	Barclays Capital Aggregate	5.9%

	February 2012	FYTD	1 YR	3 YR	5 YR	10 YR
SURS	0.2%	4.7%	6.8%	10.6%	7.3%	6.5%
Performance Benchmark	0.0%	5.9%	8.4%	7.5%	6.4%	5.9%
Barclays Capital Aggregate	0.0%	5.9%	8.4%	7.5%	6.4%	5.7%
Barclays Capital Universal	0.2%	5.7%	8.2%	8.6%	6.3%	6.0%
Long Term Government	-2.0%	23.6%	27.7%	10.2%	9.9%	8.5%
Intermediate Government	-0.4%	4.0%	6.1%	4.1%	5.6%	4.8%
Long Term Corporate	1.0%	16.3%	19.0%	19.2%	8.6%	8.1%
Intermediate Corporate	0.8%	5.2%	7.5%	11.7%	6.5%	6.0%
Mortgage Backed	0.1%	3.8%	6.4%	5.7%	6.4%	5.5%
90-day Treasury Bills	0.0%	0.0%	0.0%	0.1%	1.1%	1.8%

Longer-Term Results

The five-year cumulative relative wealth chart, below (left) indicates that SURS fixed income portfolio has exceeded its benchmark return by approximately 4.4%. On a risk-adjusted basis, the portfolio is producing a higher return with somewhat more volatility than the benchmark. The portfolio has outpaced its risk-adjusted benchmark by 20 basis points on an annualized basis of 7.28% versus a required return of 7.08%.



Treasury Inflation-Protected Securities (TIPS): \$0.5 Billion and 3.8% of Fund

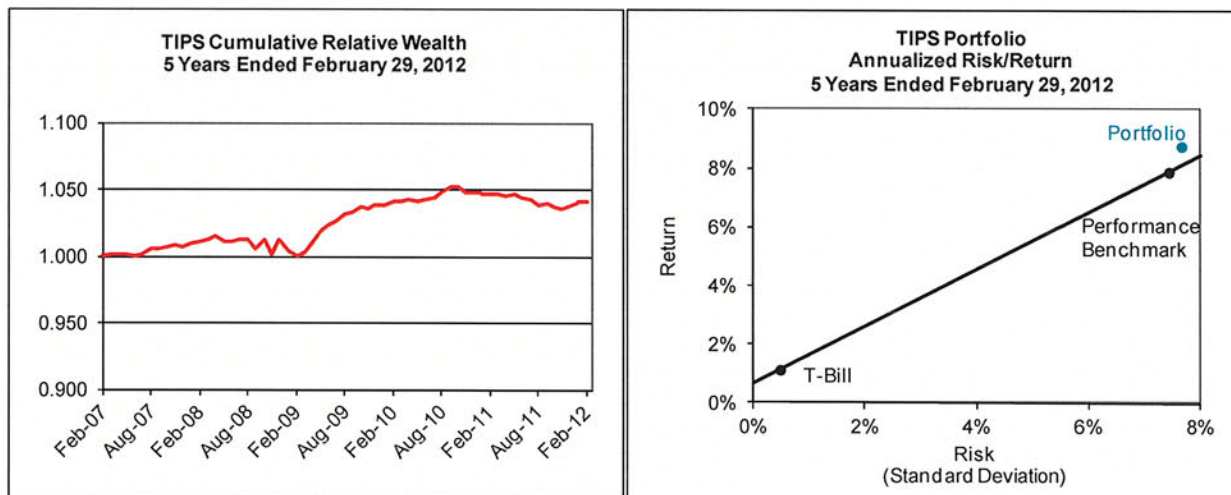
The TIPS markets experienced negative results during February, returning -0.3% for the month. SURS portfolio performance matched the benchmark for the period, returning -0.3%. For the month, two of the three managers in the portfolio equaled or exceeded the benchmark. Returns worth noting for the first eight months of the 2012 fiscal year include:

<u>Portfolio</u>				<u>Benchmark</u>	
Longfellow Investment Mgmt	8.5%	v.	Barclays Capital U.S. TIPS Index	9.4%	

	February 2012	FYTD	1 YR	3 YR	5 YR	Since Inception
SURS	-0.3%	9.1%	13.9%	12.7%	8.7%	7.7%
Custom Benchmark	-0.3%	9.4%	14.6%	11.2%	7.9%	7.1%
Barclays U.S. TIPS Index	-0.3%	9.4%	14.6%	11.2%	7.9%	7.8%
Barclays 1-10 year TIPS Index	0.1%	5.3%	9.3%	9.1%	7.0%	7.0%
90-day Treasury Bills	0.0%	0.0%	0.0%	0.1%	1.1%	2.5%

Longer-Term Results

The five-year cumulative relative wealth chart, below (left) indicates that SURS TIPS portfolio has added approximately 4.1% in value above its benchmark. On a risk-adjusted basis, the portfolio has experienced a higher return with slightly greater volatility than its benchmark. The portfolio has outpaced its risk-adjusted benchmark by 64 basis points on an annualized basis of 8.75% versus required return of 8.11%.



Real Estate: \$1.0 Billion and 7.0% of Fund

Real Estate Investment Trust Securities (REITS): U.S. and Global (4.1% of Fund)

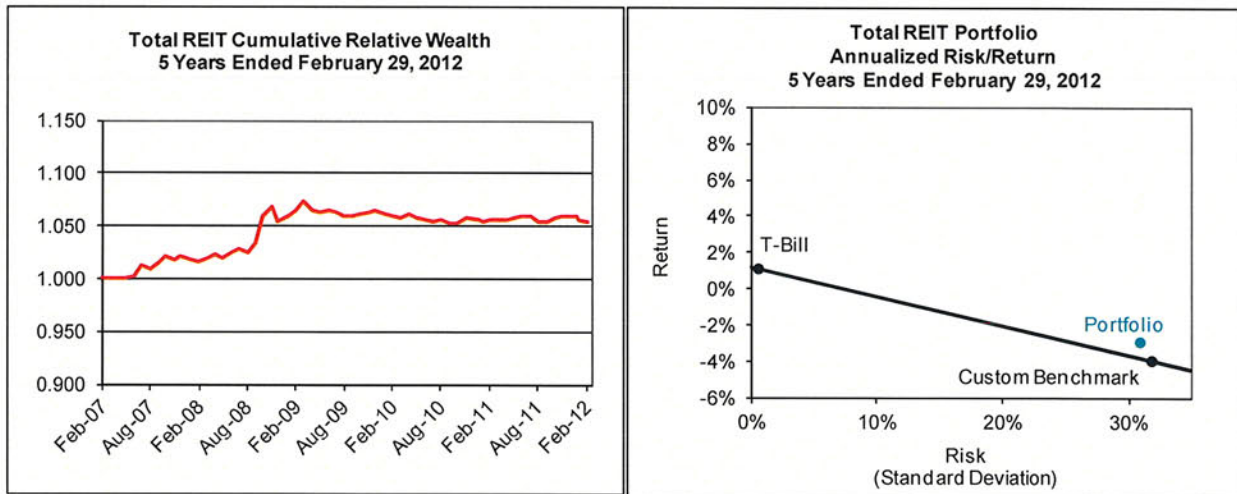
The U.S. and global REIT markets experienced positive investment performance for February. SURS total REIT portfolio trailed its benchmark by 0.2%, returning 0.9% for the month. Returns worth noting for the first eight months of the 2012 fiscal year include:

Portfolio			Benchmark	
RREEF Securities (Domestic)	1.8%	v.	DJ U.S. Select Real Estate Sec	3.4%
RREEF Global REIT	-2.6%	v.	FTSE EPRA/NAREIT Devel	-1.3%

	February 2012	FYTD	1 YR	3 YR	5 YR	10 YR
SURS	0.9%	0.9%	3.4%	38.9%	-2.9%	10.5%
Custom Benchmark	1.1%	1.4%	3.5%	39.4%	-3.9%	9.5%
Dow Jones U.S. Select Real Estate Securities	-1.0%	3.4%	6.1%	43.7%	-2.4%	10.4%
FTSE EPRA /NAREIT Developed Index	3.5%	-1.3%	0.1%	33.0%	-5.1%	-5.1%
FTSE EPRA /NAREIT Developed Ex-U.S	7.6%	-4.2%	-2.9%	28.2%	-6.7%	-6.7%

Longer-Term Results: Total REITS

The five-year cumulative relative wealth chart, below (left) indicates that SURS Total REIT portfolio has added approximately 5.5% in value above its benchmark. As can be seen from the chart, the five-year trend has been positive. On a risk-adjusted basis, the portfolio return has exceeded its benchmark by 89 basis points while providing a higher return with marginally less volatility. SURS portfolio has returned -2.87%, while the risk-adjusted benchmark return is -3.76%.



Real Estate (continued)

Direct Real Estate (2.9% of Fund)

SURS began funding its direct real estate portfolio in June 2005 and reports performance one quarter in arrears. The one year return through December 31, 2011, was 14.9% as compared to its benchmark return of 17.4%.

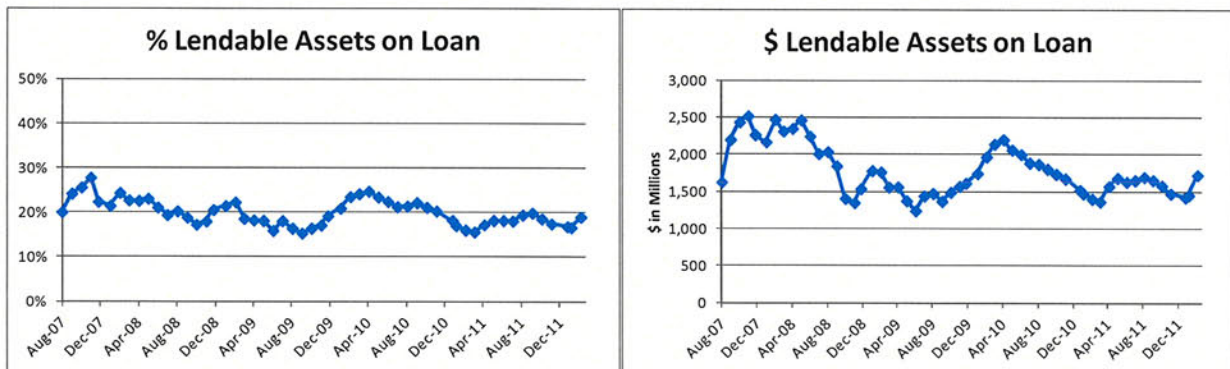
	December 2011	FYTD	1 YR	3 YR	5 YR	Since Inception
SURS	2.5%	2.5%	14.9%	-4.4%	0.0%	1.5%
NCREIF ODCE Index	3.5%	3.5%	17.4%	-7.1%	-0.8%	3.3%
Consumer Price Index	-0.5%	0.0%	3.0%	2.4%	2.3%	2.3%

The RREEF America II Fund targets a 6% real rate of return for the fund and the RREEF America III Fund targets an 8% real rate of return. The investment objective of UBS Trumbull Property Fund is to provide a 5% real rate of return. Franklin Templeton pursues a 9% preferred real rate of return.

Securities Lending

Credit Suisse began providing third-party securities lending services to SURS as of August 1, 2007. Program statistics for the month of February and the 2012 fiscal year are as listed, below:

Securities Lending Income as of February 29, 2012	
Total for the Month	\$389,754
Fiscal Year to Date	\$3,185,532
Fiscal Year to Date Monthly Average	\$398,191



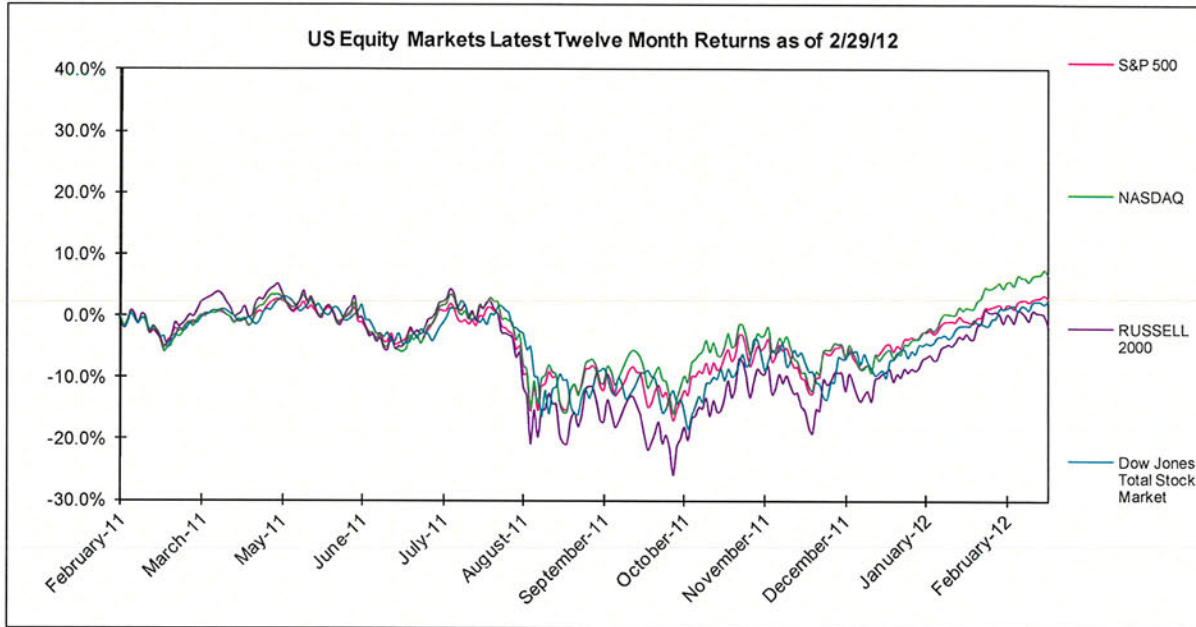
Items of Interest

If you have any questions regarding this Investment Update or anything else, please contact us.

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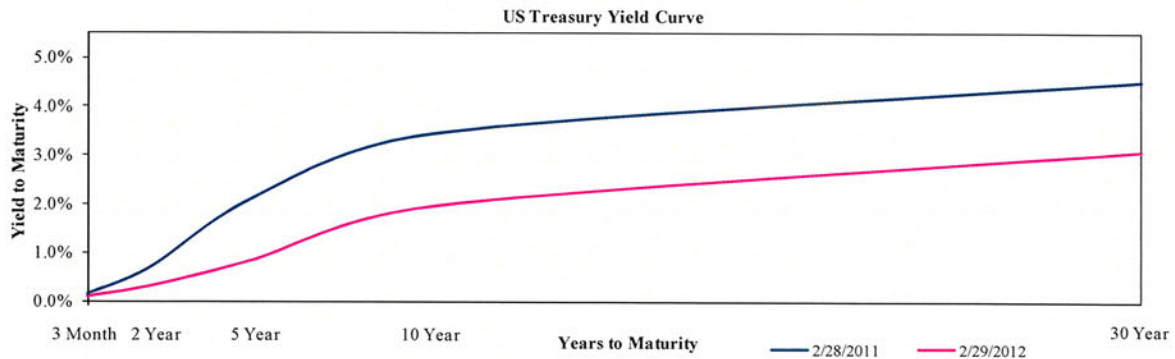
MARKET OVERVIEW

<u>US Equity Markets</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>Rate of Return</u>
Dow Jones Industrial	12,226.34	12,952.07	5.94 %
S&P 500	1,327.22	1,365.68	5.12 %
Nasdaq Composite	2,782.27	2,966.89	7.77 %
Russell 1000	736.24	756.42	4.86 %
Russell 2000	823.45	810.94	(0.15)%
Russell 3000	791.44	810.36	4.45 %
Dow Jones Total Stock Market	13,867.45	14,211.69	4.53 %



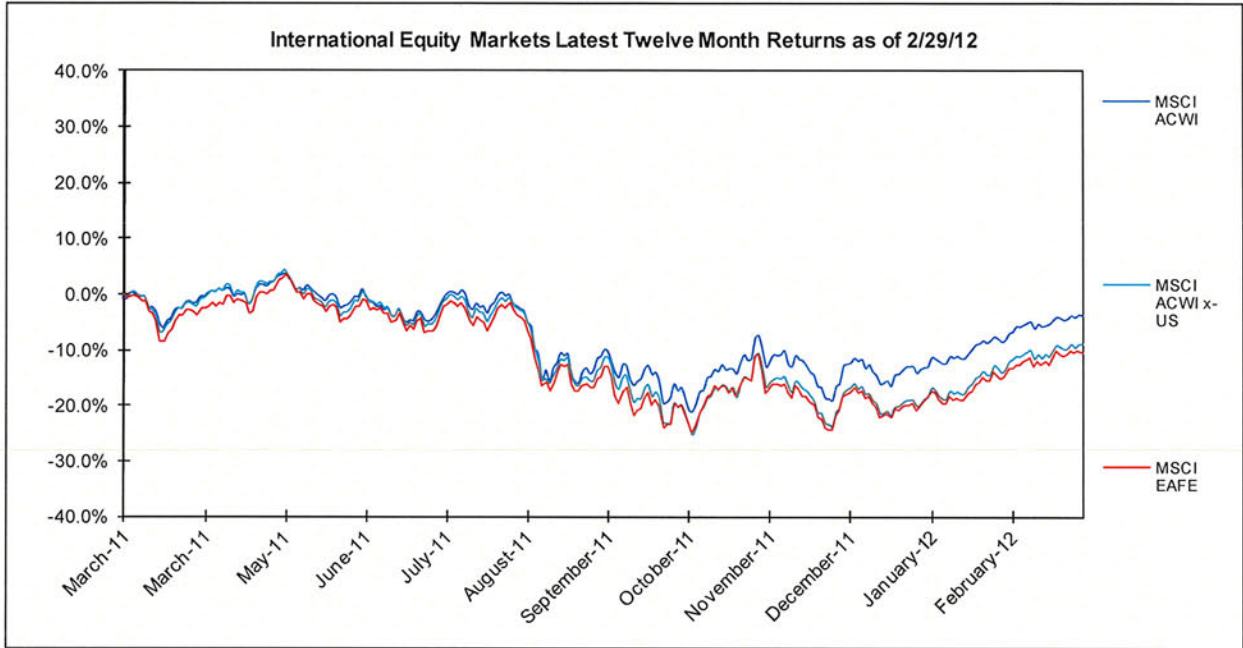
Current Yield as of

<u>US Treasury Market</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>% Change</u>
3-Month Treasury Bill	0.13%	0.08%	-0.06%
2-Year Treasury Note	0.68%	0.29%	-0.39%
5-Year Treasury Note	2.14%	0.84%	-1.30%
10-Year Treasury Bond	3.43%	1.94%	-1.48%
30-Year Treasury Bond	4.50%	3.07%	-1.43%



MARKET OVERVIEW

<u>International Markets</u>	<u>February 28, 2011</u>	<u>February 29, 2012</u>	<u>Rate of Return</u>
MSCI ACWI	344.82	331.93	(1.49)%
MSCI ACWI x-US	272.33	248.34	(6.10)%
MSCI EAFE	1,749.01	1,567.67	(7.45)%













CBOE S&P 500 Volatility Index



MARKET OVERVIEW

Foreign Exchange

	 USD	 EUR	 JPY	 GBP	 CHF	 CAD	 AUD	 NZD	 HKD	 NOK
SEK	6.6194	8.8200	.08157	10.536	7.3187	6.6868	7.1039	5.5213	.85341	1.1838
NOK	5.5919	7.4509	.06891	8.9003	6.1826	5.6488	6.0011	4.6642	.72094	-
HKD	7.7564	10.335	.09558	12.345	8.5758	7.8353	8.3241	6.4696	-	1.3871
NZD	1.1989	1.5975	.01477	1.9082	1.3255	1.2111	1.2866	-	.15457	.21440
AUD	.93180	1.2416	.01148	1.4831	1.0302	.94129	-	.77722	.12013	.16663
CAD	.98992	1.3190	.01220	1.5756	1.0945	-	1.0624	.82570	.12763	.17703
CHF	.90445	1.2051	.01115	1.4396	-	.91366	.97065	.75441	.11661	.16174
GBP	.62828	.83715	.00774	-	.69465	.63468	.67427	.52405	.08100	.11236
JPY	81.149	108.13	-	129.16	89.722	81.975	87.088	67.687	10.462	14.512
EUR	.75050	-	.00925	1.1945	.82978	.75814	.80543	.62600	.09676	.13421
USD	-	1.3325	.01232	1.5917	1.1056	1.0102	1.0732	.83411	.12893	.17883

Commodities

Standard & Poor's Goldman Sachs Commodity Index



Source: Bloomberg. Calculations are as of the last monthly trading day. All data is as of February 29, 2012.

**Schedule of Self-Managed Plan Investment Allocation
as of February 29, 2012**

	<u>U.S. Stocks</u>	<u>Non-U.S. Stocks</u>	<u>Fixed Income</u>	<u>Balanced</u>	<u>Real Estate</u>	<u>Total</u>
Fidelity Funds						
Actively Managed						
Fidelity Managed Income Portfolio			17,867,375			17,867,375
PIMCO Total Return Institutional			26,591,372			26,591,372
Fidelity Puritan				127,654,028		127,654,028
Fidelity Freedom K Funds ⁽¹⁾				56,170,274		56,170,274
Ariel Fund	14,873,993					14,873,993
American Beacon Large Cap Value Inst.	2,880,991					2,880,991
Buffalo Small Cap	6,486,720					6,486,720
Hartford Capital Appreciation Y	21,598,625					21,598,625
Fidelity Growth Company Class K ⁽⁶⁾	42,807,462					42,807,462
Fidelity Contrafund	50,960,539					50,960,539
Fidelity Low Priced Stock Class K ⁽⁶⁾	26,949,682					26,949,682
Fidelity Diversified International Class K ⁽⁶⁾		26,467,230				26,467,230
Fidelity Worldwide		13,978,144				13,978,144
Fidelity Real Estate Investment					5,901,386	5,901,386
Passively Managed						
Spartan U.S. Bond Index Institutional ^{(4),(7)}			18,538,744			18,538,744
Fidelity Four In One Index				7,666,101		7,666,101
Spartan Extended Market Index	14,953,564					14,953,564
Spartan Total Market Index	9,555,289					9,555,289
Spartan 500 Index Institutional ⁽⁷⁾	45,960,704					45,960,704
Spartan International Index		8,526,623				8,526,623
Fidelity Total	237,027,569	48,971,997	62,997,491	191,490,403	5,901,386	546,388,846 57.1%
TIAA-CREF Funds						
Actively Managed						
CREF Money Market Account			18,144,611			18,144,611
TIAA Traditional Annuity			67,465,185			67,465,185
CREF Bond Market Account			34,533,855			34,533,855
CREF Inflation-Linked Bond Account			21,551,779			21,551,779
CREF Social Choice Account				33,162,663		33,162,663
TIAA-CREF Lifecycle Funds - Premier Class ^{(5),(8)}				18,955,082		18,955,082
CREF Growth Account ⁽²⁾	268,790					268,790
CREF Stock Account	92,879,907					92,879,907
CREF Global Equities Account		30,989,292				30,989,292
TIAA Real Estate Account					3,696,657	3,696,657
Passively Managed						
CREF Equity Index Account	41,474,559					41,474,559
TIAA-CREF Large-Cap Growth Index	46,827,626					46,827,626
TIAA-CREF Total	181,450,882	30,989,292	141,695,431	52,117,745	3,696,657	409,950,008 42.9%
GRAND TOTALS	\$418,478,451 43.8%	\$79,961,289 8.4%	\$204,692,922 21.4%	\$243,608,148 25.5%	\$9,598,043 1.0%	\$956,338,854 100.0%
SMP Forfeiture Reserve ⁽³⁾						9,724,387
SMP Disability Reserve ⁽³⁾						58,271,161
Total SMP Investments						1,024,334,402

1. As of February 29, 2012, the Fidelity Freedom K Fund (lifecycle) series is the default fund for members who have selected the Self-Managed Plan, but have not yet selected individual mutual/variable annuity funds.

2. CREF Growth Account is no longer an approved option for the Self-Managed Plan. Assets remaining in the Account were invested prior to termination of this option.

3. These assets are commingled with the SURS defined benefit plan investments and accrue interest equal to the overall annual rate of return of the fund, net of fees. The reserve totals are preliminary and unaudited.

4. Effective April 2011, the name changed from Fidelity U.S. Bond Index Fund to Spartan U.S. Bond Index Fund.

5. Effective August 5, 2011, the fund transferred to the lower-cost Premier share class.

6. Effective September 14, 2011, the fund transferred to the lower-cost K share class.

7. Effective September 14, 2011, the fund transferred to the lower-cost institutional share class.

8. Effective November 2011, the TIAA-CREF Lifecycle 2055 Fund - Premier Class Fund became an SMP approved investment option.

SURS Private Equity Program Returns
Investment Values for Month Ended February 29, 2012
Investment Performance for Quarter Ended December 31, 2011 ⁽¹⁾

Manager	Incep	Benchmark	Assets (\$mil)	Quarter Mgr	Quarter Bmark	FYTD Mgr	FYTD Bmark	1 YR Mgr	1 YR Bmark	3 YR Mgr	3 YR Bmark	5 YR Mgr	5 YR Bmark	10 YR Mgr	10 YR Bmark	Incep ⁽²⁾ Mgr	Incep ⁽²⁾ Bmark
Adams Street Partners (SEP)	Jan-91	DJ US Ttl SIK Mkt + 5%	284	-4.36%	-14.01%	-4.36%	-14.01%	10.44%	5.73%	4.44%	6.77%	7.89%	4.36%	7.39%	9.06%	28.53%	11.64%
ASP 2009 Offering (FOF)	Jan-09	DJ US Ttl SIK Mkt + 5%	32	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
ASP 2008 Offering (FOF)	Jan-08	DJ US Ttl SIK Mkt + 5%	46	-2.93%	-14.01%	-2.93%	-14.01%	12.35%	5.73%	12.81%	6.77%	11.25%	0.23%	11.25%	0.23%	11.25%	0.23%
ASP Global Secondary (FOF)	Mar-04	DJ US Ttl SIK Mkt + 5%	13	-0.33%	-14.01%	-0.33%	-14.01%	28.46%	5.73%	10.48%	6.77%	10.03%	4.36%	12.48%	9.75%	12.48%	9.75%
ASP 2007 Global Opportunity (FOF)	Jun-07	DJ US Ttl SIK Mkt + 5%	73	-5.14%	-14.01%	-5.14%	-14.01%	14.97%	5.73%	8.67%	6.77%	4.08%	2.93%	4.08%	2.93%	4.08%	2.93%
ASP Non-U.S. P'ships (FOF)	Jul-98	DJ US Ttl SIK Mkt + 5%	44	-7.64%	-14.01%	-7.64%	-14.01%	9.05%	5.73%	1.59%	6.77%	8.26%	4.36%	14.93%	9.06%	13.16%	6.44%
Muller and Monroe ILPEFF (FOF)	Dec-04	DJ US Ttl SIK Mkt + 5%	13	-0.57%	-14.01%	-0.57%	-14.01%	2.46%	5.73%	2.89%	6.77%	0.01%	4.36%	-1.69%	7.89%	-1.69%	7.89%
Muller and Monroe MPEFF (FOF)	Mar-08	DJ US Ttl SIK Mkt + 5%	16	-4.55%	-14.01%	-4.55%	-14.01%	11.84%	5.73%	7.37%	6.77%	3.35%	0.24%	3.35%	0.24%	3.35%	0.24%
Pantheon Ventures, Inc. (SEP)	Mar-02	DJ US Ttl SIK Mkt + 5%	430	-4.01%	-14.01%	-4.01%	-14.01%	10.79%	5.73%	6.14%	6.77%	9.17%	4.36%	10.38%	9.22%	10.38%	9.22%
Pantheon Europe Fund III (FOF)	Jan-03	DJ US Ttl SIK Mkt + 5%	53	-9.09%	-14.01%	-9.09%	-14.01%	18.06%	5.73%	3.51%	6.77%	13.27%	4.36%	15.81%	11.86%	15.81%	11.86%
Pantheon Europe Fund VI (FOF)	Sep-08	DJ US Ttl SIK Mkt + 5%	20	-7.17%	-14.01%	-7.17%	-14.01%	5.13%	5.73%	4.22%	6.77%	2.74%	3.54%	2.74%	3.54%	2.74%	3.54%
Pantheon Global Second II (FOF)	Mar-04	DJ US Ttl SIK Mkt + 5%	10	-6.34%	-14.01%	-6.34%	-14.01%	2.36%	5.73%	-5.65%	6.77%	1.49%	4.36%	6.64%	9.75%	6.64%	9.75%
Pantheon USA 8 (FOF)	Jan-08	DJ US Ttl SIK Mkt + 5%	49	-1.62%	-14.01%	-1.62%	-14.01%	17.18%	5.73%	4.17%	6.77%	2.55%	0.23%	2.55%	0.23%	2.55%	0.23%
Progress Investment (FOF)	Jul-95	DJ US Ttl SIK Mkt + 5%	1	8.06%	-14.01%	8.06%	-14.01%	30.35%	5.73%	3.16%	6.77%	0.19%	4.36%	-2.46%	9.06%	-1.93%	10.56%
Total Private Equities	Jan-91	DJ US Ttl SIK Mkt + 5%	1,084	-4.46%	-14.01%	-4.46%	-14.01%	11.51%	5.73%	5.30%	6.77%	8.22%	4.36%	8.46%	9.06%	22.61%	11.64%

(1) reports quarterly in arrears
(2) or since inception, whichever is less
(FOF) fund of funds

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**Progress Investment Manager of Managers Program
Investment Performance for Month Ended February 29, 2012**

Manager	Incep (1)	Benchmark	Assets (\$mil)	Month Mgr	Month Bmark	FYTD Mgr	FYTD Bmark	1 YR (2) Mgr	1 YR (2) Bmark	3 YR (2) Mgr	3 YR (2) Bmark	5 YR (2) Mgr	5 YR (2) Bmark	Incep (2) Mgr	Incep (2) Bmark
PROGRESS TOTAL FUND															
U.S. Equity	May-08	Custom	477	4.0%	3.7%	2.6%	2.8%	3.9%	3.5%	20.0%	20.7%	3.5%	2.4%	3.5%	2.4%
AH Lisanti Capital	May-08	Russell 2000 Growth	11	5.8%	3.3%	-6.1%	-0.7%	-2.0%	2.4%	29.9%	31.2%	4.5%	6.1%	4.5%	6.1%
Bowling	Jan-11	Russell 1000	44	3.7%	4.4%	1.2%	4.5%	1.3%	4.9%	4.2%	7.8%	4.2%	7.8%	4.2%	7.8%
Fortaleza	May-08	Russell 1000 Growth	20	5.4%	4.8%	2.0%	6.7%	3.6%	7.6%	23.6%	27.5%	2.1%	4.6%	2.1%	4.6%
Graham and Dodd	May-10	Russell 1000 Value	30	2.9%	4.0%	-3.4%	2.3%	-4.7%	2.2%	10.9%	13.3%	10.9%	13.3%	10.9%	13.3%
GW Capital	May-08	Russell 2000 Value	16	2.7%	1.5%	3.5%	-1.4%	2.3%	-2.7%	32.8%	27.7%	5.6%	3.3%	5.6%	3.3%
Hahn	Jan-11	Russell Midcap	44	4.8%	4.1%	7.0%	0.6%	9.8%	2.6%	14.3%	6.0%	14.3%	6.0%	14.3%	6.0%
Herndon Capital Management	May-08	Russell 1000 Value	46	5.7%	4.0%	4.1%	2.3%	8.3%	2.2%	30.5%	25.0%	6.3%	-0.3%	6.3%	-0.3%
Holland Capital Management	Jan-10	Russell 1000 Growth	40	5.2%	4.8%	7.4%	6.7%	8.6%	7.6%	16.9%	17.2%	16.9%	17.2%	16.9%	17.2%
TOTAL U.S. Equity	May-08	Russell 3000	251	4.6%	4.2%	2.9%	4.0%	4.3%	4.4%	25.3%	26.5%	2.7%	2.4%	2.7%	2.4%
Non-U.S. Equity															
Brown Capital Management	May-08	MSCI EAFE	18	7.5%	5.7%	-7.5%	-6.8%	-7.0%	-7.5%	22.6%	19.7%	-1.9%	-5.1%	-1.9%	-5.1%
Cheswold Lane	Oct-09	MSCI EAFE	20	6.4%	5.7%	-2.7%	-6.8%	-3.7%	-7.5%	2.9%	3.8%	2.9%	3.8%	2.9%	3.8%
Herndon Capital Management	May-08	MSCI ACWI Ex-US	26	5.6%	5.6%	-4.9%	-6.2%	-1.6%	-6.1%	21.7%	22.8%	-3.0%	-3.7%	-3.0%	-3.7%
John Hsu Capital	May-08	MSCI EAFE	20	6.0%	5.7%	-7.6%	-6.8%	-12.4%	-7.5%	24.2%	19.7%	-1.4%	-5.1%	-1.4%	-5.1%
Sky Investment	Nov-11	MSCI EAFE	19	5.5%	5.7%	10.0%	10.3%	10.0%	10.3%	10.0%	10.3%	10.0%	10.3%	10.0%	10.3%
Strategic Global Advisors	May-08	MSCI EAFE	30	5.0%	5.7%	-5.3%	-6.8%	-3.3%	-7.5%	24.4%	19.7%	-2.5%	-5.1%	-2.5%	-5.1%
TOTAL Non-U.S. Equity	May-08	MSCI EAFE	132	5.9%	5.7%	-5.7%	-6.8%	-5.7%	-7.5%	22.9%	19.7%	-2.3%	-5.1%	-2.3%	-5.1%
Fixed Income															
Ambassador	May-08	Barclays Capital Aggregate	22	0.1%	0.0%	5.9%	5.9%	7.2%	8.4%	8.5%	7.5%	7.7%	6.4%	7.7%	6.4%
Garcia Hamilton	Oct-09	Barclays Capital Aggregate	12	0.4%	0.0%	5.0%	5.9%	6.6%	8.4%	6.7%	6.4%	6.7%	6.4%	6.7%	6.4%
LMI Capital Management	May-08	Barclays Capital Aggregate	22	0.0%	0.0%	5.9%	5.9%	8.5%	8.4%	9.7%	7.5%	6.8%	6.4%	6.8%	6.4%
New Century Advisors	May-08	Barclays Capital Aggregate	22	0.1%	0.0%	5.6%	5.9%	8.4%	8.4%	8.5%	7.5%	7.0%	6.4%	7.0%	6.4%
Piedmont Advisors	May-08	Barclays Capital Aggregate	16	0.1%	0.0%	5.6%	5.9%	8.1%	8.4%	9.5%	7.5%	6.4%	6.4%	6.4%	6.4%
TOTAL Fixed Income	May-08	Barclays Capital Aggregate	94	0.1%	0.0%	5.6%	5.9%	7.8%	8.4%	8.6%	7.5%	6.9%	6.4%	6.9%	6.4%

(1) inception date of account (2) or since inception, whichever is less

Asset Class	\$ \$ (millions)	Actual %
U.S. Equity	\$ 251	52.6%
Private Equity	-	0.0%
Non-U.S. Equity	132	27.7%
Global Equity	-	0.0%
Fixed Income	94	19.7%
TIPS	-	0.0%
Real Estate	-	0.0%
Total Fund	\$ 477	100.0%

**SURS Manager Diversity Program Returns
Investment Performance for Month Ended February 29, 2012**

Manager	Incep	Benchmark	Assets (\$mil)	Month Mgr	Month Bmark	Quarter Mgr	Quarter Bmark	FYTD Mgr	FYTD Bmark	1YR Mgr	1YR Bmark	3YR Mgr	3YR Bmark	5YR Mgr	5YR Bmark	Incep Mgr	Incep Bmark
TOTAL MDP	Jan-05	Policy Portfolio	1,250	2.6%	2.4%	6.7%	7.1%	3.8%	3.2%	6.5%	5.8%	19.8%	21.0%	3.3%	2.6%	5.4%	5.1%
U.S. Equity - Active																	
Burford, Dickson, Harper & Sparrow	Jun-05	Custom/Russell 2000 Growth	21	5.8%	3.3%	10.5%	10.8%	-2.1%	-0.7%	-1.0%	2.4%	22.9%	31.2%	2.4%	2.3%	4.7%	5.7%
Channing Capital Management	Apr-05	Russell Midcap Value	69	3.8%	3.8%	11.5%	10.3%	0.9%	0.7%	1.0%	1.5%	25.0%	31.9%	1.6%	1.0%	4.6%	5.7%
EARNEST Partners	May-11	Russell Midcap	69	4.6%	4.1%	10.3%	10.3%	-0.9%	0.6%	4.1%	0.6%	4.1%	0.6%	4.1%	0.6%	4.1%	0.6%
Fidelity Management Associates	May-11	Russell 2000	68	2.0%	2.4%	5.9%	10.4%	-0.9%	-1.1%	-3.5%	-3.4%	-3.5%	-3.4%	-3.5%	-3.4%	-3.5%	-3.4%
Holland Capital Management	Apr-05	Custom/Russell Midcap Growth	66	5.3%	4.5%	7.1%	10.4%	2.7%	0.5%	8.0%	3.8%	28.1%	32.2%	5.7%	4.2%	6.6%	7.5%
Lombardia Capital Partners	Apr-05	Russell 2000 Value	70	0.6%	1.5%	9.8%	9.9%	2.0%	-1.4%	1.4%	-2.7%	33.6%	27.7%	4.8%	-0.4%	7.5%	4.2%
NCM Capital Management	Apr-05	Russell Midcap Growth	68	4.4%	4.5%	9.0%	10.4%	-1.8%	0.5%	0.5%	3.8%	29.7%	32.2%	2.9%	4.1%	8.1%	7.0%
Profit Investment Management	Apr-05	Custom / Russell 2000 Growth	67	3.0%	3.3%	10.6%	10.8%	-5.9%	-0.7%	-5.5%	0.3%	33.0%	29.7%	4.0%	1.9%	7.2%	5.5%
Composite, Active U.S. Equity	Apr-05	Blended	500	3.4%	3.2%	9.2%	10.4%	-0.2%	-0.4%	0.9%	0.9%	29.2%	30.5%	3.4%	2.2%	6.6%	5.8%
TOTAL U.S. Equity	Jan-05	Blended	500	3.4%	3.2%	9.2%	10.4%	-0.2%	-0.4%	0.9%	0.9%	28.9%	30.4%	3.3%	2.8%	5.6%	5.4%
Non-U.S. Equity																	
Ativo Capital Management	Jul-08	MSCI ACWI Ex-U.S.	79	6.0%	5.6%	9.8%	11.5%	-8.2%	-6.2%	-6.7%	-6.1%	24.0%	22.8%	-0.7%	-1.1%	-0.7%	-1.1%
Herridon Capital Management	Aug-08	MSCI EAFE	133	4.7%	5.7%	11.8%	10.3%	-5.8%	-6.8%	-5.0%	-7.5%	19.4%	19.7%	-1.4%	-2.9%	1.5%	-0.1%
Strategic Global Advisors	Aug-08	MSCI EAFE	65	4.9%	5.7%	9.4%	10.3%	-5.4%	-6.8%	-3.5%	-7.5%	24.4%	19.7%	1.3%	-1.4%	1.3%	-1.4%
TOTAL Non-U.S. Equity	Aug-08	Blended	276	5.6%	5.7%	10.7%	10.7%	-6.5%	-6.6%	-5.4%	-7.1%	21.0%	20.1%	-1.2%	-2.8%	1.1%	-0.5%
Private Equity																	
Muller and Monroe LP/PEFF	Dec-04	DJ.U.S. Total Stk Mkt + 5% (1)	13	-0.6%	-14.0%	-0.6%	-14.0%	-0.6%	-14.0%	2.5%	5.7%	2.9%	6.8%	0.0%	4.4%	-1.7%	7.9%
Miller and Monroe MPEFF	Mar-08	DJ.U.S. Total Stk Mkt + 5% (1)	16	-4.6%	-14.0%	-4.6%	-14.0%	-4.6%	-14.0%	11.8%	5.7%	7.4%	6.8%	3.4%	4.6%	3.4%	0.2%
TOTAL Private Equity	Dec-04	DJ.U.S. Total Stk Mkt + 5% (1)	29	-2.7%	-14.0%	-2.7%	-14.0%	-2.7%	-14.0%	7.1%	5.7%	5.0%	6.8%	1.4%	4.4%	0.3%	7.9%
Fixed Income: Core																	
Garcia Hamilton	Feb-09	Barclays Capital Aggregate	33	0.5%	0.0%	4.8%	2.0%	5.3%	5.9%	7.1%	8.4%	9.4%	7.5%	9.4%	7.5%	9.4%	7.5%
LM Capital Group	Dec-10	Barclays Capital Aggregate	54	0.2%	0.0%	3.1%	2.0%	6.0%	5.9%	8.9%	8.4%	8.1%	7.5%	8.1%	7.5%	8.1%	7.5%
Pugh Capital Management	Apr-06	Barclays Capital Aggregate	83	0.2%	0.0%	2.5%	2.0%	6.2%	5.9%	8.9%	8.4%	8.9%	7.5%	7.3%	6.4%	7.3%	6.5%
Smith Graham & Company	Apr-06	Barclays Capital Aggregate	53	0.4%	0.0%	3.2%	2.0%	5.5%	5.9%	7.8%	8.4%	8.6%	7.5%	6.3%	6.4%	6.5%	6.5%
Composite, Core Fixed Inc	Apr-06	Barclays Capital Aggregate	223	0.3%	0.0%	3.1%	2.0%	5.8%	5.9%	8.4%	8.4%	9.0%	7.5%	6.5%	6.4%	6.6%	6.5%
Fixed Income: TIPS																	
Longfellow Investment Mgmt	Apr-10	Barclays Capital U.S. TIPS	120	-0.3%	-0.3%	1.9%	2.0%	8.5%	9.4%	13.1%	14.6%	9.5%	10.2%	9.5%	10.2%	9.5%	10.2%
New Century Advisors	Apr-10	Barclays Capital U.S. TIPS	92	-0.2%	-0.3%	2.1%	2.0%	9.6%	9.4%	14.6%	14.6%	10.4%	10.2%	10.4%	10.2%	10.4%	10.2%
Composite, TIPS	Apr-10	Barclays Capital U.S. TIPS	212	-0.2%	-0.3%	2.0%	2.0%	9.0%	9.4%	13.8%	14.6%	9.9%	10.2%	9.9%	10.2%	9.9%	10.2%
TOTAL Fixed Income	Apr-06	Blended	435	0.0%	-0.2%	2.6%	2.0%	7.3%	7.6%	10.9%	11.3%	9.8%	8.5%	6.9%	7.0%	7.0%	7.0%
Real Estate																	
Franklin Templeton EMREFF	Aug-11	9% Absolute Return	10	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
TOTAL Real Estate	Aug-11		10	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF

Custom Benchmark Composition

MDP Policy Portfolio	35% Russell 2500 Index, 23% S&P 500, 7% MSCI EAFE and 35% Barclays Capital Aggregate through January 2008, value weighted as of February 2008
Burford, Dickson, Harper & Sparrow	Russell 2000 through December 2007, Russell 2000 Growth as of January 2008
Holland Custom	Russell Midcap through March 2007, Russell Midcap Growth as of April 2007
Profit Custom	Russell 2000 through April 2011, Russell 2000 Growth as of May 2011

(1) reports quarterly in arrears

Asset Class	\$'s (millions)	Actual %
U.S. Equity	\$ 500	40.0%
Private Equity	29	2.3%
Non-U.S. Equity	276	22.1%
Global Equity	-	0.0%
Fixed Income	223	17.8%
TIPS	212	16.9%
Real Estate	10	0.8%
Total Fund	\$ 1,250	100.0%

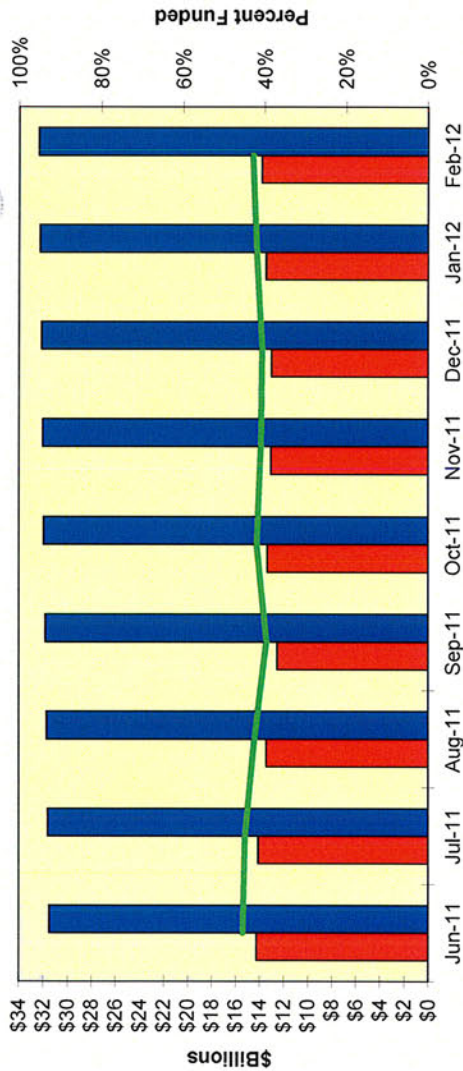
February-12	Incep. (1)	Benchmark	\$ millions	% Fund	2/2012 Mgr	2/2012 Bmark	FYTD Mgr	FYTD Bmark	1 YR (2) Mgr	1 YR (2) Bmark	3 YR (2) Mgr	3 YR (2) Bmark	5 YR (2) Mgr	5 YR (2) Bmark	10 YR (2) Mgr	10 YR (2) Bmark
Private Equities																
Adams Street Partners	Jan-91	DJ U.S. Total Stock Market + 5% (1)	492	3.5%	-4.42%	-14.01%	-4.42%	-14.01%	11.52%	5.73%	5.22%	6.77%	7.88%	4.36%	7.95%	9.06%
Muller and Monroe	Dec-04	DJ U.S. Total Stock Market + 5% (1)	29	0.2%	-2.68%	-14.01%	-2.68%	-14.01%	7.07%	5.73%	5.00%	6.77%	1.44%	4.36%	0.33%	7.89%
Pantheon Ventures, Inc.	Mar-02	DJ U.S. Total Stock Market + 5% (1)	562	4.0%	-4.62%	-14.01%	-4.62%	-14.01%	11.65%	5.73%	5.41%	6.77%	8.88%	4.36%	10.02%	9.22%
Progress Investment	Jul-95	DJ U.S. Total Stock Market + 5% (1)	1	0.0%	8.06%	-14.01%	8.06%	-14.01%	30.35%	5.73%	3.16%	6.77%	0.19%	4.36%	-2.46%	9.06%
Total Private Equities	Jan-91	DJ U.S. Total Stock Market + 5% (1)	1,084	7.8%	-4.46%	-14.01%	-4.46%	-14.01%	11.51%	5.73%	5.30%	6.77%	8.22%	4.36%	8.46%	9.06%
TOTAL EQUITIES																
TOTAL EQUITIES	Oct-81	Blended	9,460	68.0%	4.34%	4.37%	-0.29%	-1.11%	1.90%	0.92%	22.09%	23.64%	1.34%	1.47%	5.94%	6.34%
Fixed Income																
Cash Flow	Oct-81	90-day T-bills	170	1.2%	0.01%	0.01%	0.06%	0.02%	0.13%	0.05%	0.25%	0.11%	1.61%	1.13%	2.40%	1.85%
Core Fixed Income Managers																
Chicago Equity Partners	Oct-10	Barclays Capital Aggregate	269	1.9%	-0.40%	-0.02%	6.42%	5.88%	9.08%	8.37%	5.41%	5.18%	5.41%	5.18%	5.41%	5.18%
Pugh Capital Management	Apr-06	Barclays Capital Aggregate	83	0.6%	0.16%	-0.02%	6.17%	5.88%	8.85%	8.37%	8.91%	7.52%	7.25%	6.36%	7.27%	6.49%
Core Plus Fixed Income Managers																
Garcia Hamilton & Associates	Feb-09	Barclays Capital Aggregate	33	0.2%	0.47%	-0.02%	5.35%	5.88%	7.13%	8.37%	9.40%	7.52%	9.40%	7.52%	9.40%	7.52%
LM Capital Group	Dec-10	Barclays Capital Aggregate	54	0.4%	0.16%	-0.02%	6.02%	5.88%	8.91%	8.37%	8.06%	7.47%	8.06%	7.47%	8.06%	7.47%
Metropolitan West Asset Mgmt.	Nov-01	Barclays Capital Aggregate	372	2.7%	0.74%	-0.02%	5.46%	5.88%	7.43%	8.37%	13.67%	7.52%	8.49%	6.36%	8.84%	5.47%
Neuberger Berman	Dec-10	Barclays Capital Aggregate	274	2.0%	0.74%	-0.02%	5.48%	5.88%	7.95%	8.37%	7.82%	7.47%	7.82%	7.47%	7.82%	7.47%
PIMCO Total Return	Oct-81	Barclays Capital Aggregate	801	5.8%	0.10%	-0.02%	2.91%	5.88%	5.47%	8.37%	11.59%	7.52%	8.54%	6.36%	7.19%	5.68%
Progress Investment	May-08	Barclays Capital Aggregate	94	0.7%	0.11%	-0.02%	5.63%	5.88%	7.76%	8.37%	8.55%	7.52%	6.94%	6.37%	6.94%	6.37%
Smith Graham & Company	Apr-06	Barclays Capital Aggregate	53	0.4%	0.37%	-0.02%	5.49%	5.88%	7.79%	8.37%	8.65%	7.52%	6.31%	6.36%	6.46%	6.49%
Taplin, Camida & Habacht	Apr-06	Barclays Capital Aggregate	66	0.5%	0.55%	-0.02%	7.75%	5.88%	10.60%	8.37%	11.89%	7.52%	7.28%	6.36%	7.39%	6.49%
Active Fixed Income																
State Street Global Advisors	Oct-81	Barclays Capital Aggregate	2,269	16.3%	0.26%	-0.02%	4.37%	5.88%	6.48%	8.37%	11.23%	7.52%	7.55%	6.36%	6.64%	5.92%
State Street Global Advisors	Sep-10	Barclays Capital Aggregate	489	3.5%	0.00%	-0.02%	5.78%	5.88%	8.23%	8.37%	5.12%	5.14%	5.12%	5.14%	5.12%	5.14%
State Street Global Advisors	Oct-86	Blended / Barclays Capital Aggregate	489	3.5%	0.00%	-0.02%	5.78%	5.88%	8.23%	8.37%	4.78%	4.75%	4.65%	4.71%	4.91%	4.98%
Total Core Fixed Income	Oct-81	Barclays Capital Aggregate	2,758	19.8%	0.21%	-0.02%	4.66%	5.88%	6.84%	8.37%	10.56%	7.52%	7.28%	6.36%	6.46%	5.92%
TIPS																
Longfellow Investment Management	Apr-10	Barclays Capital U.S. TIPS	120	0.9%	-0.28%	-0.33%	8.47%	9.42%	13.09%	14.57%	9.53%	10.24%	9.53%	10.24%	9.53%	10.24%
New Century Advisors	Apr-10	Barclays Capital U.S. TIPS	92	0.7%	-0.21%	-0.33%	9.62%	9.42%	14.64%	14.57%	10.37%	10.24%	10.37%	10.24%	10.37%	10.24%
PIMCO US TIPS	May-09	Barclays Capital U.S. TIPS	319	2.3%	-0.41%	-0.33%	9.21%	9.42%	14.06%	14.57%	13.11%	11.21%	8.48%	7.89%	7.65%	7.10%
Total TIPS	Jul-04	Barclays Capital U.S. TIPS (4)	531	3.8%	-0.35%	-0.33%	9.07%	9.42%	13.90%	14.57%	12.69%	11.21%	8.75%	7.89%	7.70%	7.10%
TOTAL FIXED INCOME																
TOTAL FIXED INCOME	Oct-81	Custom	3,289	23.6%	0.12%	-0.07%	5.36%	6.42%	7.93%	9.30%	10.99%	7.89%	7.58%	6.48%	6.55%	5.91%

February-12	Incep (1)	Benchmark	\$ millions	% Fund	2/2012 Mgr	2/2012 Bmark	FVTD Mgr	FVTD Bmark	1 YR (2) Mgr	1 YR (2) Bmark	3 YR (2) Mgr	3 YR (2) Bmark	5 YR (2) Mgr	5 YR (2) Bmark	10 YR (2) Mgr	10 YR (2) Bmark
Real Estate																
Dune Real Estate Parallel Fund II	Apr-09	NCREIF Property Index	24	0.2%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Franklin Templeton EMREFF	Aug-11	9% Absolute Return	10	0.1%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
RREEF America II Fund	Jun-05	NCREIF ODCE Index (3)	118	0.8%	2.27%	3.48%	2.27%	3.48%	15.45%	17.39%	-7.58%	-7.09%	-1.50%	-0.80%	1.43%	3.30%
RREEF America III Fund	Apr-06	NCREIF ODCE Index (3)	13	0.1%	5.60%	3.48%	5.60%	3.48%	51.50%	17.39%	-26.30%	-7.09%	-16.31%	-0.80%	-14.45%	0.51%
UBS Trumbull Property Fund	Jun-06	NCREIF ODCE Index (3)	240	1.7%	2.29%	3.48%	2.29%	3.48%	12.77%	17.39%	0.46%	-7.09%	3.36%	-0.80%	3.86%	0.53%
Total Direct Real Estate	Jun-05	NCREIF ODCE Index (3)	405	2.9%	2.52%	3.48%	2.52%	3.48%	14.94%	17.39%	-4.38%	-7.09%	-0.04%	-0.80%	1.52%	3.30%
U.S. REITS																
BTC REIT Fund	Mar-00	Dow Jones U.S. Select R. E. Sec. Index	88	0.6%	-1.02%	-1.02%	3.34%	3.44%	5.93%	6.07%	43.53%	43.72%	-2.45%	-2.43%	10.23%	10.37%
CBRE Clarion Real Estate Securities	Mar-00	Dow Jones U.S. Select R. E. Sec. Index	151	1.1%	-1.07%	-1.02%	3.51%	3.44%	6.59%	6.07%	44.10%	43.72%	-0.34%	-2.43%	11.67%	10.37%
RREEF Securities	Mar-00	Dow Jones U.S. Select R. E. Sec. Index	111	0.8%	-1.36%	-1.02%	1.80%	3.44%	4.77%	6.07%	43.49%	43.72%	-1.75%	-2.43%	11.78%	10.37%
Total U.S. REITS	Mar-00	Dow Jones U.S. Select R.E. Sec. (4)	350	2.5%	-1.15%	-1.02%	2.92%	3.44%	5.84%	6.07%	43.78%	43.72%	-1.43%	-2.43%	11.30%	10.37%
Global REITs																
BTC Int'l REIT Fund	May-07	FTSE EPRA/NAREIT Developed Ex-US	67	0.5%	7.43%	7.56%	-4.31%	-4.16%	-2.87%	-2.87%	28.37%	28.20%	-6.71%	-6.74%	-6.71%	-6.74%
CBRE Clarion Global REIT	Apr-07	FTSE EPRA/NAREIT Developed Index	78	0.6%	3.07%	3.47%	-1.38%	-1.34%	0.90%	0.07%	31.43%	33.02%	-3.03%	-5.10%	-3.03%	-5.10%
RREEF Global REIT	Aug-07	FTSE EPRA/NAREIT Developed Index	72	0.5%	3.08%	3.47%	-2.56%	-1.34%	-1.13%	0.07%	32.42%	33.02%	-3.34%	-3.11%	-3.34%	-3.11%
Total GLOBAL REITS	Apr-07	Blended	217	1.6%	4.39%	4.71%	-2.70%	-2.23%	-0.97%	-0.86%	30.89%	31.59%	-4.69%	-5.54%	-4.69%	-5.54%
TOTAL REAL ESTATE INVESTMENT TRUSTS																
TOTAL REITS	Mar-00	Custom	567	4.1%	0.90%	1.10%	0.91%	1.41%	3.36%	3.55%	38.93%	39.36%	-2.87%	-3.91%	10.48%	9.53%
Opportunity Fund																
Anglo Gordon GECC (PPIP)	Nov-09	12% Absolute Return	57	0.4%	1.57%	2.87%	-10.31%	5.83%	-9.42%	12.00%	9.38%	12.00%	9.38%	12.00%	9.38%	12.00%
Oaktree Capital Management (PPIP)	Feb-10	12% Absolute Return	16	0.1%	10.29%	2.87%	2.46%	5.83%	6.75%	12.00%	9.82%	12.00%	9.82%	12.00%	9.82%	12.00%
RLJ Western (PPIP)	Nov-09	12% Absolute Return	53	0.4%	-4.30%	2.87%	-8.44%	5.83%	-6.92%	12.00%	8.37%	12.00%	8.37%	12.00%	8.37%	12.00%
<i>Public-Private Investment Prgm</i>	Nov-09	12% Absolute Return	126	0.9%	0.02%	2.87%	-8.28%	5.83%	-7.15%	12.00%	8.93%	12.00%	8.93%	12.00%	8.93%	12.00%
Alinda Capital Partners	Dec-09	CPI + 5% (3)	24	0.2%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Macquarie Capital	Apr-10	CPI + 5% (3)	34	0.2%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
<i>Infrastructure</i>	Dec-09	CPI + 5% (3)	58	0.4%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
Private Opportunities Fund	Sep-01	DJ U.S. Total Stock Market + 5% (3)	1	0.0%	-9.43%	-14.01%	-9.43%	-14.01%	52.92%	5.73%	2.82%	6.77%	-2.86%	4.36%	1.71%	7.97%
<i>Private Opportunities Fund</i>	Sep-01	DJ U.S. Total Stock Market + 5% (3)	1	0.0%	-9.43%	-14.01%	-9.43%	-14.01%	52.92%	5.73%	2.82%	6.77%	-2.86%	4.36%	1.71%	7.97%
TOTAL OPPORTUNITY FUND	Jul-99	Custom	185	1.3%	3.59%	0.91%	-3.89%	6.51%	-2.57%	10.80%	5.37%	3.90%	7.99%	0.27%	9.37%	5.79%
TOTAL FUND																
TOTAL FUND	Oct-81	Policy Portfolio	13,906	100.0%	3.07%	2.98%	1.26%	1.45%	3.61%	4.01%	18.91%	19.86%	3.17%	3.04%	6.57%	6.60%
Policy Portfolio Benchmark consists of 31% U.S. Equities (Dow Jones U.S. Total Stock Market), 20% Non-U.S. Equities (MSCI ACWI ex-US), 10% Global Equities (MSCI ACWI), 6% Private Equity (Dow Jones U.S. Total Stock Market + 5%), 21% Fixed Income (Barclays Capital Aggregate), 4% TIPS (Barclays Capital U.S. TIPS), 3% Direct Real Estate (NCREIF ODCE Index), 4% REITs (Blended Benchmark) and 1% Opportunity Fund (Blended Benchmark)																

(1) inception date of account (2) or since inception, whichever is less (3) reports quarterly in arrears (4) TIPS benchmark used beginning April 2006 (NMF) not meaningful (FOF) fund of funds



SURS Funding Status
2012 Fiscal Year-to-Date Results

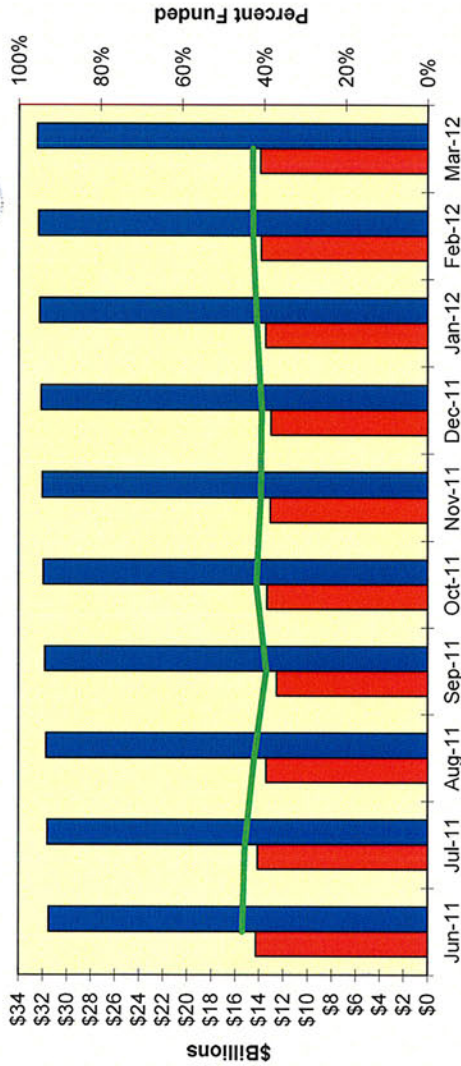


	Assets	Estimated Liabilities	Unfunded Liabilities	Market Value	Funding Ratio	Rate of Return	
						Month	FYTD
Jun-11	\$ 14.27	\$ 31.51	\$ 17.24	\$ 45.3%		-0.52%	-0.5%
Jul-11	14.13	31.62	17.49	44.7%		-4.40%	-4.9%
Aug-11	13.44	31.73	18.29	42.4%		-5.90%	-10.5%
Sep-11	12.56	31.84	19.28	39.4%		7.21%	-4.1%
Oct-11	13.37	31.95	18.58	41.8%		-1.65%	-5.6%
Nov-11	13.08	32.06	18.98	40.8%		-0.01%	-5.6%
Dec-11	13.03	32.16	19.14	40.5%		4.11%	-1.8%
Jan-12	13.49	32.27	18.78	41.8%		3.07%	1.3%
Feb-12	13.85	32.38	18.53	42.8%			

Note: Assets and liabilities are estimated and unaudited through February 29, 2012. During 2009, the asset valuation method was changed, which resulted in a five-year smoothing method being utilized. The fund has an actuarial value funding ratio of 44.3% at the end of fiscal year 2011.



SURS Funding Status
2012 Fiscal Year-to-Date Results



	Assets	Estimated Liabilities	Unfunded Liabilities	Market Value	Funding Ratio	Rate of Return	
						Month	FYTD
Jun-11	\$ 14.27	\$ 31.51	\$ 17.24	\$ 45.3%	45.3%	-0.52%	-0.5%
Jul-11	14.13	31.62	17.49	44.7%	44.7%	-4.40%	-4.9%
Aug-11	13.44	31.73	18.29	42.4%	42.4%	-5.90%	-10.5%
Sep-11	12.56	31.84	19.28	39.4%	39.4%	7.21%	-4.1%
Oct-11	13.37	31.95	18.58	41.8%	41.8%	-1.65%	-5.6%
Nov-11	13.08	32.06	18.98	40.8%	40.8%	-0.01%	-5.6%
Dec-11	13.03	32.16	19.14	40.5%	40.5%	4.11%	-1.8%
Jan-12	13.49	32.27	18.78	41.8%	41.8%	3.07%	1.3%
Feb-12	13.85	32.38	18.53	42.8%	42.8%	1.16%	2.4%
Mar-12	13.94	32.49	18.55	42.9%	42.9%		

Note: Assets and liabilities are estimated and unaudited through March 31, 2012. During 2009, the asset valuation method was changed, which resulted in a five-year smoothing method being utilized. The fund has an actuarial value funding ratio of 44.3% at the end of fiscal year 2011.

SURSMAC Resolution 1, May 8, 2012
Resolution on Pensions*

Whereas, Previous underfunding of the State Universities Retirement System (SURS) has made SURS unable to continue to pay out benefits indefinitely at current levels even though participants have fully contributed their portion of the required amounts; and

Whereas, Given Illinois ranks last among the 50 states in adequately funding its public pensions, this situation cannot be allowed to continue since retaining and recruiting top faculty and staff will be increasingly difficult unless the issue is addressed;

Whereas, All stakeholders---participants, colleges and universities, and the state of Illinois---have a necessary role in any reform to bring the SURS to a sound financial state; and

Whereas, Reforms must be guided by agreed upon principles, the most important of which is fairness to participants and annuitants who entered into the system on the basis of certain understandings and commitments that need to be honored;

Resolved, That any changes to SURS must be financially sustainable for the State, the institutions, and the participants and must respect existing constitutional protections of already-accrued benefits;

Resolved, That all promised benefits to current participants and annuitants should be maintained, as guaranteed by the State Constitution (Article 8, Section 5 General Provisions);

Resolved, That existing unfunded liabilities must remain the State's responsibility with credible guarantees that future payments will be made on time;

Resolved, That the State should continue to make its contributions to SURS at a level at least equal to that it would be paying to Social Security (6.2% of pay) along with its contributions to health care;

Resolved, That any transfer of normal costs to institutions must be nominal and phased in gradually;

Resolved, That any reform must include improvements to the current Tier II program for new employees and this revised program should be an option for Tier I employees; and

Resolved, That any changes in participant contributions must involve consultations with those affected.

- This resolution involves significant restructuring of input from the University of Illinois University Senates Conference statement endorsed by the University of Illinois Urbana-Champaign Senate. That statement drew upon material in Jeffrey R. Brown and Robert F. Rich, *Fiscal Sustainability and Retirement Security: A Reform Proposal for the Illinois State Universities Retirement Systems (SURS)* published by the Institute of Government and Public Affairs, University of Illinois, Urbana-Champaign, Chicago, Springfield, Feb. 9, 2012. The report is available at www.IGPA.edu.uillinois.

Proposed SURSMAC Resolution 2, May 8, 2012
**Resolution on the Need for a Constitutional Amendment to Allow a Graduated
Income Tax**

Whereas, The Illinois Constitution currently prohibits a graduated income tax; and

Whereas, This prohibition significantly reduces the flexibility available to the State
in choosing policies to finance adequately essential State responsibilities:

Resolved, That the necessary steps be taken to amend the Illinois Constitution
to allow a graduated income tax.

Proposed SURSMAC Resolution 3, May 8, 2012
Resolution on Protecting the Quality of Public Higher Education in Illinois*

Whereas, In educating a significant proportion of Illinois college students, the public
colleges and universities serve a central role in ensuring a high quality Illinois
workforce;

Whereas, Public colleges and universities are an economic engine in terms of research
productivity;

Whereas, Higher educational institutions enrich the culture and quality of life of the
Illinois citizenry; and

Whereas, The promise of post-retirement income security and health benefits have been
and are essential in attracting the highest quality faculty and staff in a competitive
environment;

Resolved, That the state take the necessary steps to fund the pension systems and health
benefits and thus protect the contributions made by public colleges and
universities.

*This represents a rewording of similar resolution adopted April 2011.



State Universities Retirement System Members Advisory Committee

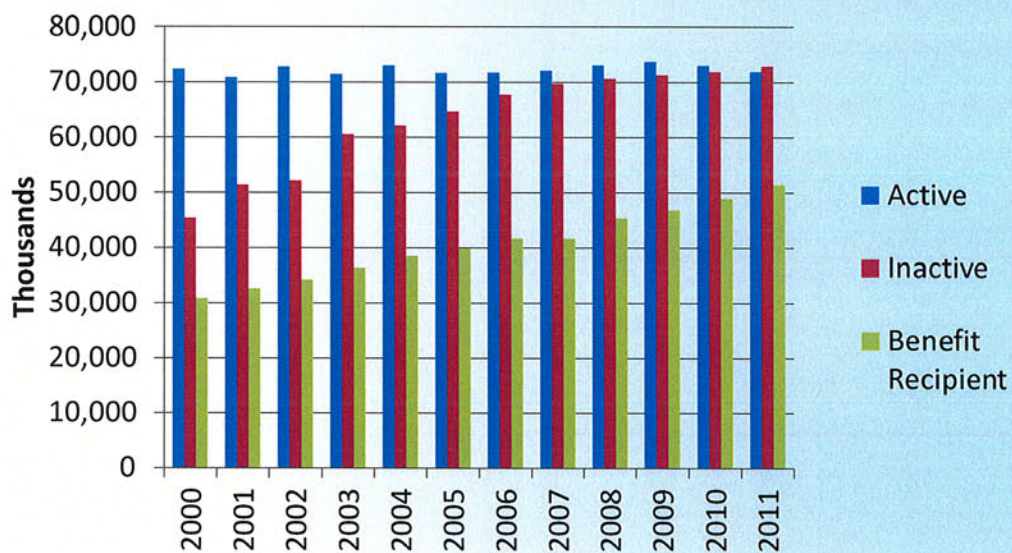
May 8, 2012

William E. Mabe
Executive Director

Serving Employees of Illinois Community Colleges and Universities



Membership Growth

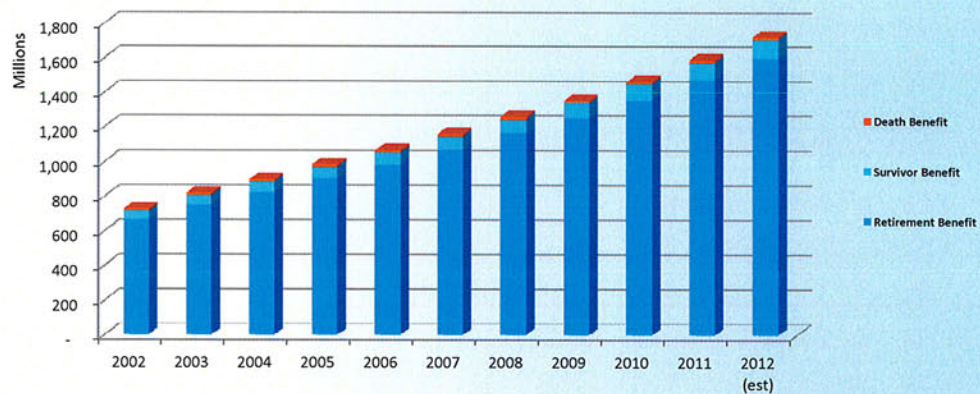




10-Year History Benefit Expenses

(in millions)

Benefit Expenses-DB Plan



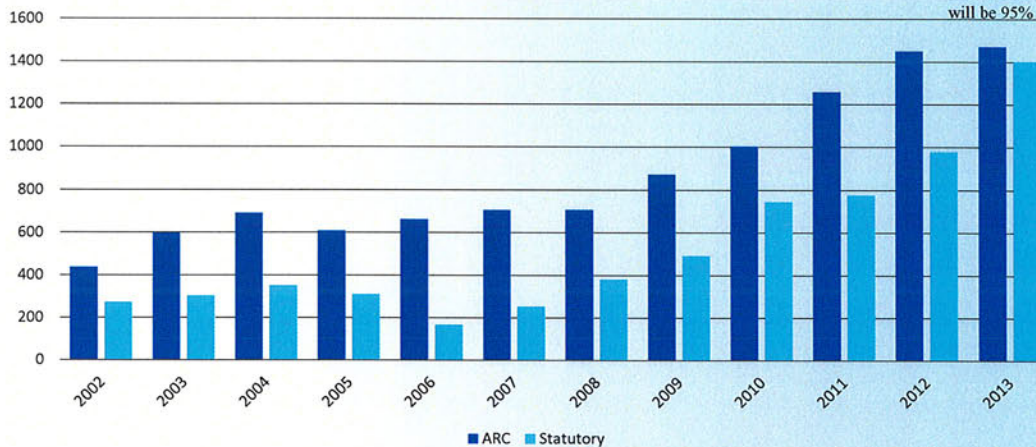
* Using market value of assets



Funding History

**SURS
Funding History**
(\$ in millions)

Statutory
contribution
for FY 2013
will be 95%



* Using market value of assets