



## State Universities Retirement System Investment Update

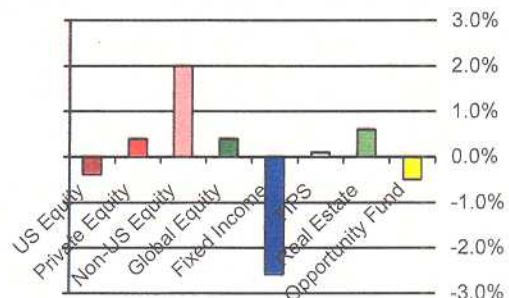
September 27, 2006  
Volume 17, Issue 1

	July 2006	Quarter Ended	Fiscal Y-T-D	1 Year Ended <sup>1</sup>	3 Years Ended <sup>1</sup>	5 Years Ended <sup>1</sup>	10 Years Ended <sup>1</sup>
<b>SURS TOTAL FUND</b>	0.7%	-1.3%	0.7%	9.7%	13.1%	7.1%	9.1%
Market Goal / Policy Portfolio	0.6%	-1.1%	0.6%	9.5%	13.1%	7.2%	8.8%
Public Funds Index	0.5%	-2.0%	0.5%	8.6%	12.4%	6.8%	8.6%
<b>EQUITIES</b>							
U.S. Equity Portfolio	0.0%	-3.2%	0.0%	5.3%	11.7%	4.3%	8.9%
Performance Benchmark	-0.1%	-3.2%	-0.1%	5.4%	12.0%	4.4%	9.0%
Private Equity Portfolio	6.5%	6.5%	22.2%	22.2%	16.8%	3.0%	26.3%
Performance Benchmark	6.7%	6.7%	19.7%	19.7%	24.7%	11.0%	14.1%
Non-U.S. Equity Portfolio	1.0%	-3.7%	1.0%	25.0%	24.6%	11.8%	7.2%
Performance Benchmark	1.0%	-3.9%	1.0%	24.6%	24.6%	12.1%	7.6%
Global Equity Portfolio	0.0%	-3.7%	0.0%	12.7%	15.9%	10.1%	10.1%
Performance Benchmark	0.6%	-2.8%	0.6%	13.7%	16.3%	9.6%	9.6%
<b>FIXED INCOME</b>							
Core / Core Plus	1.4%	1.4%	1.4%	2.3%	4.8%	5.7%	7.1%
Performance Benchmark	1.4%	1.5%	1.4%	1.9%	4.3%	5.3%	6.6%
TIPS	1.8%	2.3%	1.8%	2.3%	5.0%	6.5%	7.7%
Performance Benchmark	1.6%	2.2%	1.6%	2.1%	4.7%	6.2%	7.1%
<b>REAL ESTATE</b>							
Direct Real Estate	-2.5%	-2.5%	3.6%	3.6%	3.6%	3.6%	3.6%
Performance Benchmark	3.4%	3.4%	13.0%	13.0%	13.0%	13.0%	13.0%
RE Investment Trust Securities	3.6%	6.6%	3.6%	17.5%	27.3%	22.0%	23.8%
Performance Benchmark	3.6%	6.4%	3.6%	17.3%	27.5%	21.2%	22.8%
<b>Opportunity Fund</b>							
SURS	-1.2%	-2.8%	-1.2%	8.4%	11.9%	9.2%	10.4%
Performance Benchmark	-1.2%	-3.9%	-1.2%	8.9%	12.7%	9.7%	10.4%

U.S. Equity Benchmark – Wilshire 5000 Index; Private Benchmark – Wilshire 5000 Index +500 bp (reported quarterly in arrears); Non-U.S. Equity Benchmark – MSCI All Country World Ex-U.S. Index; Global Equity Benchmark – MSCI World Index; Core Fixed Income Benchmark – Lehman Brothers Aggregate Bond Index; TIPS Benchmark – Lehman Brothers U.S. TIPS Index; Direct Real Estate Benchmark – NCREIF Open End Index (reported quarterly in arrears); Real Estate Investment Trust Securities Benchmark – Wilshire Real Estate Securities Index; Opportunity Fund Benchmark – Blended combination of the individual portfolio benchmarks. <sup>1</sup> or since inception, whichever is less.

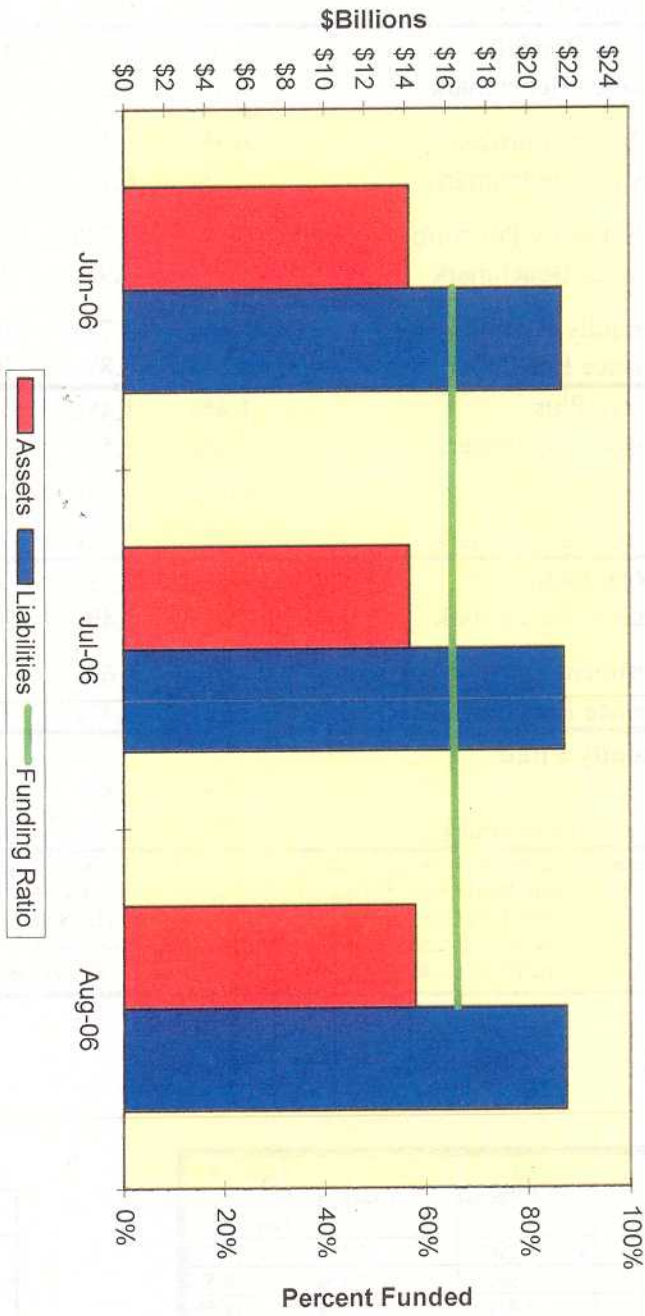
**Actual v. Policy Deviation  
As of July 31, 2006**

	\$'s (in millions)	Actual %	Adjusted Strategic Target %
U.S. Equity	\$ 5,290	37.1%	37.5%
Private Equity	699	4.9%	4.5%
Non-U.S. Equity	2,922	20.5%	18.5%
Global Equity	773	5.4%	5.0%
Fixed Income	2,764	19.4%	22.0%
TIPS	587	4.1%	4.0%
Opportunity Fund	288	2.0%	2.5%
Real Estate	937	6.6%	6.0%
Total Fund	\$ 14,259	100.0%	100.0%



STATE UNIVERSITIES RETIREMENT SYSTEM

SURS Funding Status  
Fiscal Year-to-Date Results



	Assets	Estimated Liabilities	Funding Ratio	Rate of Return Month	FYTD
Jun-06	\$ 14.18	\$ 21.69	65.4%	0.7%	0.7%
Jul-06	14.22	21.79	65.3%	2.0%	2.7%
Aug-06	14.46	21.89	66.1%		

Note: Assets and liabilities are estimated and unaudited through August 31, 2006.

# Total Fund Results – FY 2006



- SURS 11.7% 11.73%
- Policy Portfolio B.M. 11.7% 11.69%
- Public Pension Fund 10.7%
- Illinois Funds Average 9.9%

- TRS  
- IMRF  
- SERS  
- IRS  
- TRS

# June 30, 2006 Actual Allocation



	Portfolio	Adjusted Target
U. S. Equity	37.6%	37.5%
Non-U.S. Equity	19.6%	18.5%
Global Equity	5.4%	5.0%
Private Equity	4.8%	4.5%
Fixed Income <sup>x</sup>	19.5%	22.0%
TIPS	4.0%	4.0%
REITS	6.4%	6.0%
Opportunity Fund	2.7%	2.5%



# Target Asset Allocations

	SURS	IL Funds	Large Public Funds
U.S. Equity	41.3%	47.3%	41.1%
Non-U.S. Equity	21.7%	12.4%	18.2%
Private Equity	4.5%	3.2%	3.4%
Fixed Income	26.5%	30.9%	31.1%
Real Estate	6.0%	5.5%	4.6%
Other	0.0%	0.7%	1.6%
Total	100.0%	100.0%	100.0%

# FY 2006 Performance



	Portfolio	Benchmark
Total Fund	11.7%	11.7%
U. S. Equity ○	9.4%	9.9%
Non-U.S. Equity	28.2%	27.9%
Global Equity	17.0%	16.9%
Private Equity	22.2%	19.7%
Fixed Income	0.3%	-0.2%
TIPS	-1.2%	-1.6%
REITS	22.0%	21.9%
Opportunity Fund ○	11.9%	14.7%

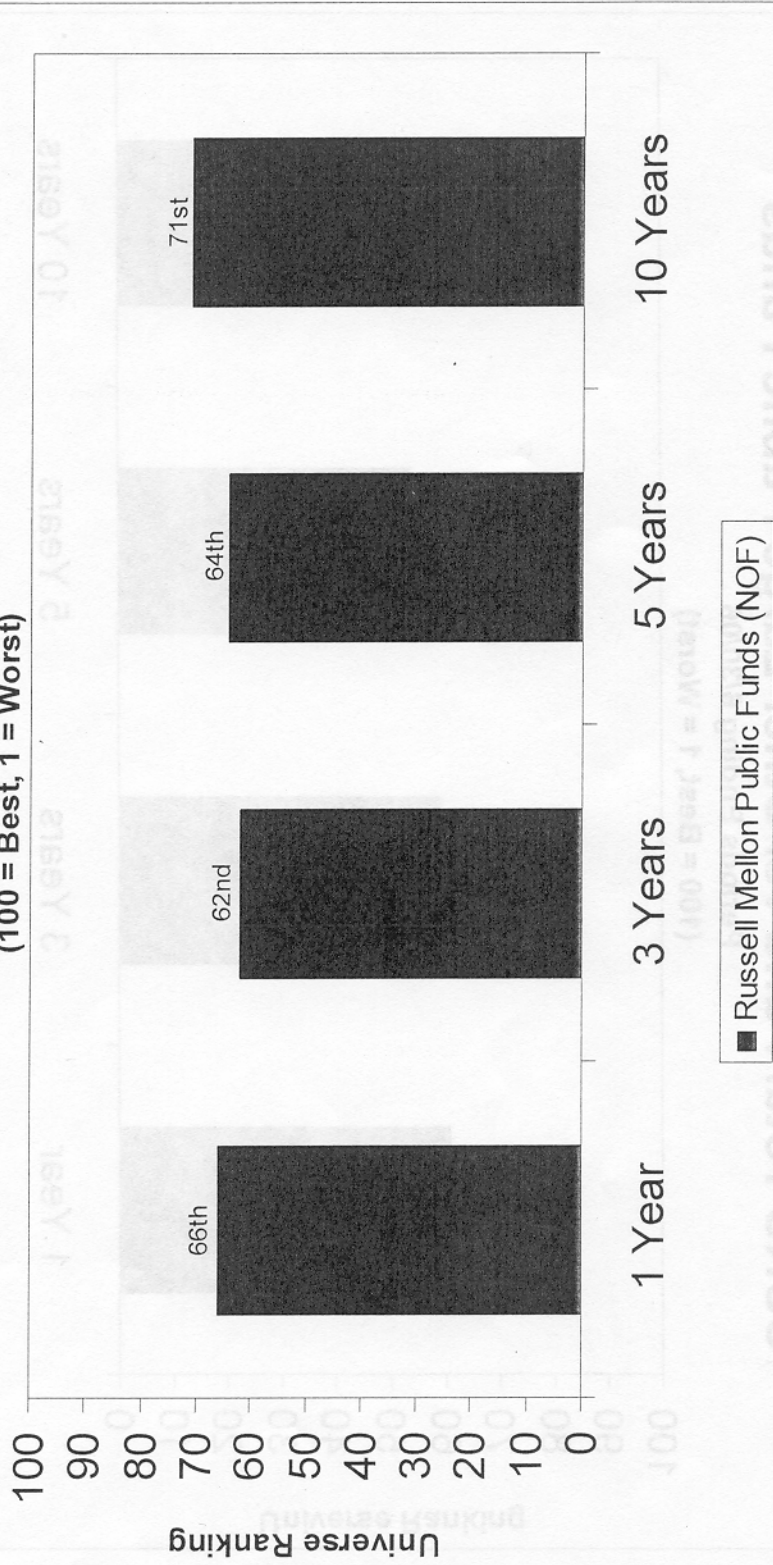


# Russell Mellon Public Fund Universe



## SURS Total Fund vs. Other Public Funds

Periods Ending 6/30/06  
(100 = Best, 1 = Worst)



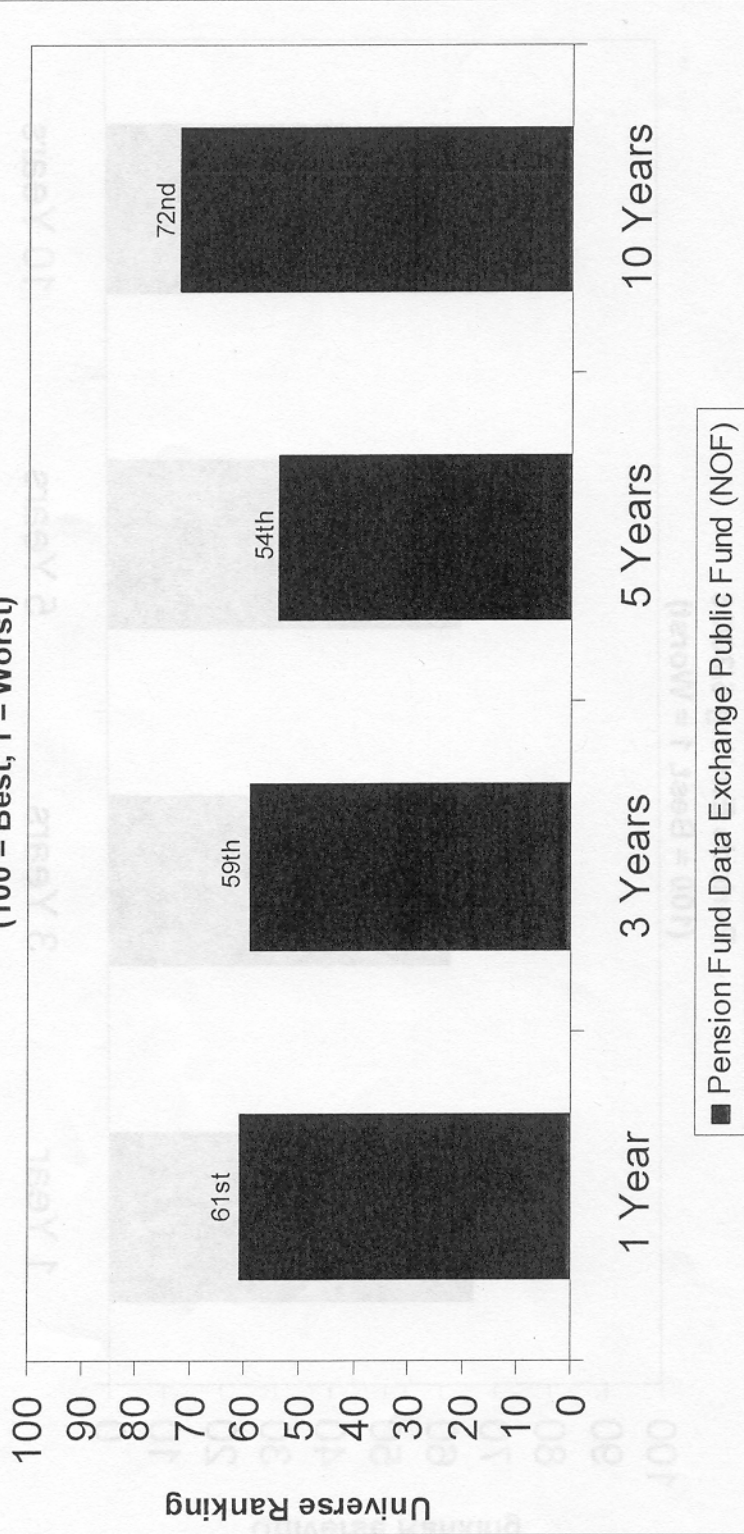
- SURS outperformed approximately 2/3 of public funds for the year.

# Large Public Plan Universe



## SURS Total Fund vs. Other Large Public Funds

Periods Ending 6/30/06  
(100 = Best, 1 = Worst)



- SURS consistently ranks in the top half of its large public plan peers.



## Self Managed Plan (SMP)



- \$405 Million in Assets as of June 30, 2006
- Two Service Providers
  - Fidelity Investments (\$224 million in assets)
  - TIAA-CREF (\$181 million in assets)
- 35 Investment Options as of June 30, 2006
  - Added two funds post-June 30
- 13,191 Participants
- Changed Default Fund in SMP (July 2006)
  - From Fidelity Puritan Fund to Fidelity Freedom Funds



## Challenges

- Cash Shortfall – Estimated Projections of \$750 million shortfall for Fiscal Year 2007
  - Pay benefits of over \$93 million monthly
  - 3% annual increase
- Implementation of Sudan legislation continues to be time-consuming
  - Especially difficult in the Private Equity asset class
- Estimated Funding Ratio 66% - essentially unchanged despite strong FY return.