

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

Financial Statement Audit
For the Year Ended June 30, 2025

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

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

**Financial Statement Audit
For the Year Ended June 30, 2025**

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Other Reports Issued Under a Separate Cover

The State Universities Retirement System of Illinois State Compliance Examination for the two years ended June 30, 2025, will be issued under a separate cover.

Additionally, the State Universities Retirement System of Illinois will issue the Report on Allocation of Pension Amounts under separate cover. The purpose of that report is to provide the audited information necessary to the non-employer contributing entity (State of Illinois) to report their proportionate share of the collective pension amounts in their financial statements as required by GASB Statement No. 68.

Additionally, the State Universities Retirement System of Illinois will issue the Report on the Special Funding Situation Allocation under separate cover. The purpose of that report is to provide the audited information necessary to the participating employers of the System to report their proportionate share of the non-employer contributing entity's contributions to the defined benefit plan, the defined contribution plan and their share of the allocation of the net pension liability reported by the non-employer contributing entity in their financial statements as required by GASB Statement No. 68.

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

**Financial Statement Audit
For the Year Ended June 30, 2025**

System Officials

Executive Director	Ms. Suzanne Mayer
Chief Financial Officer	Ms. Tara Myers
Chief Investment Officer	Mr. Michael Schlachter
General Counsel	Ms. Bianca Green
Chief Internal Auditor	Ms. Jacqueline Hohn

Board Officers/Trustees

Chairman	Mr. John Lyons
Vice Chairman	Mr. Colin Van Meter
Treasurer	Mr. Scott Hendrie

Board Trustees

Appointed Trustee	Mr. Pranav Kothari
Appointed Trustee	Mr. Richard Figueroa
Appointed Trustee (06/30/24 – 04/27/25)	Vacant
Appointed Trustee (04/28/25 – Present)	Mrs. Jenine Jiganti
Elected Active Trustee	Mr. Andriy Bodnaruk
Elected Active Trustee	Mr. Colin Van Meter
Elected Active Trustee	Mr. Antonio Vasquez
Elected Active Trustee (07/01/23 – 07/14/24)	Mr. Steven Rock
Elected Active Trustee (07/15/24 – Present)	Mr. Herbert Pitman
Elected Annuitant Trustee	Mr. J. Fred Giertz
Elected Annuitant Trustee (07/01/23 – 07/14/24)	Mr. Mitchell Vogel
Elected Annuitant Trustee (07/15/24 – Present)	Mr. Steven Rock

Office Location

1901 Fox Drive
Champaign, Illinois 61820

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

**Financial Statement Audit
For the Year Ended June 30, 2025**

Financial Statement Report

Summary

The audit of the accompanying financial statements of the State Universities Retirement System of Illinois (System) was performed by RSM US LLP.

Based on their audit, the auditors expressed an unmodified opinion on the System's basic financial statements.

Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino, Auditor General – State of Illinois

Board of Trustees, State Universities Retirement System of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the State Universities Retirement System of Illinois (the System), a component unit of the State of Illinois, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System, as of June 30, 2025, and the changes in fiduciary net position for the year then ended 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other 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.

Emphasis of Matter

As discussed in Note V of the financial statements, the actuarially determined net pension liability, calculated as required by GASB Statement No. 67, is dependent on several assumptions including the assumption that future required contributions from State sources are made based on statutory requirements in existence as of the date of this report. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 financial statements.
- 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of investment returns, the schedule of contributions from employers and other contributing entities and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information, including the summary schedule of administrative expenses, the summary schedule of investment expenses, the combining statement of fiduciary net position custodial funds and the combining statement of changes in fiduciary net position custodial funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information, including the summary schedule of administrative expenses, the summary schedule of investment expenses, the combining statement of fiduciary net position custodial funds and the combining statement of changes in fiduciary net position custodial funds, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 16, 2025

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial statements of the State Universities Retirement System (SURS or System) and the major factors affecting the operations and investment performance of the System during the year ended June 30, 2025, with comparative reporting entity totals for the year ended June 30, 2024. Please read this section in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements, and other information that is presented in the Financial Section of the Annual Comprehensive Financial Report.

Financial Highlights

- Contributions from the State and employers were \$2,294.1 million, an increase of \$41.7 million, or 1.9% from fiscal year 2024.
- The System's benefit payments were \$3,187.8 million, an increase of \$103.8 million, or 3.4% for fiscal year 2025.
- The System's time-weighted return on investment, net of investment management fees, was 6.4% for fiscal year 2025.
- The System's fiduciary net position at the end of fiscal year 2025 was \$25.4 billion, an increase of \$848.4 million, or 3.5%.

Overview of Financial Statements and Accompanying Information

The Financial Section has four components: (1) Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information, and (4) Other Supplementary Information.

- The financial statements presented in this report are the Statement of Fiduciary Net Position as of June 30, 2025, and the Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2025. These statements present separate totals for the System's three fiduciary fund types.
 - The Statement of Fiduciary Net Position details the net position (assets less liabilities) available for the payment of benefits and other fiduciary activities of the System.
 - The Statement of Changes in Fiduciary Net Position presents the additions to and deductions from fiduciary net position during the fiscal year. Over time the increase or decrease in fiduciary net position is a useful indicator of the health of SURS financial position.
- The Notes to the Financial Statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Disclosures include the description of the plans, summary of significant accounting policies, and detailed presentations of major assets and liabilities.
- Required Supplementary Information presents schedules related to employer net pension liability, employer contributions, and investment returns.
- Other Supplementary Information consists of supporting schedules of administrative expenses, investment expenses, and fees paid to consultants.

General Market Risk

SURS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on SURS investment portfolios depends in large measure on how deep a potential market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could significantly impact SURS financial condition.

Financial Analysis of the System

The System serves 230,463 members in its defined benefit plan and 27,697 members in its retirement savings plan. Additionally, 18,093 members have balances in the supplemental deferred compensation plan. The funds needed to finance the benefits provided by SURS are accumulated through contributions from non-employer, employer and employee contributions as well as investment earnings. The fiduciary net position of the System increased from \$24.5 billion as of June 30, 2024, to \$25.4 billion as of June 30, 2025. This \$848.4 million increase was due to an increase in the fair value of the System's investments.

Management's Discussion and Analysis

Fiduciary Net Position

A summary of the System's fiduciary net position is presented below:

Condensed Statement of Fiduciary Net Position

REPORTING ENTITY TOTAL (\$ in millions)	2025	2024	Change	
			Amount	%
Cash and short-term investments	\$ 153.8	\$ 230.2	\$ (76.4)	(33.2)%
Receivables and prepaid expenses	100.4	95.9	4.5	4.7
Pending investment sales	317.1	150.5	166.6	110.7
Investments and securities lending collateral	27,331.1	27,632.5	(301.4)	(1.1)
Capital assets, net	39.5	31.5	8.0	25.4
Total assets	27,941.9	28,140.6	(198.7)	(0.7)
Payable to brokers-unsettled trades	191.7	142.4	49.3	34.6
Securities lending collateral	2,328.2	3,426.3	(1,098.1)	(32.0)
Other liabilities	57.0	55.3	1.7	3.1
Total liabilities	2,576.9	3,624.0	(1,047.1)	(28.9)
TOTAL FIDUCIARY NET POSITION	\$ 25,365.0	\$ 24,516.6	\$ 848.4	3.5%

The investment allocation strategy for the reporting entity as of June 30, 2025, and 2024, is as follows:

Investment Allocation Strategy

	2025	2024
Traditional Growth		
Global Public Equity	35.0%	36.0%
Stabilized Growth		
Core Real Assets	8.0	8.0
Public Credit Fixed Income	4.0	6.5
Private Credit	5.0	2.5
Non-Traditional Growth		
Private Equity	11.0	11.0
Non-Core Real Assets	5.0	4.0
Inflation Sensitive		
U.S. TIPS	5.0	5.0
Principal Protection		
Core Fixed Income	10.0	10.0
Crisis Risk Offset		
Systematic Trend Following	10.0	10.0
Alternative Risk Premia	3.0	3.0
Long Duration	2.0	2.0
Long Volatility/Tail Risk	2.0	2.0
TOTAL	100.0%	100.0%

Management's Discussion and Analysis

Proper implementation of the investment policy requires that periodic adjustments, or rebalancing, of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among investment managers who are hired to manage assets with a specified strategy. SURS rebalancing policy calls for rebalancing, as soon as practical, if a strategy either exceeds or falls below its target allocation by three percentage points. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of the System's cash flows.

Changes in Fiduciary Net Position

A summary of the changes in the System's fiduciary net position is presented below:

Condensed Statement of Changes in Fiduciary Net Position

REPORTING ENTITY TOTAL (\$ in millions)	2025	2024	Change	
			Amount	%
Employer contributions	\$ 81.3	\$ 80.3	\$ 1.0	1.2%
Non-employer contributing entity contributions	2,212.8	2,172.1	40.7	1.9
Member contributions	528.8	486.2	42.6	8.8
Net investment income	1,619.6	1,859.6	(240.0)	(12.9)
Total additions	4,442.5	4,598.2	(155.7)	(3.4)
Benefits	3,187.8	3,084.0	103.8	3.4
Refunds	85.4	78.8	6.6	8.4
Contributions sent to third-party administrator	292.4	253.8	38.6	15.2
Administrative expense	28.5	25.5	3.0	11.8
Total deductions	3,594.1	3,442.1	152.0	4.4
Net decrease in fiduciary net position	848.4	1,156.1	(307.7)	(26.6)
Fiduciary net position, beginning of year	24,516.6	23,360.5	1,156.1	4.9
FIDUCIARY NET POSITION, END OF YEAR	\$ 25,365.0	\$ 24,516.6	\$ 848.4	3.5%

Additions to Fiduciary Net Position

Additions to fiduciary net position come from non-employer, employer, and employee contributions as well as investment earnings. For fiscal year 2025, the System's non-employer contributing entity — the State of Illinois — contributed \$2,212.8 million. Employer contributions increased by \$1.0 million, or 1.2%, to \$81.3 million. Member contributions increased by \$42.6 million, or 8.8%, to \$528.8 million. Net investment gain for fiscal year 2025 was \$1,619.6 million for the System, representing a \$240.0 million decrease from the prior year. The System's investment rate of return was 6.4% (time weighted, net of all investment management fees).

Given the long-term orientation of the SURS investment program, it is important to track investment returns over several time periods to correctly assess performance, especially given recent market volatility. SURS investment portfolio returns are as follows:

TIME PERIOD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	20-YEAR	30-YEAR
Time-Weighted Annualized Return	6.4%	6.7%	8.2%	7.0%	7.0%	7.8%

The annualized rate of return over a 30-year period of 7.8% was higher than the actuarial rate of return assumption of 6.5% in effect for fiscal year 2025. Under the direction of the Illinois Auditor General, the State Actuary recommends that the Board of Trustees annually review the interest rate, payroll growth, and inflation assumptions, should changes in market conditions or plan demographics call for such an adjustment.

Management's Discussion and Analysis

Deductions from Fiduciary Net Position

Deductions from fiduciary net position relate to the provision of retirement annuities and other benefits, refunds to inactive members, remittance of defined contribution plan contributions to a third-party administrator, and the cost of administering the System. These deductions for fiscal year 2025 totaled \$3.6 billion, an increase of \$152.0 million, or 4.4% over deductions for 2024. This increase is primarily due to the \$103.8 million increase in retirement and survivor annuity payments made to defined benefit plan members. Portable lump sum distributions and refunds increased by \$6.6 million, or 8.4%. Administrative expenses increased by \$3.0 million, or 11.8% from fiscal year 2024 to 2025.

Accelerated Pension Payment Programs

Adhering to Public Act 100-0587 signed into law in 2018, SURS continues to administer two accelerated pension benefit programs for members. By the end of fiscal year 2025, a total of \$52.3 million had been received from bond proceeds and paid to members that elected to participate in the accelerated pension payment programs. The programs are funded by bonds issued by the State of Illinois, and the liabilities and expenses related to the bonds are recognized by the State of Illinois. For these two programs, SURS essentially serves as a payment agent on behalf of the State of Illinois and recognizes neither revenue nor expense in its financial statements for these programs. The programs are available until June 20, 2026.

Future Outlook

The experience review for the years June 30, 2020 to June 30, 2023, was completed in June 2024, and the assumptions adopted as of June 30, 2024. The next experience study will be completed in 2027 using June 30, 2023 to June 30, 2026 data.

Public Act 96-0889 implemented a limit on pensionable earnings for Tier 2 members. This limit is set annually by the Illinois Department of Insurance and increases each year by the lesser of 3% or one-half of the change in the Consumer Price Index. The limit for calendar year 2024 (applied to SURS fiscal year 2025) was \$125,774, and the limit for calendar year 2025 (fiscal year 2026) is \$127,283. This limit on Tier 2 members' pensionable earnings decreases the anticipated amount of future payroll and contributions.

Combined employer and State contributions are projected to increase by about 4.6% (\$104.7 million) in fiscal year 2026.

Benefit payments are projected to continue to grow due to increasing numbers of retirees, the 3% annual increase, and the impact of salary increases at the participating employers. SURS will continue to structure its portfolio with the objective of maximizing returns over the long term to help offset the shortage in employer contributions.

Requests for Information

This financial report is designed to provide a general overview of the System's finances. For questions concerning the information in this report or for additional information, contact State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois 61820.

Financial Statements

Statement of Fiduciary Net Position as of June 30, 2025

	Defined Benefit Pension Plan	Other Employee Benefit Plan	Custodial Funds	Total
ASSETS				
Cash and short-term investments	\$ 145,114,251	\$ 930,723	\$ 7,800,108	\$ 153,845,082
Receivables				
Members	13,345,845	-	4,918,108	18,263,953
Federal, trust funds, and other	5,698,790	-	30,864	5,729,654
Pending investment sales	314,805,352	2,086,084	197,599	317,089,035
Interest and dividends	74,604,834	494,375	46,828	75,146,037
Total receivables	408,454,821	2,580,459	5,193,399	416,228,679
Prepaid expenses	1,212,736	-	-	1,212,736
Investments, at fair value				
Equity investments	8,364,559,252	55,428,442	5,250,308	8,425,238,002
Fixed income investments	6,045,646,174	40,061,973	3,794,761	6,089,502,908
Real asset investments	2,830,656,526	18,757,579	1,776,761	2,851,190,866
Alternative investments	7,582,023,838	50,242,906	4,759,123	7,637,025,867
Total investments	24,822,885,790	164,490,900	15,580,953	25,002,957,643
Securities lending collateral	2,311,402,323	15,316,698	1,450,833	2,328,169,854
Capital assets, at cost, net of accum deprec	39,539,482	-	-	39,539,482
TOTAL ASSETS	27,728,609,403	183,318,780	30,025,293	27,941,953,476
LIABILITIES				
Benefits payable	19,542,389	9,668	-	19,552,057
Refunds payable	4,366,200	-	-	4,366,200
Securities lending collateral	2,311,402,323	15,316,698	1,450,833	2,328,169,854
Payable to brokers for unsettled trades	190,341,892	1,261,316	119,475	191,722,683
Reverse repurchase agreements	5,013,460	33,222	3,147	5,049,829
Investment expenses payable	6,732,682	44,615	4,226	6,781,523
Administrative expenses payable	8,617,610	-	126,938	8,744,548
Contributions due to third-party administrator	-	-	12,533,982	12,533,982
TOTAL LIABILITIES	2,546,016,556	16,665,519	14,238,601	2,576,920,676
FIDUCIARY NET POSITION				
Restricted for pensions	25,182,592,847	-	-	25,182,592,847
Restricted for other employee benefits	-	166,653,261	-	166,653,261
Restricted for other governments	-	-	15,786,692	15,786,692
TOTAL FIDUCIARY NET POSITION	\$ 25,182,592,847	\$ 166,653,261	\$ 15,786,692	\$ 25,365,032,800

See accompanying Notes to the Financial Statements section.

Financial Statements

Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2025

	Defined Benefit Pension Plan	Other Employee Benefit Plan	Custodial Funds	Total
ADDITIONS				
Contributions				
Employers	\$ 66,461,785	\$ -	\$ 14,886,373	\$ 81,348,158
Non-employer contributing entity	2,116,868,847	-	95,941,153	2,212,810,000
Members	348,523,083	-	180,314,352	528,837,435
Total contributions	2,531,853,715	-	291,141,878	2,822,995,593
Investment Income				
Net appreciation				
in fair value of investments	1,181,089,384	7,103,912	1,444,740	1,189,638,036
Interest	225,455,007	1,369,578	278,534	227,103,119
Dividends	324,086,773	1,968,739	400,387	326,455,899
Securities lending	8,322,782	50,559	10,282	8,383,623
	1,738,953,946	10,492,788	2,133,943	1,751,580,677
Less investment expense				
Asset management expense	130,492,949	792,709	161,215	131,446,873
Securities lending expense	558,219	3,391	690	562,300
Net investment income	1,607,902,778	9,696,688	1,972,038	1,619,571,504
TOTAL ADDITIONS	4,139,756,493	9,696,688	293,113,916	4,442,567,097
DEDUCTIONS				
Benefits	3,185,255,569	2,540,676	-	3,187,796,245
Refunds of contributions	85,374,295	-	-	85,374,295
Contributions sent to third-party administrator	-	-	292,360,057	292,360,057
Administrative expense	26,707,961	-	1,848,650	28,556,611
TOTAL DEDUCTIONS	3,297,337,825	2,540,676	294,208,707	3,594,087,208
Net increase (decrease)	842,418,668	7,156,012	(1,094,791)	848,479,889
Fiduciary Net Position				
Beginning of year	24,340,174,179	159,497,249	16,881,483	24,516,552,911
FIDUCIARY NET POSITION END OF YEAR	\$25,182,592,847	\$ 166,653,261	\$ 15,786,692	\$25,365,032,800

See accompanying Notes to the Financial Statements section.

Notes to the Financial Statements

I. Description of SURS

The State Universities Retirement System (SURS or System) is the administrator of a cost-sharing, multiple-employer defined benefit plan and two multiple-employer defined contribution plans. SURS was established on July 21, 1941, and provides retirement annuities and other benefits for employees of the state universities and community colleges, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes. The Illinois General Assembly has the authority to establish and amend the benefit provisions of the plans offered by SURS. The operation of SURS and the direction of its policies are the responsibility of the SURS Board of Trustees. The Board of Trustees consists of six elected and five appointed board members. 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.

The membership, contributions, and benefit provisions related to the System's three plans are presented in the following summary of the provisions of SURS in effect as of June 30, 2025, as defined in the Illinois Compiled Statutes. Interested parties should refer to the SURS Member Guide or the statutes for more complete information.

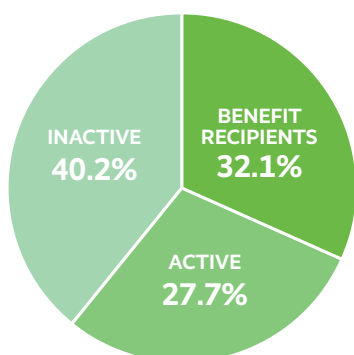
The financial statement presentation of the System's benefit plans is driven by accounting standards for fiduciary activities issued by the Governmental Accounting Standards Board. An explanation of how these standards affect the presentation of the System's three plans can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Plan

As of June 30, 2025, two benefit packages are offered by the defined benefit plan: the traditional benefit package and the portable benefit package. The traditional benefit package is the System's original benefit offering and was established in 1941. Public Act 90-0448 was enacted effective January 1, 1998, which established an alternative defined benefit program known as the portable benefit package. This portable benefit option is offered in addition to the traditional benefit option. New employees are allowed 6 months after their date of hire to make an irrevocable election to participate in either the traditional benefit package, portable benefit package, or the Retirement Savings Plan (RSP).

The System's fiduciary net position and changes in fiduciary net position related to the defined benefit plan are shown in the Defined Benefit Pension Plan column on the financial statements.

Defined Benefit Plan



At June 30, 2025, the number of participating employers was:

Universities	9
Community Colleges	39
Allied Agencies	11
State Agencies	2
	61

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

At June 30, 2025, defined benefit plan membership consisted of:

Benefit Recipients	73,937
Active Members	63,788
Inactive Members	92,738
	230,463

1. Membership

Participation is required as a condition of employment.

Employees are ineligible to participate if (a) employed less than full-time and attending classes with an employer; (b) receiving a retirement annuity from SURS; or (c) excluded by subdivision (a) (7)(f) or (a)(19) of Section 210 of the Federal Social Security Act from the definition of employment given in that Section.

2. Benefit Provisions

The traditional and portable benefit packages are offered in two different tiers. Tier I is offered to members who began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit packages for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system credit. The revised plan is referred to as Tier II. The following is a summary of the benefit provisions as of June 30, 2025.

Notes to the Financial Statements

	Tier I	Tier II
Retirement Vesting Traditional Plan and Portable Plan	5 years of service	10 years of service
Full Retirement Age Traditional Plan and Portable Plan	Age 62, with at least 5 years of service; Age 60, with at least 8 years of service; Any age with at least 30 years of service	Age 67, with at least 10 years of service
Final Rate of Earnings (FRE) Traditional Plan and Portable Plan	Average earnings during 4 highest consecutive academic years; or Average earnings of the last 48 months prior to termination	Average earnings during the 8 highest consecutive academic years of the last 10; or Average earnings of the highest 96 consecutive months of the last 120 (if applicable)
Retirement Benefit AAI (Automatic Annual Increase) Traditional Plan and Portable Plan	3% compounded annually	Lesser of 3% or one-half of the change in the consumer price index, not compounded
Survivor Benefits Traditional Plan	Minimum of 50% of the member's earned retirement annuity	66 2/3% of the member's earned retirement annuity
Portable Plan	Selection at retirement of 50%, 75%, or 100% of the member's earned retirement annuity	Selection at retirement of 50%, 75%, or 100% of the member's earned retirement annuity
Survivor Automatic Annual Increase (AAI) Traditional Plan and Portable Plan	3% compounded annually	Lesser of 3% or one-half of the change in the consumer price index, not compounded

Public Act 101-610, effective January 1, 2020, allows Tier II police officers and firefighters to retire at age 60 (instead of age 67) without a reduced retirement annuity under the special formula for police officers and firefighters.

Public Act 103-0548, which was signed into law on August 11, 2023, eliminates the requirement that a participant in SURS be employed for at least 15 calendar days in a month to receive one month of service credit; instead, a participant will receive service credit for any month in which they are a participating employee and make contributions to SURS. The law also repeals the part-time adjustment, which modified pension benefits for participants who worked 50% time or less for 3 or more years. This applies to SURS participants beginning on September 1, 2024.

SURS also provides disability, death, and refund benefits as authorized in Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to a physical or mental impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. Members are not required to exhaust vacation leave nor resign their position in order to claim the benefit. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments received under the Workers' Compensation or the Occupational Diseases Act. Benefits have a lifetime cap of 50% of a member's total accumulated pensionable earnings. RSP members are not eligible for a disability retirement annuity. If a member remains disabled after receiving the maximum benefits due, they may be eligible for a disability retirement annuity equal to 35% of the monthly rate of compensation on the date the disability began.

Death benefits are payable to named beneficiaries upon the death of any member of this System. Under the traditional benefit package, monthly survivor benefits may be paid to eligible survivors if the member established a minimum of 1.5 years of service credit prior to the date of death. If no qualified survivor exists at the date of retirement, the member is paid a refund of all survivor contributions plus interest. Under the portable benefit package, survivor benefits are available through a reduction of the retirement annuity calculated as described above. No refund of survivor contributions is available if there is no qualified survivor at the time of retirement. These provisions are designed to allow the impact of the portable benefit package's enhanced refund opportunity to be cost neutral.

Upon the death of an annuitant, SURS will pay either a death benefit to a non-survivor beneficiary or a monthly survivor benefit to an eligible survivor. The amount of the monthly survivor benefit will differ depending upon whether the annuitant had selected the traditional benefit package or the portable benefit package.

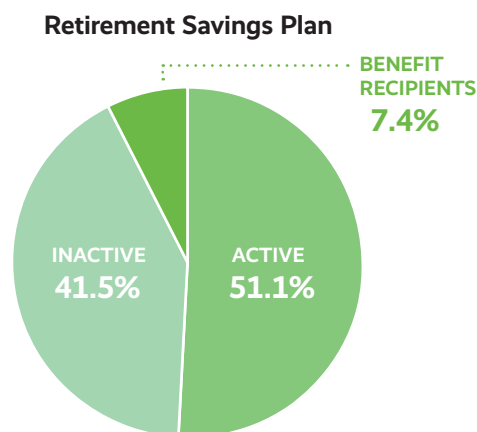
Notes to the Financial Statements

Upon termination of service, a lump sum refund is available to all members. Under the traditional benefit package, the refund consists of all member contributions, plus interest at 4.5%. Under the portable benefit package, the refund consists of all member contributions and total interest credited, plus, for those members with greater than or equal to 5 years of service credit, an equal amount of employer contributions. Under both defined benefit plan options, a member with at least 5 years of service credit (10 years for Tier II) who does not apply for a refund may apply for a normal retirement benefit payable at age 62.

B. Retirement Savings Plan

SURS is the plan sponsor and administrator of a defined contribution plan called the SURS Retirement Savings Plan (RSP). The RSP was established as of January 1, 1998, by the Illinois General Assembly as an amendment to the Illinois Pension Code through Public Act 90-0448. The plan was originally called the Self-Managed Plan (SMP). The name change to Retirement Savings Plan was effective September 1, 2020, at the conclusion of an extensive plan redesign. The RSP is offered to employees of all SURS employers who elect to participate. This plan is a qualified money purchase pension plan under Section 401(a) of the Internal Revenue Code. The assets of the RSP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

Important information about the financial statement presentation of the Retirement Savings Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.



At June 30, 2025, the number of RSP participating employers was:

Universities	9
Community Colleges	39
Allied Agencies	8
State Agencies	2
	58

Note: Excluded from the employer totals above is the State of Illinois, a non-employer contributing entity.

1. Membership

A member may elect participation in the RSP if (a) all participation criteria for the defined benefit plan are met; (b) the employer has elected through Board action to offer the Retirement Savings Plan; (c) the employee is on active status at the plan offering date; and (d) the employee is not eligible to retire as of the employer plan offering date. The member election is irrevocable. New employees are allowed 6 months from the date of hire in which to make their election. If no election is received, members are defaulted into the defined benefit plan, under the traditional benefit package.

At June 30, 2025, the RSP membership consisted of:

Benefit Recipients	2,050
Active Members	14,163
Inactive Members	11,484
	27,697

2. Benefit Provisions

The RSP provides retirement, disability, death, and survivor benefits as authorized in Chapter 40, Act 5, Article 15, of the Illinois Compiled Statutes, and amended by Public Act 90-0448.

Retirement benefits are payable to members meeting minimum vesting requirements of 5 years of service credit at age 62, 8 years of service credit at age 55, or 30 years of service credit regardless of age. The plan offers a lump sum option and two lifetime income options for distributions upon reaching retirement eligibility. The lump sum distribution option is a payment of all employee and employer contributions and related investment earnings in either a one-time payment or multiple distributions. One lifetime distribution option is utilization of the full account balance to purchase one of the following types of annuities: a single life annuity; a 50% or 100% joint and survivor annuity; single life annuity with a guaranteed period of 10, 15, or 20 years as elected by the member; or a 50% or 100% joint and survivor annuity with a guaranteed period of 10, 15, or 20 years as elected by the member. The second lifetime distribution option is utilization of the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account

Notes to the Financial Statements

balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. All or a portion of the account balance remains available for ad-hoc distributions as needed.

Disability benefits are payable to all members with at least 2 years of service credit if they are unable to reasonably perform the duties of their assigned position due to physical impairment as certified by a physician. The benefit becomes payable when sick leave payments are exhausted or after 60 days of the disability, whichever is later. Members are not required to exhaust vacation leave nor resign their position in order to claim the benefit. The benefit is payable at a rate of 50% of the monthly rate of compensation on the date the disability began. Disability benefits are reduced by any payments under Workers' Compensation or the Occupational Diseases Act. Benefits have a lifetime cap of 50% of a member's total accumulated pensionable earnings. RSP members are not eligible for a disability retirement annuity.

Upon termination of service with less than 5 years of service credit, a lump sum distribution is available which consists of employee contributions and related investment earnings. The employer contributions and related investment earnings are forfeited. Upon termination of service with greater than 5 years of service credit, but where the member is not yet eligible for retirement, a lump sum distribution is available which consists of employee and employer contributions and related investment earnings.

Death benefits are payable to named beneficiaries upon the death of any member of this plan. If the member has less than 1.5 years of service credit, the death benefit payable is the employee contributions and related investment earnings. If the member has 1.5 or more years of service credit, the death benefit payable is the employee and employer contributions and related investment earnings.

C. Deferred Compensation Plan

Public Act 100-769, effective August 10, 2018, required SURS to introduce an optional supplemental defined contribution plan. This optional defined contribution plan is known as the SURS Deferred Compensation Plan (DCP) and began accepting contributions on March 1, 2021. This plan is a governmental deferred compensation plan under Section 457(b) of the Internal Revenue Code. All SURS employers were required to adopt the plan by September 1, 2021.

Beginning July 1, 2023, per Public Act 102-540, all newly certified SURS members are automatically enrolled in the DCP. Auto-enrolled DCP participants are given an opt-out window of 30 days, after which they default to a pre-tax contribution of 3% of earnings. The assets of the DCP are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code.

As of June 30, 2025, 18,093 members had balances in the DCP.

Important information about the financial statement presentation of the Deferred Compensation Plan can be found in the Reporting Entity section of the Summary of Significant Accounting Policies.

1. Membership

A member may elect participation in the DCP if (a) all participation criteria for the defined benefit plan are met; (b) the employee is on active status at the plan offering date; and (c) the employee is not eligible to retire as of the employer plan offering date.

2. Benefit Provisions

The DCP provides retirement benefits to participating members.

Distributions from the DCP are allowed upon separation from SURS-covered employment, attainment of age 59½, disability, an unforeseeable emergency, or death. The DCP offers a lifetime distribution option called the SURS Lifetime Income Strategy (LIS). The LIS allows members to allocate between 0% and 100% of their account balance to a Secure Income Portfolio that provides guaranteed monthly retirement income for life. The account balance remains available for ad-hoc distributions as needed. Members must be at least 60 years old to start receiving guaranteed monthly retirement income from the LIS.

DCP participants are always 100% vested in all contributions and investment earnings (including employer contributions and related investment earnings), regardless of years of service credit attained.

Notes to the Financial Statements

II. Summary of Significant Accounting Policies

A. Reporting Entity

Accounting standards promulgated by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as consisting of a primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Financial accountability is defined as:

1. Appointment of a voting majority of the organization's board and either (a) the ability to impose will by the primary government or (b) the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government and potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

According to these criteria, SURS is a component unit of the State of Illinois.

Additional fiduciary activity and component unit criteria were introduced by GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These new criteria affect determination of voting majority appointment, fiscal dependency, control of assets, and the relationship between pension plans and their plan administrators. SURS reevaluated its financial reporting entity in response to these standards.

SURS financial reporting entity consists of three types of fiduciary funds.

- The defined benefit pension plan reflects the activities and financial position of the defined benefit plan (a fiduciary component unit).
- The other employee benefit plan reflects the activities and financial position of the Retirement Savings Plan's disability benefit only. This plan is not an Other Postemployment Benefits (OPEB) plan; eligible members are not required to terminate their employment to claim this benefit. The plan is an "other" plan as described in paragraph 15(b) of GASB Statement No. 84, *Fiduciary Activities*.
- The custodial funds reflect the activities and financial position of the Retirement Savings Plan's and Deferred Compensation Plan's retirement, death, and survivor benefits and plan administration. Aspects of these plans that have been assigned to a third-party administrator (such as custody of member investment assets, recordkeeping of investment gain/loss on those assets, and distributions made to members) are not included in SURS reporting entity per governmental accounting standards.

B. Measurement Focus and Basis of Accounting

Transactions are recorded using the economic resources measurement focus and accrual basis of accounting. Member and employer contributions are recognized as fiduciary fund additions when due to SURS, pursuant to statutory or contractual requirements. Benefits and refunds are recognized as fiduciary fund deductions when due and payable in accordance with the terms of the plans.

C. Use of Estimates

The preparation of the System's financial statements 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 of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and those differences could be material. The System uses an actuary to determine the actuarial accrued liability for the defined benefit pension plan and to determine the actuarially determined contribution.

D. Risks and Uncertainties

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near-term, and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Notes to the Financial Statements

E. Cash and Short-Term Investments

Included in the \$153,845,082 of cash and short-term investments presented in the Statement of Fiduciary Net Position is \$7,295,798 of short-term investments with original maturities of less than 90 days. For purposes of the data tables presented in Note IV, this group of short-term investments is included as part of fixed income investments. Short-term investments are generally reported at amortized cost, which approximates fair value.

F. Investments

Investments are governed by Chapter 40, Act 5, Articles 1 and 15, of the Illinois Compiled Statutes. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. Purchases and sales of securities are recorded on a trade-date basis. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments are generally reported at fair value. Marketable securities (stocks, bonds, warrants, and options) are traded on public exchanges. The Northern Trust Company, SURS custodial bank, establishes these prices using third-party pricing services. Generally, these values are reported at the last reported sales price. Certain investments that do not have an established fair value are reported at estimated fair value obtained from a custodial bank or investment management firm. These investments include commingled investment pools, where the underlying assets are individually marked to market (i.e., estimated fair value) on a daily basis and individually traded on publicly recognized exchanges. The investment manager, using methods approved by the CFA Institute or other industry standards, values non-marketable securities. These methods generally include detailed property level appraisals and discounted cash flow analysis.

G. Capital Assets

Capital assets are classified as either tangible capital assets or intangible right-to-use assets.

- Tangible capital assets are owned by the System, not held for investment, and have an indefinite right-of-use period. These assets include land (and related improvements), buildings (and related improvements), equipment, software, furniture, and fixtures. Tangible capital assets are recorded at historical cost and depreciated over the estimated useful life of each asset using the straight-line method.
- Intangible right-to-use assets are assets that are provided by another entity and for which the System's use is subject to a lease, contract, or other agreement. These assets include leased property as described by GASB Statement No. 87, *Leases*, and subscription-based software and infrastructure as described by GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The cost of intangible right-to-use assets is recorded at the sum of (a) the present value of future payment commitments as of contract inception and (b) expenditures incurred before contract inception to prepare the asset for in-service use. Intangible right-to-use assets are amortized over the terms of their underlying contracts using the straight-line method.

Expenditures for tangible capital assets with a useful life of less than one year are expensed as incurred. Expenditures for right-to-use assets for which either the System or the asset provider can terminate the agreement at any time without the other party's consent are expensed as incurred.

Additional information about capital asset additions, disposals, and estimated useful lives can be found in Note VI, *Capital Assets*.

H. Lease and Subscription Liabilities

Lease and subscription liabilities are measured at the present value of future payment commitments as of contract inception and are included in administrative expenses payable in the Statement of Fiduciary Net Position.

Interest expense is recognized ratably over the relevant contract term based on the outstanding lease or subscription liability. Depending on the nature of the related right-to-use assets, this expense is included in either asset management expense or administrative expense in the Statement of Changes in Fiduciary Net Position.

Additional information about lease and subscription liabilities and related interest expense can be found in Note X, *Right-to-use Agreements*.

Notes to the Financial Statements

I. Administrative Expenses

System administrative expenses are budgeted and approved by the System's Board of Trustees. Funding for these expenses is included in the non-employer contribution as determined by the annual actuarial valuation and appropriated by the State of Illinois.

J. New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*, is effective for financial reporting periods beginning after December 15, 2023. The objective of this statement is to align the recognition and measurement guidance for compensated absences under a unified model and amend required disclosures. This statement did not materially affect the System's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide information about risks related to an entity's vulnerabilities due to certain concentrations and constraints. The System will apply these new requirements if any significant concentrations or constraints requiring disclosure are identified. There are none for the fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The System will implement these requirements, as appropriate and relevant, beginning with the financial reporting period ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The System is evaluating the impact of these requirements.

III. Contributions and Fiduciary Net Position Designations

SURS financial statements are presented according to the specific fiduciary activities being conducted by SURS. Each section of this footnote includes a Composition section to establish which SURS plan(s) comprises each fiduciary activity. Important information about the financial statement presentation of SURS benefit plans is found in the Reporting Entity section of the Summary of Significant Accounting Policies.

A. Defined Benefit Pension Plan

1. Composition

The defined benefit pension plan presented in SURS financial statements reflects the activities and fiduciary net position of the defined benefit plan. This fund also contains the activity of the SURS Board of Trustees, though it is negligible in comparison to the defined benefit plan.

Notes to the Financial Statements

2. Membership Contributions

In accordance with Chapter 40, Act 5, Article 15, of the Illinois

Compiled Statutes, members of the traditional benefit package contribute 8% of their gross earnings; 6.5% of those are designated for retirement annuities, 0.5% for post-retirement increases, and 1% for survivor benefits.

Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution.

Members of the portable benefit package contribute 8% of their gross earnings; 6.5% of those are designated for retirement annuities, 0.5% for post-retirement increases, and 1% for enhanced refund benefits. Police officers and firefighters contribute 9.5% of earnings; the additional 1.5% is a normal retirement contribution.

These statutes assign the authority to establish and

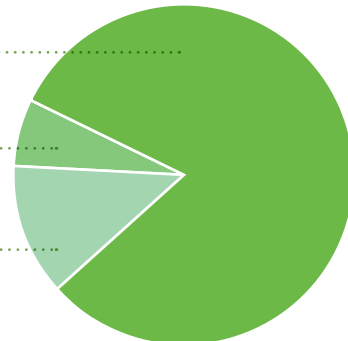
amend the contribution provisions of the plan to the Illinois General Assembly. The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, military service payments, and the employee portion of Early Retirement Option payments, are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases, or unless the payments are made in installments through employer deductions from payroll. Previously taxed contributions will be recovered tax-free when distributed to the member in the form of benefits or payments or to his or her beneficiary as a death and/or survivor benefit.

Member Contributions

81.3%
Retirement
Benefits

6.2%
Cost of Living
Increases

12.5%
Survivor
Benefits



3. Interest Credited on Member Contributions

For the traditional and portable benefit packages, the interest rate credited is approved by the Board of Trustees and is 7.0% for the year ended June 30, 2025. For purposes of lump sum refunds to former members, the traditional benefit package offers an interest rate of 4.5%, compounded annually, and the portable benefit package offers an interest rate equal to the credited rate, compounded annually. A change brought forth by the enactment of Public Act 94-0004 and effective July 1, 2005, calls for the Comptroller of the State of Illinois to set the interest rate credited to member contribution balances for purposes of the calculation of retirement annuities under the money purchase formula. That rate is 7.5% for the year ended June 30, 2025, and will be 7.5% for the year ended June 30, 2026.

Members certified after July 1, 2005, will not be eligible for the money purchase formula calculation. Rather, their retirement annuity will be calculated using the general formula.

4. Employer Contributions

On an annual basis, an actuarial valuation is performed to determine the amount of statutorily required contributions from the State of Illinois (a non-employer contributing entity) and the normal cost. Public Act 99-0232 requires an actuarial experience study to be performed every 3 years to determine the assumptions to be used in the annual valuation.

An actuarial experience study was completed in June 2024. To determine the funding method, Public Act 88-0593 was passed by the Illinois General Assembly in 1994. This Act, which took effect on July 1, 1995, provides a 50-year schedule of State contributions to the System designed to achieve a 90% funded ratio by fiscal year 2045. This plan requires the State as the non-employer contributing entity to make continuing appropriations to meet the normal actuarially determined cost of the System, plus amortize the unfunded accrued liability. In fiscal year 2025 the State of Illinois contributed \$2,116,868,847 to the defined benefit pension plan.

The employer normal cost calculation is based on the same actuarial results, assumptions, and methods used to calculate the State contribution and results in the employer contribution rate that is applied to all earnings paid from federal, grant, and trust funds. The Board of Trustees adopted 11.98% of covered earnings as the employer normal cost for fiscal year 2025. In compliance with Public Act 94-0004, employers must pay the System the present value of the increase in benefits resulting from the portion of increase in earnings that is in excess of 6%. In compliance with Public Act 100-0023, employers must pay the System the normal cost of the portion of a member's earnings that exceed the amount of salary set for the Governor of Illinois. In fiscal year 2025, total employer contributions to the defined benefit pension plan were \$66,461,785.

Notes to the Financial Statements

5. Fiduciary Net Position Accounts

The System maintains two designated accounts for the assignment of fiduciary net position:

- a. The Member Contributions account contains the pension assets contributed by each member and the interest income earned by those contributions.
- b. The Benefits from Member and Employer Contributions account contains the fiduciary net position available for annuities in force and available for future retirement, death and disability benefits, the undistributed investment income, the unexpended administrative expense allocation, and the variations in actuarial assumptions.

Balances in these designated accounts as of June 30, 2025 are as follows:

Member contributions	\$ 7,436,557,964
Benefits from member and employer contributions	17,746,034,883
TOTAL FIDUCIARY NET POSITION	\$ 25,182,592,847

6. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

B. Other Employee Benefit Plan

1. Composition

The other employee benefit plan presented in SURS financial statements reflects the activities and fiduciary net position of the disability benefit offered to members in the Retirement Savings Plan. This plan is not an OPEB plan; members are not required to terminate their employment to claim this benefit. This plan is an "other" plan as described in paragraph 15(b) of GASB Statement No. 84, *Fiduciary Activities*.

2. Membership Contributions

Member contributions to the Retirement Savings Plan relate to the plan's retirement benefit only. As a result, this fund does not receive member contributions.

3. Employer Contributions

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP disability benefit at a rate of no more than 1% of the member's gross earnings. The employer contribution for RSP disability benefits was reduced to 0% of member gross earnings effective July 1, 2021. Employers are responsible for making contributions on earnings paid from the employer's federal, grant and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

As a result of the 0% disability contribution rate, both State of Illinois and employer contributions were zero for fiscal year 2025.

4. Fiduciary Net Position Accounts

The other employee benefit plan maintains one designated fiduciary net position account, which reflects the fiduciary net position available for both RSP disability benefits in force and future RSP disability benefits. The balance in this account was \$166,653,261 as of June 30, 2025.

Assets related to RSP disability benefits are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2025, the investment income credited to these balances was \$9,696,688.

5. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

Notes to the Financial Statements

C. Custodial Funds

1. Composition

The custodial funds presented in SURS financial statements reflect the activities and fiduciary net position related to SURS role in the provision of the Retirement Savings Plan's retirement, death, and survivor benefits; the Deferred Compensation Plan's retirement benefit; and the administration of both plans. SURS maintains separate custodial funds for the RSP and the DCP.

SURS utilizes a third-party administrator for certain aspects of the RSP and DCP, including custody of member assets, contributions and gain/loss recordkeeping, and member distributions. Fiduciary activities assigned to and assets held by the third-party administrator are not included in SURS financial reporting entity.

2. Membership Contributions

a. Retirement Savings Plan

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, members contribute 8% of their gross earnings. These statutes assign the Illinois General Assembly the authority to establish and amend the contribution provisions of the plan.

The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

Service credit purchase payments are considered as previously taxed, unless qualifying funds are rolled over to SURS to make these purchases. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or refunds, or to his or her beneficiary as a death and/or survivor benefit.

Member contributions to the RSP totaled \$126,905,386 for the year ending June 30, 2025.

b. Deferred Compensation Plan

Member contributions to the plan are allowed up to IRS limits. Members can designate contributions as Traditional (pretax) or Roth (post-tax). Contributions to the DCP are for supplemental retirement savings and do not provide service credit to members. Contributions are received and verified by SURS and then remitted to the third-party administrator for members' investment.

For the year ending June 30, 2025, members contributed \$53,408,966 to the plan.

3. Employer Contributions

a. Retirement Savings Plan

In accordance with Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes, employers must contribute to the RSP at a rate of 7.6% of the member's gross earnings. Contributions are received and verified by SURS, and then, remitted to the third-party administrator for members' investment. The amount of employer contributions available for member investment is net of the amount retained by SURS to provide disability benefits (0% since July 1, 2021).

Employers are responsible for making contributions on earnings paid from the employer's federal, grant, and trust funds only. Employer contributions on other earnings are made by the State of Illinois (a non-employer contributing entity) in accordance with the applicable provisions of the Illinois Pension Code.

For fiscal year 2025, the State of Illinois contributed \$95,404,445 toward RSP member accounts, while employers contributed \$14,809,582. The State of Illinois also contributed \$1,311,942 to the RSP for administrative expenses.

b. Deferred Compensation Plan

Employers are allowed to make matching and/or discretionary contributions to member accounts up to IRS limits. These contributions totaled \$76,791 in fiscal year 2025. The State of Illinois contributed \$536,708 to the DCP for administrative expenses during the year.

Notes to the Financial Statements

4. Fiduciary Net Position Accounts

a. Retirement Savings Plan

The RSP's custodial fund maintains one designated fiduciary net position account, which relates to employer forfeitures. This account reflects employer contributions that were forfeited from member accounts due to termination prior to reaching five years of service. Future State of Illinois contributions are reduced by the assets held in this custodial fund. The balance in this account was \$15,786,692 as of June 30, 2025.

Assets related to employer forfeitures are commingled with the investment assets of the defined benefit pension plan. Investment gain or loss is credited to these balances based upon the annual investment return of the commingled assets. For fiscal year 2025, the investment income credited to these balances was \$1,972,038.

b. Deferred Compensation Plan

The DCP's custodial fund does not maintain any fiduciary net position accounts. Member and employer contributions are immediately due to the third-party administrator. Administrative expenses incurred are funded by State of Illinois contributions.

5. Ownership of Greater than 5 Percent of Fiduciary Net Position Available for Benefits

There are no significant investments in any one organization that represent 5% or more of fiduciary net position available for benefits.

IV. Deposits and Investments

Fair Value Measurement

The System categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table on page 34 shows the fair value leveling of the investments for the System.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest, which approximates fair value.

Fixed income securities and fixed income derivative instruments classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index-linked fixed income securities are valued by multiplying the external market price feed by the applicable day's Index Ratio. Level 2 fixed income securities have non-proprietary information that was readily available to market participants from multiple independent sources which are known to be actively involved in the market. Level 3 fixed income securities use proprietary information or single source pricing. Equity and equity derivative instruments classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

The valuation method for certain equity, real asset, and marketable alternatives investments is based on the investments' NAV per share (or its equivalent) provided by the investee. The table on page 35 shows the investments of the System measured at the NAV per share.

Notes to the Financial Statements

Commingled Equity Funds

This type of investment consists of equities diversified across all sectors. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Real Asset Funds

This type includes investments in open-end funds and real asset limited partnerships. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Limited partnerships do not offer redemptions. The nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. The System has no plans to liquidate the total portfolio. As of June 30, 2025, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Private Equity Partnerships

This type of investment generally consists of limited partnerships. The types of strategies included in this portfolio are venture capital, buyouts, special situations, mezzanine, and distressed debt. Private equity partnerships have an approximate life of 10–12 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2025, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Private Credit Partnerships

This type of investment consists of limited partnerships. The types of funds include both open-end and closed-end funds. Investments in open-end funds have limited redemption availability, typically semi-annually, and are typically distributed on a pro-rata share. Closed-end funds do not offer redemptions. Strategies included in this portfolio are currently special situations, multi-strategy, specialty lending, and direct lending. The closed-end private credit partnerships have an approximate life of 5–10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The System has no plans to liquidate the total portfolio. As of June 30, 2025, it is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partner's capital.

Diversifying Strategy Funds

This type of investment provides diversification benefits to the total portfolio and includes investments that show little to no correlation to traditional economic growth assets. The investments include allocations to both systematic trend following and alternative risk premia. The fair value of these investments has been determined using the NAV per share of the investments.

Notes to the Financial Statements

Investments and Short-Term Holdings Measured at Fair Value (\$ in thousands)

		Fair Value Measurements Using			
	As of June 30, 2025	Level 1	Level 2	Level 3	
Investments by Fair Value Level					
Fixed income securities					
U.S. government	\$ 2,417,027	\$ 2,417,027	\$ -	\$ -	
U.S. agency obligations	1,140,340	-	1,133,744	6,596	
U.S. municipal obligations	87,895	-	87,895	-	
U.S. corporate obligations	681,592	-	677,132	4,460	
U.S. asset backed	292,563	-	224,053	68,510	
Fixed income funds	10,636	10,636	-	-	
Foreign obligations	753,276	-	743,045	10,231	
Total fixed income securities	\$ 5,383,329	\$ 2,427,663	\$ 2,865,869	\$ 89,797	
Equity securities					
U.S. equity securities	\$ 4,000,406	\$ 3,999,658	\$ -	\$ 748	
Foreign equity securities	1,976,592	1,975,741	-	851	
Total equity securities	\$ 5,976,998	\$ 5,975,399	\$ -	\$ 1,599	
Investment Derivative Instruments					
U.S. fixed income derivatives	\$ 2,113	\$ -	\$ 2,113	\$ -	
Foreign fixed income derivatives	128	(51,304)	51,432	-	
U.S. equity derivatives	455	226	-	229	
Total investment derivative instruments	\$ 2,696	\$ (51,078)	\$ 53,545	\$ 229	
Investments Measured at the Net Asset Value (NAV)					
Commingled equity funds	\$ 1,003,643				
Commingled foreign equity funds	1,444,142				
Private real asset funds	2,851,191				
Private equity funds	3,660,533				
Private credit funds	1,177,960				
Diversifying strategy funds	2,798,533				
Total investments measured at the NAV	\$ 12,936,002				
Short-term securities and cash adjustments	\$ 711,229				
Total investments by fair value level and measured at the NAV	\$ 25,010,254				
Invested Securities Lending Collateral	\$ 2,328,170	\$ -	\$ 2,328,170	\$ -	

Notes to the Financial Statements

Investments Measured at the Net Asset Value (\$ in thousands)

	As of June 30, 2025	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International equity and global equity funds ⁽¹⁾	\$ 2,447,785	\$ -	Daily, Monthly	2–5 Days
Private real asset funds ⁽²⁾	2,851,191	793,481	Quarterly, if Eligible	45–90 Days, if Eligible
Private equity funds ⁽³⁾	3,660,533	1,421,703	Not Eligible	N/A
Private credit funds ⁽⁴⁾	1,177,960	966,936	Annually, if Eligible	90 Days, if Eligible
Diversifying strategy funds ⁽⁵⁾	2,798,533	-	Daily, Monthly, Quarterly, Semi-Annually, Annually	3–90 Days
	\$ 12,936,002	\$ 3,182,120		

⁽¹⁾ **Commingled funds.** Five international equity funds and two global equity funds are considered to be commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

⁽²⁾ **Private real asset funds.** The real assets investments are 51 core, value-add, and opportunistic funds which includes exposure to real estate, infrastructure, and farmland. Core open-end real assets funds generally provide liquidity possibilities through redemption opportunities. Real assets closed-end funds are not eligible for redemption.

⁽³⁾ **Private equity funds.** The private equity funds are 108 limited partnership interests in equity or debt securities of privately held companies. Private equity funds are not eligible for redemption.

⁽⁴⁾ **Private credit funds.** The private credit portfolio currently consists of 18 funds invested in a mix of strategies, both yield-oriented and opportunistic, with an emphasis on yield-oriented. Sub-categories currently include multi-strategy, special situations, speciality lending, and direct lending funds. Funds are a mix of open-end and closed-end funds. Open-end funds generally provide liquidity possibilities through redemption opportunities. Closed-end funds are not eligible for redemption.

⁽⁵⁾ **Diversifying strategy funds.** Nine funds invest in a select group of underlying managers that implement a number of different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies, and other investment entities.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, SURS deposits may not be returned. Cash held in the investment-related bank account in excess of \$250,000 is uninsured. SURS has a formal policy to address custodial credit risk. Deposits are under the custody of The Northern Trust Company, which has an Aa2 Long Term Bank Deposit rating by Moody's and an AA rating by Fitch. At June 30, 2025, the carrying amount of cash was \$153,845,082. The bank balance was \$151,249,739, of which \$10,002,623 was foreign currency deposits and was exposed to custodial credit risk. The carrying amount of cash includes \$7,295,798 of short-term bills and notes, which are considered to be investments for the purpose of assessing custodial credit risk.

Overlay Program

SURS employs a manager to provide an overlay program to ensure the System's major asset classes remain within a certain percentage of their targeted weights. Market movements can lead to significant implicit tilts within the portfolio. For example, a sharp decline in equities could be accompanied by stability within fixed income. Consequently, the equity position will decrease as a percentage of assets while fixed income will increase. This causes an "implicit" tilt towards fixed income. Similar asset value fluctuations occur in other asset classes, particularly during times of market volatility. The overlay program brings these implicit tilts back within an acceptable band and is a cost-effective way to rebalance assets

Investment Policies

Investments are governed by Chapter 40, Act 5, Articles 1 and 15 of the Illinois Compiled Statutes. The most important aspect of the statutes is the prudent expert rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent expert rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. The SURS Board of Trustees has adopted an Investment Policy that contains general policies for investments. Furthermore, the SURS Board of Trustees establishes specific investment guidelines in the investment management agreement of each investment mandate and monitors each mandate's investment manager accordingly. The Board has also adopted an Investment

Notes to the Financial Statements

Procurement Policy which addresses the bid solicitation process for investment advisers, investment consultants, and providers of other investment services. The Investment Policy and the Investment Procurement Policy can be found at <https://surs.org/procurement-practices>.

Investments

The carrying values of investments by type at June 30, 2025, are summarized below:

PUBLIC EQUITY INVESTMENTS

U.S. equities	\$ 5,004,048,826
Non-U.S. equities	3,420,733,739
U.S. equity derivatives	455,437
Total public equity investments	\$ 8,425,238,002

PUBLIC FIXED INCOME INVESTMENTS

U.S. government obligations	2,416,030,438
U.S. agency obligations	1,134,040,857
U.S. corporate fixed income	1,072,686,781
Non-U.S. fixed income securities	753,275,874
U.S. short-term investments	888,551,839
Non-U.S. short-term investments	(170,028,565)
U.S. fixed income derivatives	(26,651,817)
Non-U.S. fixed income derivatives	28,893,298
Total public fixed income investments	\$ 6,096,798,705

REAL ASSET INVESTMENTS

U.S. real assets funds	2,415,408,166
Non-U.S. real assets funds	435,782,700
Total real asset investments	\$ 2,851,190,866

ALTERNATIVE INVESTMENTS

U.S. diversifying strategy funds	2,523,657,423
Non-U.S. diversifying strategy funds	274,875,738
U.S. private credit funds	942,436,319
Non-U.S. private credit funds	235,523,649
U.S. private equity	3,032,833,735
Non-U.S. private equity	627,699,003
Total alternative investments	\$ 7,637,025,867

TOTAL INVESTMENTS	\$ 25,010,253,440
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- U.S. short-term investments principally consist of money market funds and options.
- Fixed income investments presented in this table include commingled funds, derivatives, cash, and cash equivalent holdings.
- Fixed income investments presented in this table include \$7,295,798 of short-term investments with maturities of less than 90 days, which are included in the cash and short-term investments total on the financial statements.
- Fixed income investments presented in this table include \$26,936 of short-term investments with maturities greater than 90 days.
- Negative fair values are a result of margin liabilities, gross negative derivative positions, and/or pending purchases.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. SURS has adopted a formal policy specific to custodial credit risk. To minimize custodial credit risk, SURS performs due diligence on service providers, provides investment parameters for investment vehicles, monitors the financial condition of the custodian, endeavors to have all investments held in custodial accounts through specific sources, and requires the custodian to meet certain requirements. At June 30, 2025, no investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

Notes to the Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue. SURS has not adopted a formal policy specific to concentration of credit risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties. The System's investment portfolios are managed by professional investment management firms. These firms must maintain diversified portfolios and must comply with risk management guidelines specific to each of their investment management agreements. Excluding U.S. government and agency issues, the portfolios are limited to a 5% allocation in any single investment grade U.S. issuer. Allocation limits also apply to international issuers. At June 30, 2025, SURS had no investments in any one issuer that represented 5% or more of the System's total investments.

Credit Risk of Fixed Income Securities

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill obligations. SURS has not adopted a formal policy specific to credit risk of fixed income securities. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties. The quality ratings of investments in fixed income securities of the System as described by Standard & Poor's rating agency at June 30, 2025, are as follows:

Quality Rating: Standard & Poor's	Domestic	International	Total
AAA	\$ 131,511,698	\$ 13,058,371	\$ 144,570,069
AA+	1,131,716,061	9,450,070	1,141,166,131
AA	34,443,886	15,121,866	49,565,752
AA-	36,993,585	16,494,693	53,488,278
A+	15,974,759	8,474,406	24,449,165
A	33,327,871	10,910,482	44,238,353
A-	55,192,020	27,000,860	82,192,880
BBB+	66,178,676	46,461,838	112,640,514
BBB	92,073,100	82,561,270	174,634,370
BBB-	95,749,084	98,265,417	194,014,501
BB+	27,840,087	65,491,264	93,331,351
BB	55,378,974	92,513,292	147,892,266
BB-	53,508,377	73,505,389	127,013,766
B+	42,618,884	37,659,181	80,278,065
B	61,765,493	23,571,259	85,336,752
B-	53,021,104	47,469,358	100,490,462
CCC+	12,632,165	25,606,567	38,238,732
CCC	5,310,966	17,644,655	22,955,621
CCC-	783,697	-	783,697
CC	1,675,261	-	1,675,261
D	286,062	3,656,325	3,942,387
Not Rated *	165,703,237	38,359,311	204,062,548
Total credit risk: fixed income securities	\$ 2,173,685,047	\$ 753,275,874	\$ 2,926,960,921
U.S. government & agencies **	2,445,732,460	-	2,445,732,460
TOTAL FIXED INCOME SECURITIES INVESTMENTS	\$ 4,619,417,507	\$ 753,275,874	\$ 5,372,693,381

* The credit risk by quality ratings does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no quality rating.

** Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government agencies Federal Housing Administration (FHA), Government National Mortgage Association (GNMA), and Small Business Administration (SBA) are not considered to have credit risk.

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System manages its exposure to fair value loss arising from increasing interest rates by diversifying the fixed income securities portfolio. The System has not adopted a formal policy specific to interest rate risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties.

At June 30, 2025, the segmented time distribution of the various types of fixed income securities of the System are as follows:

Investment	2025 Fair Value	Maturities in Years				
		Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	More than 20 years
U.S. government & agency fixed income	\$ 3,557,367,093	\$ 23,234,721	\$ 1,191,914,200	\$ 696,784,089	\$ 429,698,154	\$ 1,215,735,929
U.S. corporate fixed income	1,062,050,415	6,111,698	539,033,304	209,912,834	192,381,700	114,610,879
Non-U.S. fixed income	753,275,873	18,028,902	309,462,984	201,312,431	102,428,595	122,042,961
TOTAL *	\$ 5,372,693,381	\$ 47,375,321	\$ 2,040,410,488	\$ 1,108,009,354	\$ 724,508,449	\$ 1,452,389,769

* The segmented time distribution of fixed income securities does not include commingled funds, derivatives, cash, and cash equivalent holdings for which there is no maturity date.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SURS has not adopted a formal policy specific to foreign currency risk. However, this area is addressed with each of the relevant investment managers in the investment management agreement between the parties. International investment management firms maintain portfolios with diversified foreign currency risk for SURS. The System's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity and fixed income investments.

Notes to the Financial Statements

At June 30, 2025, the System's exposure to foreign currency risk is as follows:

Currency	Alternative	Equity	Fixed Income *	Total
Argentine peso	\$ -	\$ -	\$ 11	\$ 11
Australian dollar	-	39,963,291	11,267,694	51,230,985
Brazilian real	-	27,043,577	4,825,169	31,868,746
British pound	17,175,449	287,007,503	(13,105,241)	291,077,711
Canadian dollar	-	56,671,257	(8,576,712)	48,094,545
Chilean peso	-	631,385	18,657	650,042
Chinese yuan renminbi	-	-	(1,142,815)	(1,142,815)
Chinese yuan renminbi offshore	-	-	(537,709)	(537,709)
Colombian peso	-	-	(3,791,369)	(3,791,369)
Czech koruna	-	-	644,091	644,091
Danish krone	-	17,311,787	3	17,311,790
Egyptian pound	-	-	267,249	267,249
Euro	193,924,781	618,355,952	(14,506,445)	797,774,288
Hong Kong dollar	-	117,928,256	2,139,667	120,067,923
Hungarian forint	-	365,234	(334)	364,900
Indian rupee	-	-	(27,573)	(27,573)
Indonesian rupiah	-	9,589,092	155,069	9,744,161
Japanese yen	-	299,638,912	(430,676)	299,208,236
Kazakhstani tenge	-	-	145,756	145,756
Kuwaiti dinar	-	-	(539,513)	(539,513)
Mexican peso	-	7,704,668	4,678,970	12,383,638
New Israeli shekel	-	11,006,691	2,814	11,009,505
New Taiwan dollar	-	71,727,968	239,807	71,967,775
New Zealand dollar	-	-	3,661,135	3,661,135
Nigerian naira	-	-	26,936	26,936
Norwegian krone	-	11,225,740	13,345,760	24,571,500
Peruvian sol	-	-	(29,462)	(29,462)
Philippine peso	-	1,502,950	-	1,502,950
Polish zloty	-	3,228,236	122,658	3,350,894
Singapore dollar	-	29,394,143	237,637	29,631,780
South African rand	-	4,075,586	392,443	4,468,029
South Korean won	-	58,534,383	591,788	59,126,171
Swedish krona	-	10,600,235	(1,781,947)	8,818,288
Swiss franc	-	96,365,560	(10,209,163)	86,156,397
Thai baht	-	702,380	484	702,864
Turkish lira	-	-	835,525	835,525
United Arab Emirates dirham	-	7,866,668	-	7,866,668
Total securities subject to foreign currency risk	\$ 211,100,230	\$ 1,788,441,454	\$ (11,079,636)	\$ 1,988,462,048
Foreign investments denominated in U.S. dollars	1,362,780,861	1,632,292,285	623,220,243	3,618,293,389
TOTAL FOREIGN INVESTMENT SECURITIES	\$ 1,573,881,091	\$ 3,420,733,739	\$ 612,140,607	\$ 5,606,755,437

* Includes swaps, options, and short-term investments. These derivatives and pending transactions have resulted in negative totals for certain currencies.

≡ Notes to the Financial Statements

Derivative Instruments

The System invests in derivative instruments through its investment managers. A derivative instrument is an investment whose value is derived from other financial instruments such as commodity prices, bond and stock prices, or a market index. The System's derivative instruments are considered investments. The fair value of all derivative instruments is reported in the Statement of Fiduciary Net Position, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Position as net appreciation (depreciation) in fair value of investments.

In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest rate risk or foreign currency risk will cause the value of a financial instrument to decrease or become more costly to settle.

The market risk associated with derivative instruments, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. The System has not adopted a formal policy specific to master netting arrangements.

As of June 30, 2025, SURS derivative instruments included foreign currency forward contracts, rights and warrants, futures, options, and swaps. At June 30, 2025, SURS investments in derivative instruments had the following balances:

	Notional Value 2025	Fair Value 2025	Fair Value 2024	Change in Fair Value
Forwards	\$ -	\$ (9,795,269)	\$ 3,307,119	\$ (13,102,388)
Rights and warrants	\$ 137,382	\$ 231,421	\$ 98,357	\$ 133,064
Futures				
Equity				
Long	\$ 457,183,290	\$ 650,136	\$ (596,895)	\$ 1,247,031
Short	(779,962,189)	(2,412,065)	302,979	(2,715,044)
Fixed income				
Long	598,268,997	1,954,152	(2,013,665)	3,967,817
Short	(351,572,679)	(294,543)	26,106	(320,649)
Commodity				
Long	350,612,086	(1,179,307)	1,505,053	(2,684,360)
Short	(213,010,895)	1,785,528	1,066,611	718,917
Foreign exchange				
Long	268,682,614	1,341,136	393,248	947,888
Short	(23,356,560)	(143,225)	(240,024)	96,799
Total futures	\$ 306,844,664	\$ 1,701,812	\$ 443,413	\$ 1,258,399
Options				
Equity				
Call	\$ 561,600	\$ 224,016	\$ 61,618	\$ 162,398
Fixed Income				
Call	-	-	(156)	156
Put	-	-	(344)	344
Cash and Cash Equivalent				
Call	(20,000,000)	(325)	-	(325)
Put	3,760,000	(38)	-	(38)
Swaptions				
Call	(8,000,000)	(33,872)	(4,993)	(28,879)
Put	(5,600,000)	(4,842)	(14,529)	9,687
Total options	\$ (29,278,400)	\$ 184,939	\$ 41,596	\$ 143,343
Swaps				
Credit default				
Selling protection	\$ 34,353,150	\$ 1,315,779	\$ 1,252,223	\$ 63,556
Interest rate				
Pay fixed	125,545,071	(1,373,649)	(1,032,725)	(340,924)
Receive fixed	195,113,084	2,338,429	616,284	1,722,145
Total swaps	\$ 355,011,305	\$ 2,280,559	\$ 835,782	\$ 1,444,777

≡ Notes to the Financial Statements

Foreign currency forward contracts are used to protect against the currency risk in SURS foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the fair value of foreign currency forward contracts are marked to market on a daily basis. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the investment income in the Statement of Changes in Fiduciary Net Position. At June 30, 2025, SURS investments in foreign currency forward contracts are as follows:

Currency	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2025	Fair Value 2024	Change in Fair Value
Australian dollar	\$ 3,290,510	\$ (3,401,243)	\$ (110,733)	\$ 598,849	\$ (709,582)
Brazilian real	723,404	(739,006)	(15,602)	-	(15,602)
British pound	1,092,232	(2,658,295)	(1,566,063)	(264,685)	(1,301,378)
Canadian dollar	371,599	(702,145)	(330,546)	(40,764)	(289,782)
Chilean peso	1,326	-	1,326	(71,398)	72,724
Chinese yuan renminbi	-	(3,991)	(3,991)	(23,737)	19,746
Chinese yuan renminbi offshore	9,845	(36,905)	(27,060)	-	(27,060)
Colombian peso	75	(101,533)	(101,458)	-	(101,458)
Czech koruna	47,055	(1,330)	45,725	(121,168)	166,893
Egyptian pound	21,469	-	21,469	-	21,469
Euro	4,135,347	(10,652,928)	(6,517,581)	(106,504)	(6,411,077)
Hungarian forint	-	(28)	(28)	(3)	(25)
Indian rupee	9,978	-	9,978	23,950	(13,972)
Indonesian rupiah	4,135	(5,198)	(1,063)	161	(1,224)
Japanese yen	78,755	(243,111)	(164,356)	(221)	(164,135)
Kazakhstani tenge	139	-	139	-	139
Kuwaiti dinar	10	-	10	-	10
Mexican peso	633,690	(626,499)	7,191	22,728	(15,537)
New Israeli shekel	217,611	(98,183)	119,428	-	119,428
New Taiwan dollar	130,061	(530,139)	(400,078)	(5,877)	(394,201)
New Zealand dollar	1,939,505	(2,230,405)	(290,900)	264,982	(555,882)
Norwegian krone	1,968,002	(1,555,920)	412,082	319,302	92,780
Peruvian sol	-	(55,215)	(55,215)	-	(55,215)
Polish zloty	208,799	(184,656)	24,143	(9,298)	33,441
South Korean won	51,515	(18,942)	32,573	5,072	27,501
Swedish krona	1,109,970	(698,524)	411,446	398,915	12,531
Swiss franc	3,418,251	(3,700,434)	(282,183)	(30,898)	(251,285)
Singapore dollar	12,469	(9,300)	3,169	(48)	3,217
South African rand	-	(79,972)	(79,972)	(72,378)	(7,594)
Thai baht	6,086	(10,824)	(4,738)	-	(4,738)
Turkish lira	14,876	(7,445)	7,431	48,170	(40,739)
Total securities subject to foreign currency risk	\$19,496,714	\$(28,352,171)	\$ (8,855,457)	\$ 935,150	\$ (9,790,607)
Foreign investments denominated in U.S. dollars	1,009,592	(1,949,404)	(939,812)	2,371,969	(3,311,781)
TOTAL FOREIGN INVESTMENT SECURITIES	\$20,506,306	\$(30,301,575)	\$ (9,795,269)	\$ 3,307,119	\$(13,102,388)

Rights and warrants provide SURS investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights normally are issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is included in the investments in the Statement of Fiduciary Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Fiduciary Net Position.

Notes to the Financial Statements

SURS investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, SURS investment managers use futures contracts to improve the yield or adjust the duration of the fixed income portfolio. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing the System's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. The cash or securities to fulfill these obligations are held in the investment portfolio. As the fair value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Fiduciary Net Position.

SURS investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability on the System's financial statements. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

SURS fixed income managers invest in swaps and swaptions to manage exposure to credit, inflation, interest rate, and volatility risks. Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. Swap agreements are privately negotiated agreements with a counterparty to exchange or swap investment cash flows, assets, foreign currencies, or market-linked returns at specified, future intervals. In connection with swap agreements, securities or cash may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default, bankruptcy, or insolvency. Swaps are marked to market daily based upon values from third-party vendors or quotations from market makers to the extent available and any change in value is recorded as an unrealized gain or loss. SURS investment managers have entered into credit default and interest rate swap agreements.

Swaps and Credit Risk

	Counterparty Credit Rating	Notional Value 2025	Fair Value 2025	Fair Value 2024	Change in Fair Value
Swaps					
Credit default	AA	\$ 500,000	\$ 7,726	\$ -	\$ 7,726
	A	9,411,760	(2,416)	24,050	(26,466)
	No Rating	24,441,390	1,310,469	1,228,173	82,296
		34,353,150	1,315,779	1,252,223	63,556
Interest rate	No Rating	320,658,155	964,780	(416,441)	1,381,221
		\$ 355,011,305	\$ 2,280,559	\$ 835,782	\$ 1,444,777
Swaptions					
	A	\$ (12,400,000)	\$ (32,712)	\$ (18,387)	\$ (14,325)
	No Rating	(1,200,000)	(6,002)	(1,135)	(4,867)
		\$ (13,600,000)	\$ (38,714)	\$ (19,522)	\$ (19,192)
Forwards					
	No Rating	\$ -	\$ (9,795,269)	\$ 3,307,119	\$ (13,102,388)

Notes to the Financial Statements

Swaps and Maturities

	Maturities in Years					Fair Value 2025
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 20 years	More than 20 years	
Swaps						
Credit default	\$ (1,898)	\$ 1,217,467	\$ 100,210	\$ -	\$ -	\$ 1,315,779
Interest rate	(107,480)	460,034	297,583	-	314,643	964,780
	\$ (109,378)	\$ 1,677,501	\$ 397,793	\$ -	\$ 314,643	\$ 2,280,559
Swaptions	\$ (38,714)	\$ -	\$ -	\$ -	\$ -	\$ (38,714)
Forwards	\$ (9,818,636)	\$ 23,367	\$ -	\$ -	\$ -	\$ (9,795,269)

Credit default swap agreements involve one party making a stream of payments (the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation, or index. The seller of protection generally receives from the buyer of protection a fixed rate of income throughout the term of the swap, provided there is no credit event. The seller effectively adds leverage to its portfolio as it is subject to investment exposure on the notional amount of the swap.

Interest rate swap agreements involve the exchange of a set of variable and fixed-rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. These agreements are used to limit or manage exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would be available without the swap. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position.

SURS Rate	Counterparty Rate	Gross Notional Value 2025	Fair Value 2025	Pay Fixed / Receive Fixed
13.93%	1 day Brazilian real DIO ³	\$ 2,142,239	\$ (6,831)	Pay Fixed
2.35% to 2.40%	6 month Euro EURIBOR ⁴	469,540	(2,550)	Pay Fixed
3.00% to 4.50%	1 day U.S. dollar SOFR ⁶	110,052,001	(1,252,080)	Pay Fixed
3.50%	1 day British pound SONIA ⁷	12,881,291	(112,188)	Pay Fixed
		\$ 125,545,071	\$ (1,373,649)	
6 month Australian dollar BBSW ¹	4.75%	\$ 6,815,640	\$ 107,444	Receive Fixed
1 day Canadian dollar CORRA ²	3.75%	1,099,304	6,246	Receive Fixed
1 day Brazilian real DIO ³	13.29% to 13.32%	1,094,666	8,544	Receive Fixed
6 month Euro EURIBOR ⁴	2.45% to 2.55%	586,925	4,334	Receive Fixed
6 month Czech koruna PRIBOR ⁵	3.37%	916,549	6,320	Receive Fixed
1 day U.S. dollar SOFR ⁶	3.00% to 4.50%	184,600,000	2,205,541	Receive Fixed
		\$ 195,113,084	\$ 2,338,429	

¹ Bank Bill Swap Rate (BBSW)

² Canadian Overnight Repo Rate Average (CORRA)

³ DI-OVER-EXTRA Grupo (DIO)

⁴ Euro Interbank Offered Rate (EURIBOR)

⁵ Prague Interbank Offered Rate (PRIBOR)

⁶ Secured Overnight Financing Rate (SOFR)

⁷ Sterling Overnight Interbank Average Rate (SONIA)

Derivative instruments which are exchange-traded are not subject to credit risk. No derivative instruments held are subject to custodial credit risk. SURS maximum loss that would be recognized at June 30, 2025, if all of its derivative instruments counterparties failed to perform as contracted, is \$24.7 million. This maximum exposure is reduced by approximately \$31.8 million in liabilities and approximately \$3.4 million in collateral held, resulting in \$(10.5) million net exposure to credit risk.

Notes to the Financial Statements

Securities Lending

SURS Board of Trustees policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Mitsubishi UFJ Trust and Banking Corporation, the System's third-party agent lender in fiscal year 2025, lent securities in exchange for cash collateral at 100% for U.S. securities and 101% for international securities. Cash collateral received for lent securities is shown on the Statement of Fiduciary Net Position as both an asset (fair value of collateral) and liability (collateral owed to borrower after lent securities are returned). SURS does not have the authority to pledge or sell collateral securities without default, therefore non-cash collateral is not reported in SURS financial statements in accordance with the GASB Statement No. 28. Types of securities on loan include corporate bonds, government and agency bonds, domestic equities, and international equities. At year end, the System had no credit risk as a result of its securities lending program as the collateral received exceeded the fair value of the securities loaned. The contract with the System's third-party agent lender requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are out on loan. All securities loans can be terminated on demand by either the System or the borrower. The average loan term was 1.0 day. Cash collateral is invested in money market funds and repurchase agreements at par value, which at year end had a weighted average reset of 1.0 day, and a fair value of \$2,328.2 million.

Collateral as of June 30, 2025 (\$ in millions)

	Collateral Received	Securities on Loan	Collateral %
Cash Collateral	\$ 2,328.2	\$ 2,308.3	100.9%
Non-cash Collateral	607.2	610.9	99.4%
Total	\$ 2,935.4	\$ 2,919.2	100.6%
Reinvested cash collateral	\$ 2,328.2		

Reverse Repurchase Agreements

SURS held \$5.0 million in reverse repurchase agreements on June 30, 2025. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The fair value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in fair value of the securities. If the counterparty defaults on their obligations to sell these securities back to SURS or provide cash of equal value, SURS could suffer an economic loss equal to the difference between the fair value of the underlying securities plus accrued interest and the agreement obligation including accrued interest. At June 30, 2025, the System's credit exposure was \$1.5 million.

SURS may enter into reverse repurchase agreements with various counterparties and such transactions are governed by a Master Repurchase Agreement (MRA). MRAs are negotiated contracts and contain terms in which SURS seeks to minimize counterparty credit risk. SURS also controls credit exposures by limiting trades with any one counterparty to stipulated amounts. The counterparty credit exposure is monitored daily and managed through the transfer of margin, in the form of cash or securities, between SURS and the counterparty.

The cash proceeds from reverse repurchase agreements are reinvested. The maturities of the purchases made with the proceeds of reverse repurchase agreements are not necessarily matched to the maturities of the agreements. At June 30, 2025, the agreed-upon yields earned by the counterparty were between 3.75% and 4.30%. The reverse repurchase agreements had open maturities, whereby a maturity date is not established upon entering into the agreement; however, interest rates on the agreements are negotiated daily. The agreements can be terminated at the will of either SURS or the counterparty.

Notes to the Financial Statements

V. Net Pension Liability

The net pension liability for the defined benefit plan as of June 30, 2025 is as follows:

Employer Net Pension Liability (\$ in millions)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability
2025	\$ 55,372.1	\$ 25,182.6	\$ 30,189.5	45.48%

The net pension liability represents the defined benefit pension plan's total pension liability determined in accordance with GASB Statement No. 67, less the plan's fiduciary net position. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was completed in June 2024. The total pension liability as of June 30, 2025, is based on the results of an actuarial valuation date of June 30, 2024, and rolled forward using generally accepted actuarial procedures.

A summary of the actuarial methods and assumptions used to determine the net pension liability are presented below:

Summary of Actuarial Assumptions

Financial reporting date	June 30, 2025
Actuarial valuation date	June 30, 2024
Actuarial cost method	Individual entry age
Actuarial assumptions	
Single discount rate	6.44%
Expected rate of return	6.50%
Municipal bond rate	5.20% (based on 20 general obligation municipal bonds maturing in 20 years with mixed quality as reported in The Bond Buyer's "20-Bond GO Index" as of June 26, 2025.)
Inflation	2.40%
Projected salary increases	3.15% to 15.00% including inflation
Post-retirement cost of living adjustments	3.00%
Mortality table	Rates are based on generational mortality using the following tables: Academic: Pub-2010 Healthy Retiree Mortality Table (for Teachers), sex distinct, projected from 2010 using MP-2021 mortality improvement scale.
Employees),	Non-Academic: Pub-2010 Healthy Retiree Mortality Table (for General sex distinct, projected from 2010 using MP-2021 mortality improvement scale.
	Police: Pub-2010 Healthy Retiree Mortality Table (for Safety Employees), sex distinct, projected from 2010 using MP-2021 mortality improvement scale.

Single Discount Rate

A single discount rate of 6.44% was used to measure the total pension liability as of June 30, 2025. This single discount rate was based on an expected return on pension plan investments of 6.5% and a municipal bond rate of 5.20%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Estimated contributions, of which the majority (approximately 97% in 2026) are provided by the State of Illinois, are projected to be \$2.4 billion in 2026 and growing to \$4.1 billion in 2045 based on current statutory requirements for current members. Based on these assumptions, the defined benefit pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

Notes to the Financial Statements

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the net pension liability calculated using a single discount rate of 6.44%, as well as impact on the net pension liability of increasing the single discount rate by 1% and decreasing the single discount rate by 1%.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption as of June 30, 2025 (\$ in millions)

	1% Decrease 5.44%	Current Discount Rate 6.44%	1% Increase 7.44%
Net Pension Liability	\$ 36,671.1	\$ 30,189.5	\$ 24,780.9

Long-Term Expected Rate of Return

The asset allocation of SURS Defined Benefit investment portfolio is approved by the Board of Trustees in accordance with SURS Investment Policy. Investment assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the defined benefit pension plan. The table displayed below is the Board-approved asset allocation policy for fiscal year 2025 and the long-term expected real rates of return. The long-term expected rate of return on investment assets was determined using a building-block method in accordance with the Actuarial Standards of Practices (ASOP) 27 Section 3.6.2(a) in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	35.0%	7.03%
Stabilized Growth		
Core Real Assets	8.0	5.74
Public Credit Fixed Income	4.0	4.46
Private Credit	5.0	7.36
Non-Traditional Growth		
Private Equity	11.0	11.02
Non-Core Real Assets	5.0	9.69
Inflation Sensitive		
U.S. TIPS	5.0	2.52
Principal Protection		
Core Fixed Income	10.0	1.94
Crisis Risk Offset		
Systematic Trend Following	10.0	3.19
Alternative Risk Premia	3.0	3.32
Long Duration	2.0	3.64
Long Volatility/Tail Risk	2.0	(0.83)
Total	100.0%	5.96%
Inflation		2.70
Expected arithmetic return*		8.66%

*The geometric expected rate of return includes volatility and correlation estimates, while the expected arithmetic return does not.

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of fees, was 6.42%. The money weighted rate of return expresses investment performance, net of fees, adjusted for the changing amounts actually invested.

Notes to the Financial Statements

VI. Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions/ Transfers in	Disposals/ Transfers out	Ending Balance
Land and improvements	\$ 719,041	\$ 395,214	\$ 3,625	\$ 1,110,630
Office building	15,911,176	1,189,922	134,937	16,966,161
Information system equipment and software	17,470,730	600,572	1,432,301	16,639,001
Furniture and fixtures	1,422,596	192,047	175,551	1,439,092
Intangible right-to-use assets	819,265	465,310	547,246	737,329
Construction in progress	19,246,195	7,194,186	-	26,440,381
Total capital assets	55,589,003	10,037,251	2,293,660	63,332,594
Less accumulated depreciation and amortization:				
Land and improvements	43,401	32,161	1,596	73,966
Office building	6,732,151	788,018	123,541	7,396,628
Information system equipment and software	16,104,324	456,030	1,278,168	15,282,186
Furniture and fixtures	862,770	141,414	145,003	859,181
Intangible right-to-use assets	332,829	222,643	374,321	181,151
Total accumulated depreciation	24,075,475	1,640,266	1,922,629	23,793,112
CAPITAL ASSETS, NET	\$ 31,513,528	\$ 8,396,985	\$ 371,031	\$ 39,539,482

The average estimated useful lives for tangible capital assets are as follows:

Information and communications equipment	3–5 years
Furniture and fixtures	7 years
Information systems software	10 years
Land and building improvements	15 years
Office buildings	40 years

Intangible right-to-use assets are amortized over the contract term. The contract term includes extension periods which are exercisable by only one party and are likely to be exercised. The contract term excludes any periods during which a termination option is exercisable by only one party and is likely to be exercised. The contract term excludes periods during which either party can terminate the contract without the other party's consent, regardless of likelihood. The contract term excludes extension periods that require both parties to exercise, regardless of likelihood.

As of June 30, 2025, remaining amortization periods for in-service right-to-use assets ranged from 2 years to 4 years, with a weighted average period of 2.8 years.

Approximately \$26 million of construction in progress reflects cost associated with the pension administration system project, Project Velocity, which began in July 2021. The remaining portion not associated with the project is comprised of various capital assets that were not yet put in service as of June 30, 2025.

Notes to the Financial Statements

VII. Compensated Absences

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is two times the annual earnable hours of vacation, and one-half of unused sick time earned between January 1, 1984, and December 31, 1997. No sick time earned after December 31, 1997, will be compensable at termination.

At June 30, 2025, the System had a liability of \$1,635,329 for compensated absences, based upon the vesting method used for calculation of sick leave payable. The liability is included in the administrative expenses payable on the Statement of Fiduciary Net Position. The annual increase or decrease in liability is reflected in the administrative expenses on the Statement of Changes in Fiduciary Net Position.

Compensated absences payable for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimate Amount Due Within One Year
Compensated absences payable	\$ 1,549,285	\$ 1,481,870	\$ 1,395,826	\$ 1,635,329	\$ 22,089

VIII. Insurance Coverage

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The employee health claims are administered through the State of Illinois. The System has minimized the risk of loss through private insurance carriers for commercial, business owners, and automobile policies. The deductible for this insurance coverage ranges from \$100 to \$50,000 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The System has not had any insurance claims filed or paid in the past five fiscal years.

IX. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services (CMS). Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State-sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute toward health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the System do not contribute toward health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State; therefore, those annuitants with 20 or more years of credited service do not have to contribute toward health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the System's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Annual Comprehensive Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing CMS, 715 Stratton Office Building Illinois Department of Central Management Services 401 South Spring Street Springfield, IL 62706

Notes to the Financial Statements

X. Right-to-use Agreements

Amortization expense and interest expense related to right-to-use assets are classified as either asset management expense or administrative expense on the Statement of Changes in Fiduciary Net Position based on the nature of the assets.

As of June 30, 2025, the System's amortization expense and interest expense related to right-to-use assets were classified as follows:

XI. Risk Financing

	Amortization Expense	Interest Expense
Administrative expense	\$ 222,643	\$ 18,310

As of June 30, 2025, the System had the following future minimum payments due for subscription-based information technology arrangements.

Year ended June 30	Principal	Interest	Total
2026	\$ 198,841	\$ 19,774	\$ 218,615
2027	211,991	11,480	223,471
2028	58,296	2,647	60,943
2029 and later	-	-	-
	\$ 469,128	\$ 33,901	\$ 503,029

The disability benefit provided to participants in the RSP qualifies as a risk financing activity under GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. The System retains the risk of satisfying these disability claims and accounts for this activity in the Other Employee Benefit Plan, a fiduciary fund. Benefit provisions for this activity can be found in Note I, section B, part 2.

The liability for claims that have been reported but not yet paid is valued at the amount that would be payable if the claims were finalized and approved on the financial statement date. Claims unlikely to be approved are valued at zero. The liability for claims that have been incurred but not yet reported has been deemed immaterial, as members only have 12 months from the incidence of disability to file a claim.

For information on plan funding and contributions, see Note III, section B.

Changes in the System's claims liability for the last two fiscal years were as follows:

Fiscal Year	Beginning liability	Claims and changes in estimates	Claim payments	Ending Liability
2024	\$ 157,072	\$ 2,638,647	\$ (2,686,415)	\$ 109,304
2025	109,304	2,441,040	(2,540,676)	9,668

Required Supplementary Information

Schedule of Changes in Employer Net Pension Liability and Related Ratios Defined Benefit Pension Plan (\$ in millions)

	2025	2024	2023	2022	2021
TOTAL PENSION LIABILITY					
Service cost	\$ 785.63	\$ 708.27	\$ 677.57	\$ 723.51	\$ 657.10
Interest on net pension liability	3,387.58	3,276.14	3,221.92	3,133.08	3,190.01
Changes in benefit terms	-	5.71	0.12	-	2.34
Differences between expected and actual experience	427.77	419.87	99.18	(45.07)	109.92
Changes in assumptions	(529.38)	683.45	112.43	(1,545.03)	960.40
Benefit payments	(3,185.26)	(3,081.32)	(2,995.37)	(2,879.64)	(2,780.37)
Refunds of member accounts	(85.37)	(78.82)	(79.24)	(82.46)	(79.13)
Net change in pension liability	800.97	1,933.30	1,036.61	(695.61)	2,060.27
Total pension liability — beginning	54,571.09	52,637.79	51,601.18	52,296.79	50,236.52
Total pension liability — ending	\$ 55,372.06	\$ 54,571.09	\$ 52,637.79	\$ 51,601.18	\$ 52,296.79
PLAN FIDUCIARY NET POSITION					
Member contributions	\$ 348.52	\$ 335.41	\$ 299.59	\$ 289.07	\$ 288.48
Employer contributions	66.46	66.62	63.76	57.91	57.00
Non-employer contributing entity contributions	2,116.87	2,082.87	2,074.95	2,078.15	1,921.74
Net investment income	1,607.90	1,846.12	1,329.72	(685.63)	4,762.97
Benefit payments	(3,185.26)	(3,081.32)	(2,995.37)	(2,879.64)	(2,780.38)
Refunds of member accounts	(85.37)	(78.82)	(79.24)	(82.46)	(79.13)
Non-investment administrative expenses	(26.70)	(23.96)	(23.71)	(22.59)	(19.39)
Net change in fiduciary net position	842.42	1,146.92	669.70	(1,245.19)	4,151.29
Fiduciary net position — beginning	24,340.17	23,193.25	22,523.55 (A)	23,768.31	19,617.02
Fiduciary net position — ending	\$ 25,182.59	\$ 24,340.17	\$ 23,193.25	\$ 22,523.12	\$ 23,768.31
NET PENSION LIABILITY — ENDING					
Fiduciary net position as a percentage of total pension liability	45.48%	44.60%	44.06%	43.65%	45.45%
Covered payroll	\$ 4,356.54	\$ 4,192.73	\$ 3,744.81	\$ 3,613.40	\$ 3,638.20
Net pension liability as a percentage of covered payroll	692.97%	721.03%	786.28%	804.73%	784.13%

(A) Fiduciary net position—beginning has been increased by \$0.43 million due to change in accounting principle.

Required Supplementary Information

Schedule of Changes in Employer Net Pension Liability and Related Ratios Defined Benefit Pension Plan (\$ in millions)

	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY					
Service cost	\$ 634.45	\$ 631.54	\$ 628.35	\$ 658.72	\$ 666.38
Interest on net pension liability	3,123.59	3,047.55	3,050.58	2,951.25	2,876.93
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	167.49	254.28	(281.81)	210.63	(3.43)
Changes in assumptions	618.76	327.95	1,992.36	(396.10)	532.52
Benefit payments	(2,676.19)	(2,558.99)	(2,446.29)	(2,339.90)	(2,235.81)
Refunds of member accounts	(69.00)	(80.54)	(93.49)	(89.57)	(85.02)
Net change in pension liability	1,799.10	1,621.79	2,849.70	995.03	1,751.57
Total pension liability — beginning	48,437.42	46,815.63	43,965.93	42,970.90	41,219.33
Total pension liability — ending	\$ 50,236.52	\$ 48,437.42	\$ 46,815.63	\$ 43,965.93	\$ 42,970.90
PLAN FIDUCIARY NET POSITION					
Member contributions	\$ 282.36	\$ 280.02	\$ 282.73	\$ 278.64	\$ 278.88
Employer contributions	52.97	49.41	39.66	38.39	39.35
Non-employer contributing entity contributions	1,785.82	1,592.64	1,568.22	1,612.17	1,542.95
Net investment income	542.18	1,129.81	1,499.83	1,994.31	17.04
Benefit payments	(2,676.19)	(2,558.99)	(2,446.29)	(2,339.90)	(2,235.81)
Refunds of member accounts	(69.00)	(80.54)	(93.49)	(89.57)	(85.02)
Non-investment administrative expenses	(18.47)	(16.08)	(14.40)	(14.85)	(14.73)
Net change in fiduciary net position	(100.33)	396.27	836.26	1,479.19	(457.34)
Fiduciary net position — beginning	19,717.35	19,321.08	18,484.82	17,005.63	17,462.97
Fiduciary net position — ending	\$ 19,617.02	\$ 19,717.35	\$ 19,321.08	\$ 18,484.82	\$ 17,005.63
NET PENSION LIABILITY — ENDING					
Fiduciary net position as a percentage of total pension liability	39.05%	40.71%	41.27%	42.04%	39.57%
Covered payroll	\$ 3,642.60	\$ 3,506.70	\$ 3,470.20	\$ 3,458.30	\$ 3,513.10
Net pension liability as a percentage of covered payroll	840.59%	819.02%	792.30%	736.81%	739.10%

Required Supplementary Information

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment fees

2016	0.12%
2017	12.15
2018	8.29
2019	6.07
2020	2.64
2021	23.83
2022	(1.29)
2023	5.27
2024	8.22
2025	6.42

Schedule of Contributions from Employers and Other Contributing Entities (\$ in thousands) Defined Benefit Pension Plan

Fiscal Year	Actuarially Determined Contribution	Actual Contribution		Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
		Employers	Non-Employer Contributing Entity			
2016	\$ 1,811,060	\$ 39,348	\$ 1,542,946	\$ 228,766	\$ 3,513,108	45.04%
2017	1,864,843	38,386	1,612,165	214,292	3,458,320	47.73
2018	1,862,033	39,659	1,568,221	254,153	3,470,226	46.33
2019	2,239,366	49,415	1,592,639	597,312	3,506,650	46.83
2020	2,299,031	52,968	1,785,818	460,245	3,642,617	50.48
2021	2,303,266	57,001	1,921,742	324,523	3,638,244	54.39
2022	2,377,774	57,906	2,078,153	241,715	3,613,383	59.12
2023	2,373,000	63,760	2,074,952	234,288	3,744,813	57.11
2024	2,446,185	66,620	2,082,878	296,687	4,192,734	51.27
2025	2,567,226	66,462	2,116,869	383,895	4,356,539	50.12

Notes to Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Rates

The covered employee payroll is equal to the defined benefit pension plan payroll from the June 30, 2024 valuation rolled forward with one year of wage inflation at 3.0%. The beginning of the year total pension liability uses a single discount rate of 6.35% and the end of the year total pension liability uses a single discount rate of 6.44%. The difference between the actual and expected experience includes the impact of this change in the single discount rate based on the long-term municipal bond rate of 3.97% as of June 30, 2024, and 5.20% as of June 30, 2025.

The key assumption changes covering the past 10 years presented in the Schedule of Changes in Net Pension Liability and Related Rates are listed below. According to the provisions under Public Act 100-0023, the System is required to phase-in recognition of the financial impact of the actuarial assumption changes. Therefore, years that had no significant assumption changes may still show a balance that is being phased-in from prior years' changes.

2025 Changes in Assumptions:

- There were no significant assumption changes.

2024 Changes in Assumptions:

- The Price Inflation assumption increased from 2.25% to 2.40%.
- The assumed Rate of Investment Return remained the same at 6.50%.
- The assumed future Effective Rate of Interest (for valuation purposes) increased from 6.50% to 7.00%.
- The Base Salary Increase/Payroll Growth Rate assumption increased from 3.00% to 3.15%.
- The assumed COLA for Tier 2 increased from 1.125% to 1.20%.
- The overall assumed salary increase rates were modified to separate Academic and Non-Academic members.
- Mortality Rates
 - The projection scale was updated from MP-2020 to MP-2021 (the most recent projection scale).
 - For Academic members, assumed life expectancies increased for both male and female retirees.
 - For Non-Academic members, assumed life expectancies decreased for male retirees and increased for female retirees.
 - Separate mortality rates were assumed for Police members based on the mortality table for public safety employees.
- Slightly lower turnover rates were assumed.
- The assumed rates of disability for females (Academic and Non-Academic) decreased. There was no change in assumed male disability rates.
- Minor changes were made to assumed retirement rates for Academic and Non-Academic members.

2023 Changes in Assumptions:

- There were no significant assumption changes.

2022 Changes in Assumptions:

- There were no significant assumption changes.

2021 Changes in Assumptions:

- The Price Inflation assumption remained the same at 2.25%.
- The assumed Rate of Investment Return decreased from 6.75% to 6.50%.
- The assumed future Effective Rate of Interest (for valuation purposes) decreased from 6.75% to 6.50%.
- The Base Salary Increase/Payroll Growth Rate assumption decreased from 3.25% to 3.00%.
- The assumed COLA for Tier 2 remained the same at 1.125%.
- Mortality Rates
 - Rates were based on tables developed from public sector pension plan mortality experience (Pub-2010) and the most recent MP-2020 projection scale.
 - The Teachers table was used for the Academic members, and the General Employee table was used for Non-Academic members.

Notes to Required Supplementary Information

- Slightly lower turnover rates were assumed.
- Lower rates of disability were assumed for Academic members, and higher rates were assumed for Non-Academic members.
- Updated plan election assumptions:
 - Academic: 55% Tier 2 , 45% RSP
 - Non-Academic: 75% Tier 2, 25% RSP

2020 Changes in Assumptions:

- There were no significant assumption changes.

2019 Changes in Assumptions:

- There were no significant assumption changes.

2018 Changes in Assumptions:

- The Price Inflation assumption decreased from 2.75% to 2.25%.
- The assumed Rate of Investment Return decreased from 7.25% to 6.75%.
- The assumed future Effective Rate of Interest (for valuation purposes) decreased from 7.25% to 6.75%.
- The Base Salary Increase/Payroll Growth Rate assumption decreased from 3.75% to 3.25%.
- Assumed disability rates decreased.
- Mortality Rates
 - Maintained the RP-2014 mortality table with projected generational mortality improvement.
 - Updated the projection scale from the MP-2014 to the MP-2017 scale.

2017 Changes in Assumptions:

- There were no significant assumption changes.

2016 Changes in Assumptions:

- There were no significant assumption changes.

Schedule of Contributions from Employers and Other Contributing Entities

The actuarial assumptions and methods used to determine contributions for the year ended June 30, 2025 are based on the June 30, 2023 actuarial valuation and are described below:

Valuation Date	June 30, 2023
Valuation Method	Projected unit credit
Amortization Method	The statutory contribution is equal to the level percentage of pay contributions determined so that the Plan attains a 90% funded ratio by the end of 2045.
Remaining Amortization Period	21 years remaining for fiscal year 2025 contributions
Asset Valuation Method	5-year smoothed fair value
Inflation	2.25%
Salary Increases	3.00% to 12.75% including inflation
Investment Rate of Return	6.50% beginning with the actuarial valuation as of June 30, 2021.
Real Rate of Return	4.25%
Retirement Age	Experience-based table of rates. Last updated for the 2021 valuation pursuant to an experience study of the period June 30, 2017 to June 30, 2020.
Mortality	Academic: Pub-2010 Healthy Retiree Mortality Table (for Teachers), sex distinct, projected from 2010 using MR-2020 mortality improvement scale. Non-Academic: Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex distinct, projected from 2010 using MR-2020 mortality improvement scale.

Other Supplementary Information

Summary Schedule of Administrative Expenses **For the Year Ended June 30, 2025**

Schedule of Administrative Expenses	
Personnel services	\$ 19,858,602
Professional services	4,909,794
Communications	463,039
Surety bonds and insurance	539,979
Equipment service and rental	281,368
Building operations, maintenance, office rental	449,713
Miscellaneous	413,850
Depreciation and amortization	1,640,266
TOTAL ADMINISTRATIVE EXPENSES	\$ 28,556,611

Schedule of Payments for Professional Services	
Actuary	227,675
IT consulting and services	2,794,874
Other consulting	507,304
Third-party administrator	397,813
Temporary staffing services	344,358
Death audit services	173,453
Legal services	464,317
TOTAL PROFESSIONAL SERVICES	\$ 4,909,794

Summary Schedule of Investment Expenses **For the Year Ended June 30, 2025**

Schedule of Investment Expenses	
Investment manager fees	\$ 126,842,436
Security lending fees	562,300
Master trustee and custodian	875,000
Investment consultants	952,500
Investment legal fees	371,582
Investment administrative expenses	2,405,355
TOTAL INVESTMENT EXPENSES	\$ 132,009,173

Investment-related fee detail can be found in the Investments section.

Other Supplementary Information

Combining Statement of Fiduciary Net Position as of June 30, 2025 Custodial Funds

	Retirement Savings Plan	Deferred Compensation Plan	Total
ASSETS			
Cash and short-term investments	\$ 7,474,402	\$ 325,706	\$ 7,800,108
Receivables			
Members	3,326,661	1,591,447	4,918,108
Federal, trust funds, and other	30,864	-	30,864
Pending investment sales	197,599	-	197,599
Interest and dividends	46,828	-	46,828
Total receivables	3,601,952	1,591,447	5,193,399
Investments, at fair value			
Equity investments	5,250,308	-	5,250,308
Fixed income investments	3,794,761	-	3,794,761
Real asset investments	1,776,761	-	1,776,761
Alternative investments	4,759,123	-	4,759,123
Total investments	15,580,953	-	15,580,953
Securities lending collateral	1,450,833	-	1,450,833
TOTAL ASSETS	28,108,140	1,917,153	30,025,293
LIABILITIES			
Securities lending collateral	1,450,833	-	1,450,833
Payable to brokers for unsettled trades	119,475	-	119,475
Reverse repurchase agreements	3,147	-	3,147
Investment expenses payable	4,226	-	4,226
Administrative expenses payable	72,969	53,969	126,938
Contributions due to third-party administrator	10,670,798	1,863,184	12,533,982
TOTAL LIABILITIES	12,321,448	1,917,153	14,238,601
FIDUCIARY NET POSITION			
Restricted for other governments	15,786,692	-	15,786,692
TOTAL FIDUCIARY NET POSITION	\$ 15,786,692	\$ -	\$ 15,786,692

Other Supplementary Information

Combining Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2025 Custodial Funds

	Retirement Savings Plan	Deferred Compensation Plan	Total
ADDITIONS			
Contributions			
Employers	\$ 14,809,582	\$ 76,791	\$ 14,886,373
Non-employer contributing entity	95,404,445	536,708	95,941,153
Members	126,905,386	53,408,966	180,314,352
Total contributions	237,119,413	54,022,465	291,141,878
Investment Income			
Net appreciation			
in fair value of investments	1,444,740	-	1,444,740
Interest	278,534	-	278,534
Dividends	400,387	-	400,387
Securities lending	10,282	-	10,282
	2,133,943	-	2,133,943
Less investment expense			
Asset management expense	161,215	-	161,215
Securities lending expense	690	-	690
Net investment income	1,972,038	-	1,972,038
TOTAL ADDITIONS	239,091,451	54,022,465	293,113,916
DEDUCTIONS			
Contributions sent to third-party			
administrator	238,874,300	53,485,757	292,360,057
Administrative expense	1,311,942	536,708	1,848,650
TOTAL DEDUCTIONS	240,186,242	54,022,465	294,208,707
Net decrease	(1,094,791)	-	(1,094,791)
Fiduciary Net Position			
Beginning of year	16,881,483	-	16,881,483
FIDUCIARY NET POSITION			
END OF YEAR	\$ 15,786,692	\$ -	\$ 15,786,692

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditor's Report

Honorable Frank J. Mautino, Auditor General – State of Illinois

Board of Trustees, State Universities Retirement System of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the State Universities Retirement System of Illinois (the System), a fiduciary component unit of the State of Illinois, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated December 16, 2025. Our report also includes an emphasis-of-matter paragraph which states "As discussed in Note V of the financial statements, the actuarially determined net pension liability, calculated as required by GASB Statement No. 67, is dependent on several assumptions including the assumption that future required contributions from State sources are made based on statutory requirements in existence as of the date of this report. Our opinion is not modified with respect to this matter."

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 16, 2025