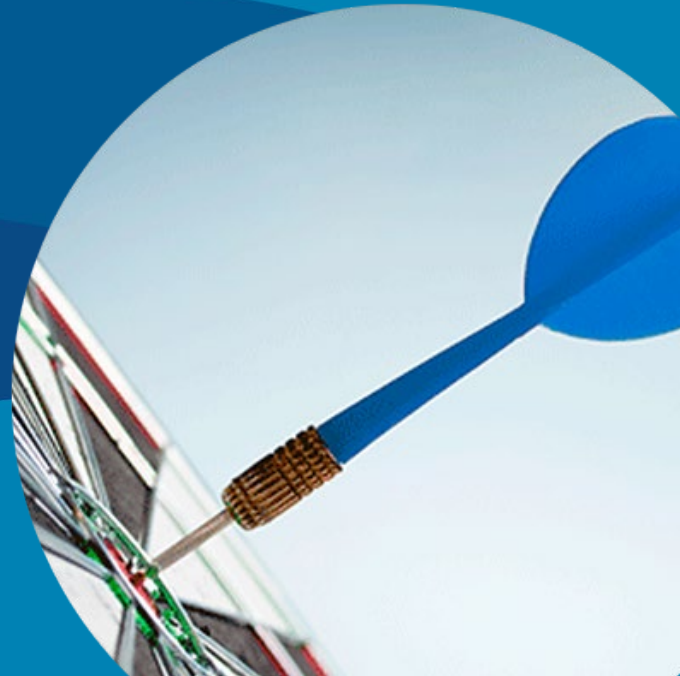




State Employees' Retirement System of Illinois

Valuation Results as of
June 30, 2025

October 28, 2025



Agenda

- Valuation Results
 - Funded status
 - Change in funded ratio
 - Cash flow comparison
 - Contribution requirements
 - Contribution shortfalls
- Experience Study
- Summary
- Appendix A: Projection Results: Phase-in of investment gains in the Actuarial Value of Assets (AVA) and contribution rate variances due to smoothing of changes in assumptions
- Appendix B: Membership Data

Valuation Results: Funded Status

(\$ in Millions)

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Actuarial Accrued Liability	\$ 58,352	\$ 55,697
Market Value of Assets (MVA)	\$ 27,620	\$ 25,397
Unfunded Actuarial Accrued Liability - MVA Basis	\$ 30,732	\$ 30,300
Funded Ratio - MVA Basis	47.33%	45.60%
Actuarial Value of Assets (AVA)	\$ 27,381	\$ 25,529
Unfunded Actuarial Accrued Liability - AVA Basis	\$ 30,971	\$ 30,168
Funded Ratio - AVA Basis	46.92%	45.84%

Totals may not add due to rounding.

Valuation Results:

Change in Funded Ratio

Change in Funded Ratio

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Funded Ratio Beginning of Year	45.84%	44.65%	43.98%
Expected ¹	1.13%	1.17%	1.21%
Contribution Shortfall	0.82%	0.58%	0.35%
Liability Experience	-0.42%	-0.53%	-0.61%
Plan Provision Changes	0.00%	0.00%	0.00%
Assumption Changes	-0.78%	0.01%	0.00%
Asset Experience (Return on AVA)	<u>0.33%</u>	<u>-0.04%</u>	<u>-0.28%</u>
Funded Ratio End of Year	46.92%	45.84%	44.65%
Return on AVA	7.51%	6.64%	6.09%

¹ Assumes total contributions equal to normal cost plus interest.

Valuation Results:

Cash Flow Comparison (\$ in Millions)

	Valuation as of June 30, 2024		Valuation as of June 30, 2025				
	Projected FYE 2025	Projected FYE 2026	FYE 2025	Projected FYE 2026	Projected FYE 2027	Projected FYE 2028	Projected FYE 2029
Capped Payroll	\$ 5,766	\$ 5,862	\$ 6,185	\$ 6,301	\$ 6,432	\$ 6,569	\$ 6,708
Employer Contribution Rate	48.798%	44.310%	48.798%	44.310%	41.426%	41.644%	41.378%
Employer Contributions	\$ 2,813	\$ 2,598	\$ 3,020	\$ 2,792	\$ 2,664	\$ 2,735	\$ 2,776
Employee Contributions	\$ 317	\$ 320	\$ 344	\$ 344	\$ 348	\$ 353	\$ 358
Benefits	\$ (3,371)	\$ (3,519)	\$ (3,405)	\$ (3,544)	\$ (3,697)	\$ (3,840)	\$ (3,979)
Expenses	\$ (24)	\$ (24)	\$ (21)	\$ (24)	\$ (25)	\$ (25)	\$ (26)
Net Cash Flow	\$ (265)	\$ (625)	\$ (62)	\$ (432)	\$ (710)	\$ (777)	\$ (871)

- The number of active members increased from 65,508 as of June 30, 2024, to 67,723 as of June 30, 2025.
- Expected capped payroll for FY 2025 increased by approximately 7% due to the increase in active members.
 - Contribution rates for FYs 2025 and 2026 are based on the 2023 and 2024 valuations, respectively.
 - Therefore, the increase in payroll caused a 7% increase in expected FYs 2025 and 2026 contributions.
- In FY 2027, projected payroll and contribution rate are based on updated 2025 valuation, including updated membership and payroll.

Valuation Results:

Contribution Requirements (\$ in Millions)

FY 2027 State contribution

	<u>Amount</u>	<u>Rate</u>
Basic Funding	\$ 2,664	41.426%
Debt Service	131	2.029%
Total	<u>\$ 2,795</u>	<u>43.455%</u>

Compares to FY 2026 contribution

	<u>Amount</u>	<u>Rate</u>
Basic Funding	\$ 2,792	44.310%
Debt Service	137	2.176%
Total	<u>\$ 2,929</u>	<u>46.486%</u>

Valuation Results:

Contribution Shortfalls (\$ in millions)

<u>2025 Valuation</u>	<u>Amount</u>	<u>Rate</u>
Actuarially Determined Contribution	\$ 3,010	46.803%
Basic funding	<u>2,664</u>	<u>41.426%</u>
Shortfall	\$ 346	5.377%
<u>2024 Valuation</u>	<u>Amount</u>	<u>Rate</u>
Actuarially Determined Contribution	\$ 3,540	56.181%
Basic funding	<u>2,792</u>	<u>44.310%</u>
Shortfall	\$ 748	11.871%

- The Actuarially Determined Contribution (ADC) is equal to the Normal Cost plus a level percent of capped payroll closed-period amortization of the Unfunded Actuarial Accrued Liability. Amortization amount for FYE June 30, 2026, is based on a 25-year closed period as of July 1, 2015, with 16 years remaining as of July 1, 2024. Amortization amount for FYE June 30, 2027, is based on a 20-year closed period as of July 1, 2025, with 20 years remaining as of July 1, 2025.

Experience Study

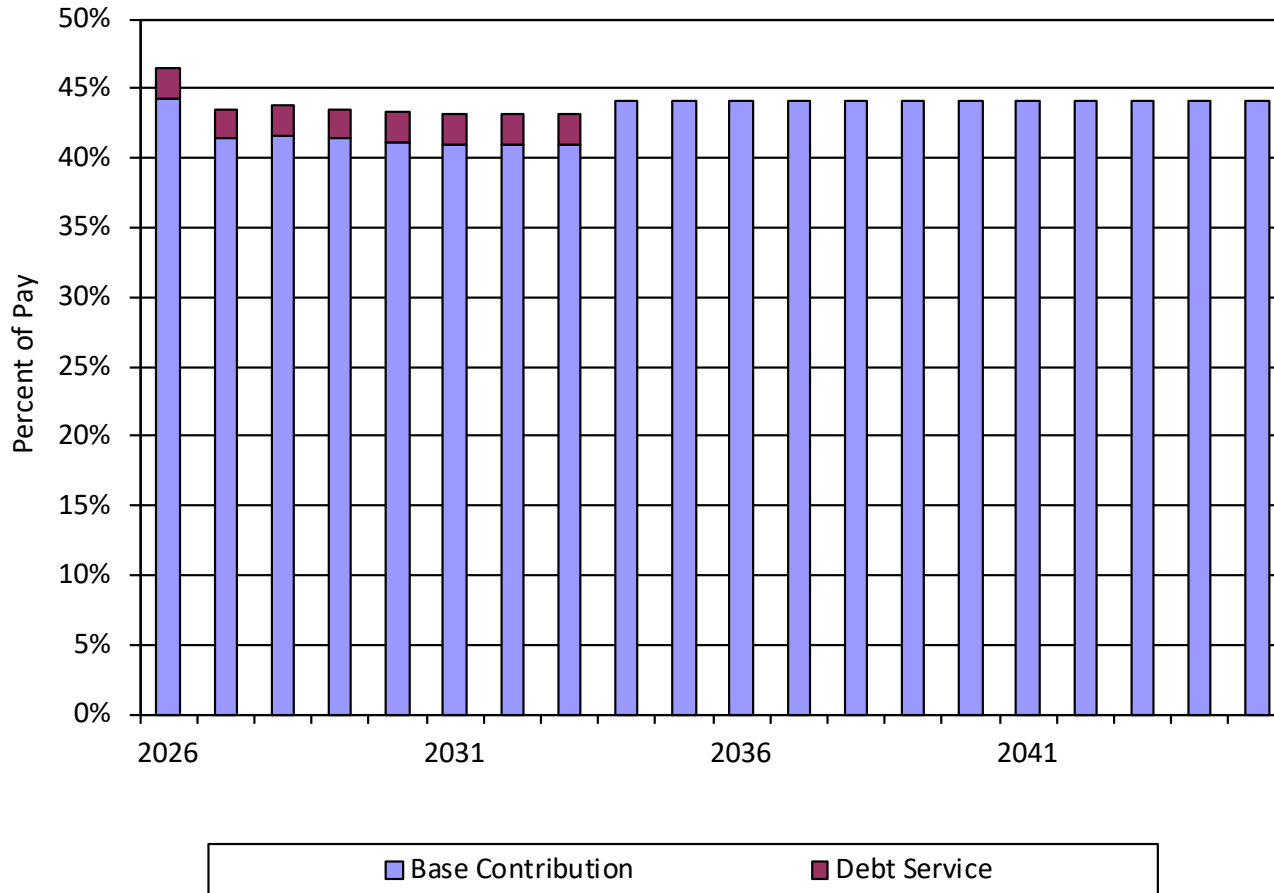
- Pursuant to Public Act 99-0232, SERS is required to conduct an actuarial experience review once every three years.
 - Most recent study completed in 2025 based on the period July 1, 2021 through June 30, 2024, and effective for the 2025 valuation.
 - Included updates to demographic and economic assumptions.
 - Impact on the 2025 valuation
 - Increased the actuarial accrued liability by \$963 million
 - Increased the employer normal cost by \$38 million
 - Increased the FY 2027 statutory contribution by \$29 million
- Under this schedule, an experience review for the period from July 1, 2024 through June 30, 2027, will be performed after completion of the June 30, 2027, actuarial valuation with expected implementation of the recommended assumptions beginning with the June 30, 2028, actuarial valuation.

Summary

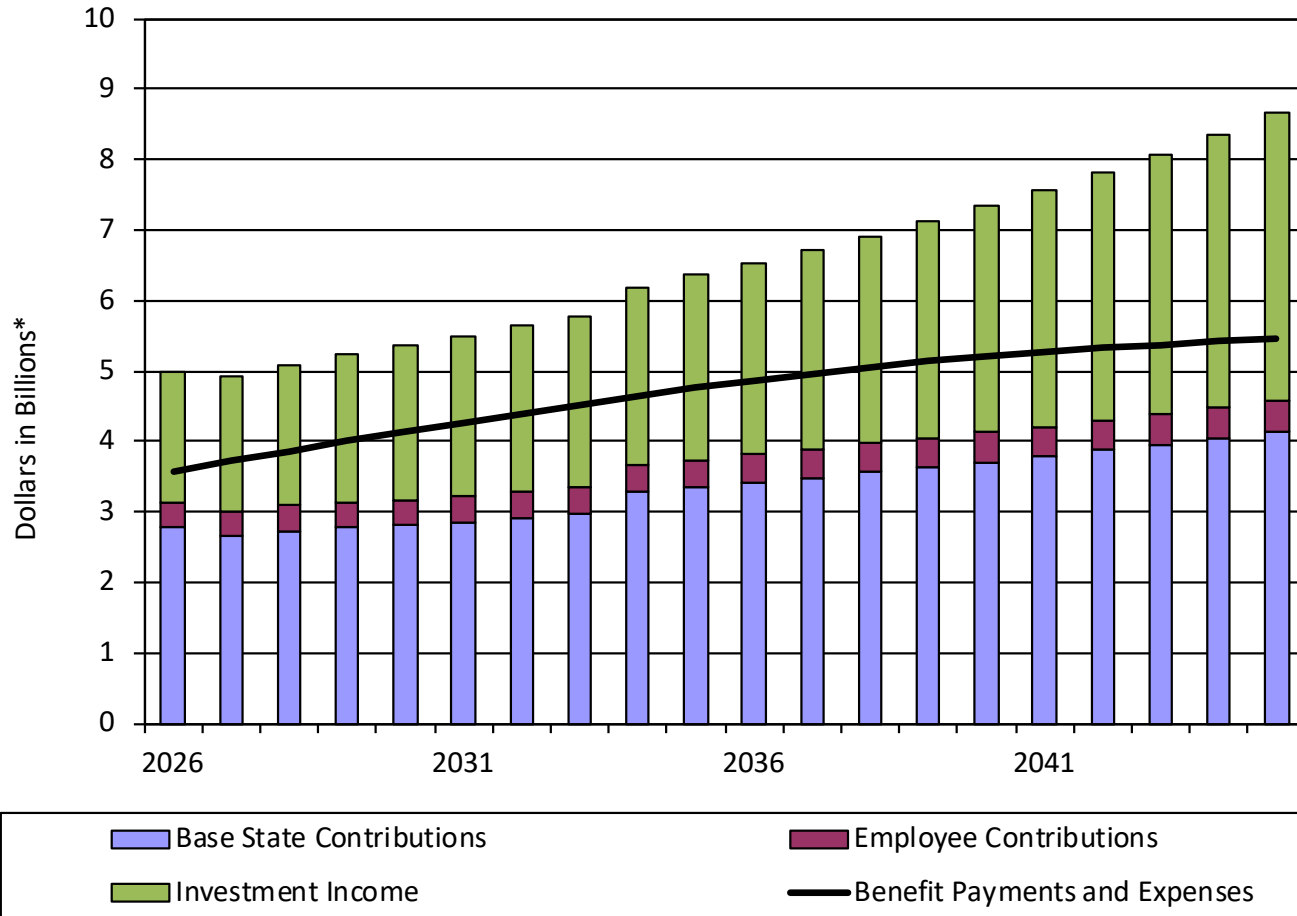
- Liability losses and assumption changes slowed the funding progress in FY 2025, despite the System posting investment gains. As a result, the State's contributions are slightly higher (in dollar terms) than expected, however the contribution rates as a percent of payroll decreased due to the increase in total payroll.
- Funded ratio is projected to increase slowly from 46.9% in 2025 to 60.2% in 2035, and then increases rapidly to 90% by 2045.

APPENDIX A: PROJECTION RESULTS

Projection Results: Phase-in of investment gains/losses in the AVA and Contribution Rate Variances due to Smoothing of Changes in Assumptions: Contributions – Rate

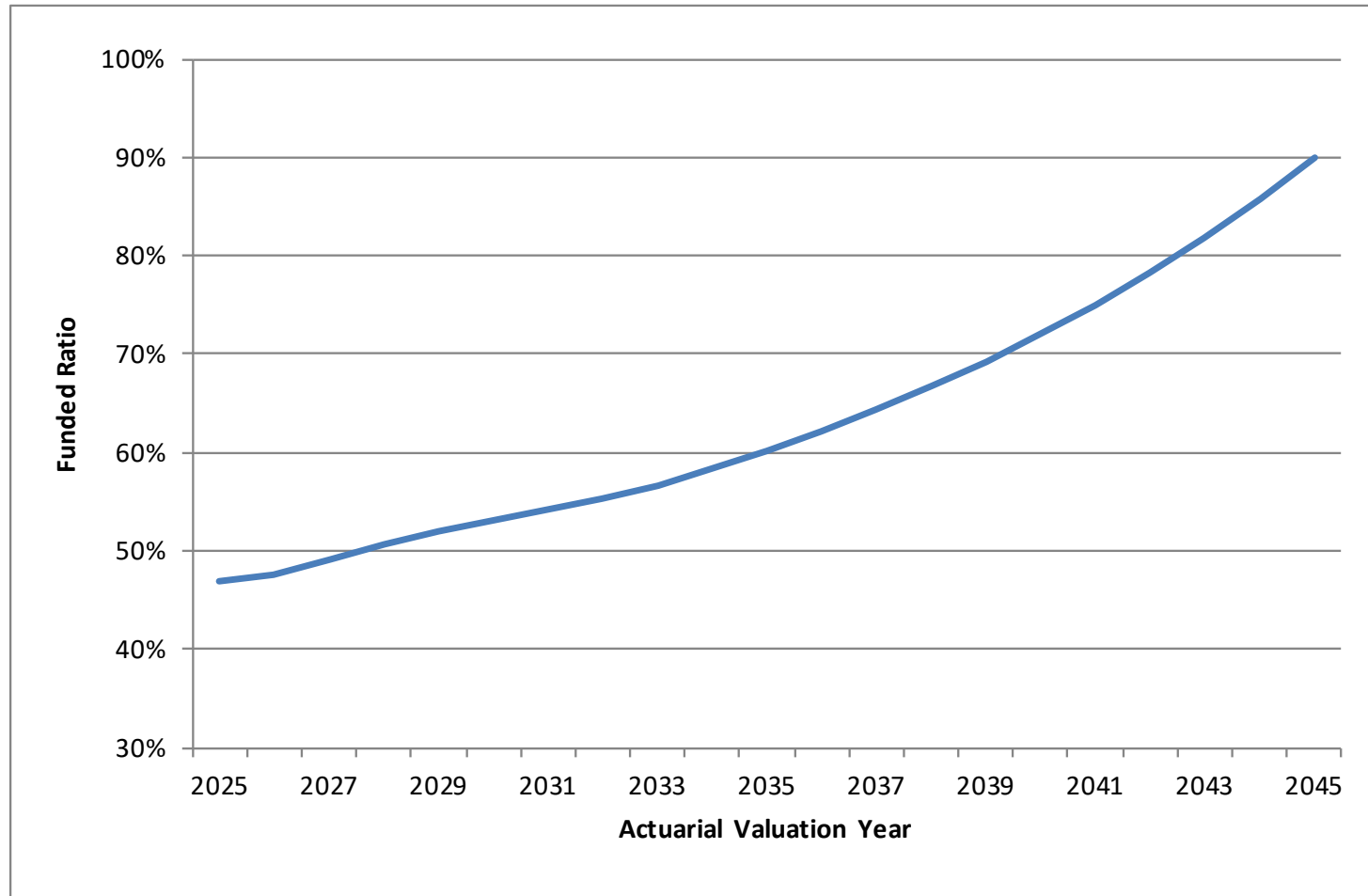


Projection Results: Phase-in of investment gains/losses in the AVA and Contribution Rate Variances due to Smoothing of Changes in Assumptions: Cash Flow Comparison



**Future dollar amounts are based on assumed inflationary increases.*

Projection Results: Phase-in of investment gains/losses in the AVA and Contribution Rate Variances due to Smoothing of Changes in Assumptions: Funded Ratio



Projection Results: Phase-in of investment gains/losses in the AVA and Contribution Rate Variances due to Smoothing of Changes in Assumptions: Unfunded Actuarial Accrued Liability



APPENDIX B: MEMBERSHIP DATA

Active Members

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Number as of Valuation Date	67,723	65,508
Covered Payroll for Fiscal Year	\$6.185 Billion	\$5.642 Billion
Average Annual Earnings	\$91,323	\$86,125

Active Members

Active Membership				
Fiscal Year Ending June 30,	Total	Annual Change in Membership	% Annual Change in Membership	Covered Payroll (\$ in Millions)
2015	63,273			\$4,453.68
2016	61,317	(1,956)	-3.09%	4,284.36
2017	60,612	(705)	-1.15%	4,195.78
2018	61,397	785	1.30%	4,243.74
2019	62,026	629	1.02%	4,601.38
2020	62,621	595	0.96%	4,523.88
2021	62,253	(368)	-0.59%	4,705.25
2022	61,056	(1,197)	-1.92%	4,820.28
2023	61,651	595	0.97%	5,050.98
2024	65,508	3,857	6.26%	5,641.86
2025	67,723	2,215	3.38%	6,184.68
Total Change		4,450	0.71%	

Current Benefit Recipients

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Retirees	65,209	64,915
Survivors	12,662	12,483
Disabled	1,305	1,399
Eligible for Deferred Benefits	155	153
Total	79,331	78,950
Total Benefits	\$3.406 Billion	\$3.284 Billion
Average Benefits	\$42,938	\$41,601

QUESTIONS

Disclosures

- Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this presentation concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- The actuaries submitting this presentation (Alex Rivera, FSA, EA, MAAA, Heidi G. Barry, ASA, FCA, MAAA and Jeffrey T. Tebeau, FSA, EA, MAAA) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- The primary purpose of the actuarial valuation is to measure the financial position of SERS.

Disclosures

- The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were provided by and are the responsibility of SERS. We are unable to judge the reasonableness of some of these assumptions without performing a substantial amount of additional work beyond the scope of the assignment.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.
- This is one of multiple documents comprising the actuarial report for the SERS actuarial valuation. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full actuarial valuation report as of June 30, 2025.
- If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.