



**STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH
INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF
ILLINOIS**

FINANCIAL AUDIT

For the Year Ended June 30, 2025

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



SIKICH.COM

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2025

TABLE OF CONTENTS

	<u>Page(s)</u>
Agency Officials	1
Financial Statement Report	
Summary	2
Independent Auditor’s Report	3-6
Financial Statements	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to the Financial Statements	9-19
Required Supplementary Information	
Schedule of Changes in Net OPEB Liability and Related Ratios	20
Schedule of Contributions	21
Notes to Schedule of Contributions	22
Schedule of Investment Returns	23
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings	
Current Finding	26-27
Prior Finding Not Repeated	28

**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT**

For the Year Ended June 30, 2025

AGENCY OFFICIALS

Director	Ms. Raven DeVaughn
Assistant Director	Mr. Aundra Williams
Chief of Staff (6/16/2025 – Present)	Ms. Erin O’Boyle-Marr
Chief of Staff (7/1/2024 – 6/15/2025)	Mr. Patrick Nolan
Chief Administrative Officer	Ms. Sarah Kerley
Chief Asset Management Officer* (6/30/2025 – Present)	Mr. Erik Colon
Chief Operating Officer (2/1/2025 – 6/29/2025)	Vacant
Chief Operating Officer (7/1/2024 – 1/31/2025)	Mr. William McCarty
Chief Fiscal Officer	Ms. Karen Pape
General Counsel (7/1/2025 – Present)	Ms. Dina Ninfo
General Counsel (7/1/2024 – 6/30/2025)	Ms. Corey-Anne Gulkewicz
Chief Strategy Officer** (7/1/2025 – Present)	Ms. Corey-Anne Gulkewicz
Chief Internal Auditor	Mr. Butch Stilwell

* The title “Chief Operating Officer” changed to “Chief Asset Management Officer” effective 6/30/2025

** The title “Chief Strategy Officer” is a new position effective 7/1/2025

Agency main offices are located at:

State of Illinois Building
555 W. Monroe Street
Chicago, Illinois 60661

William G. Stratton Building
401 S. Spring Street
Springfield, Illinois 62706

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2025

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Department of Central Management Services, Community College Health Insurance Security Fund (Fund), a fiduciary component unit of the State of Illinois, was performed by Sikich CPA LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Community College Health Insurance Security Fund’s financial statements.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	1
Repeated Findings	0	1
Prior Recommendations Implemented or Not Repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Pages</u>	<u>Last/First Report</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings

2025-001	26	New	Failure to Implement Adequate Information Technology Controls	Significant Deficiency
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Prior Finding Not Repeated

A	28	2024/2021	Failure to determine premiums that allow for establishment of actuarial sound reserve	
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EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison, on January 15, 2026. The response to the recommendation was provided by Amy Lange, Audit Liaison, in a correspondence dated January 21, 2026.

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Springfield, IL 62704
217.793.3363

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State 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 Department of Central Management Services (Department), Community College Health Insurance Security Fund (Fund), 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 Fund's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2025, and the respective changes in financial position thereof 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. 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 Department, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Community College Health Insurance Security Fund experienced a deficit position of \$99.439 million as of June 30, 2025. The factors that created the deficit were not covered by the previous funding policy. Public Act 103-0008 was passed to increase the contribution rates and address the deficit. Our opinion is not modified with respect to that 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 Fund'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgement 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 judgement 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 purpose of expressing an opinion on the effectiveness of the Fund'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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 Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions, Notes to Schedule of Contributions, and Schedule of Investment Returns on pages 20-23 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Management has omitted a management's discussion and analysis for the Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the financial statements is not affected by the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the agency officials page but does not include the financial statements of the Fund and our auditor's report thereon. Our opinions on the financial statements of the Fund do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2026, on our consideration of the Department's internal control over financial reporting of the Fund 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 Department'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 Department's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 21, 2026

FINANCIAL STATEMENTS

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended June 30, 2025

(amounts expressed in thousands)

Assets

Cash Equity with State Treasurer	\$	2,531
Cash and Cash Equivalents		1,053
Securities Lending Collateral Equity of State Treasurer		345
Receivables:		
Employer		492
Employee		478
Federal Government		114
Interest		7
Other Receivables		688
Total Receivables		1,779
Due from Other Funds		343
Total Assets		6,051
Liabilities		
Accounts Payable and Other		55,121
Intergovernmental Payables		4
Due to Other Funds		50,017
Current Compensated Absences		3
Obligations under Securities Lending of State Treasurer		345
Total Current Liabilities		105,490
Total Liabilities		105,490
Unrestricted Net Position	\$	(99,439)

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2025

(amounts expressed in thousands)

Additions

Contributions

Employer	\$ 9,397
State	9,397
Active Plan Member	9,397
Federal Government Medicare Part D	66
Total Contributions	28,257

Investment Income

Total Additions

162
28,419

Deductions

Benefit Payments and Refunds	19,726
General and Administrative Expense	4,507
Total Deductions	24,233

Net Increase (Decrease) in Net Position

4,186

Unrestricted Net Position

Net Position, July 1, 2024	(103,625)
Net Position, June 30, 2025	\$ (99,439)

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

1) Plan Description

Plan administration

The Community College Health Insurance Security Fund (CCHISF) (also known as The College Insurance Program, "CIP") is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees and their dependents of Illinois community college districts throughout the State of Illinois, excluding the City Colleges of Chicago. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to CIP were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts.

Plan membership

All members receiving benefits from the State Universities Retirement System (SURS) who have been full-time employees of a community college district or an association of a community college who have paid the required active member CIP contributions prior to retirement are eligible to participate in CIP. Survivors of an annuitant or benefit recipient eligible for CIP coverage are also eligible for coverage under CIP.

Membership in the plan consisted of the following at June 30, 2025:

Retirees and Beneficiaries	6,628
Inactive, Nonretired Members	6,639
Active Members	<u>21,697</u>
Total	<u>34,964</u>
Number of participating employers	39
Number of nonemployer contributing entities	1

Benefits provided

CIP health coverage includes provisions for medical, prescription drugs, vision, dental and behavioral health benefits. Eligibility to participate in the CIP is defined in the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries.

2) Summary of Significant Accounting Policies

a) Financial Reporting Entity

As defined by Generally Accepted Accounting Principles (GAAP), the financial reporting entity consists 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. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

2) Summary of Significant Accounting Policies (Continued)

a) Financial Reporting Entity (Continued)

Based upon the required criteria, CCHISF has no component units. CCHISF is considered a fiduciary component unit of the State of Illinois due to fiscal dependency on the State. The financial statements of the CCHISF are included in the financial statements of the State of Illinois as a pension (and other employee benefit) trust fund. The State of Illinois' Annual Comprehensive Financial Report of may be obtained by visiting the Office of the Illinois Comptroller's website at <https://illinoiscomptroller.gov/>.

b) Measurement Focus and Basis of Accounting

CCHISF's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and when the employer has made a formal commitment to provide the contributions. State contributions are recognized in the period in which the contributions are due to the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

c) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

d) Deposits and Investments

Investments are reported at fair value.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The Treasurer's investment policies are governed by state statute. In addition, the Treasurer's Office has adopted its own investment practices which supplement the statutory requirement.

e) Compensated Absences

The liability for compensated absences reported in the CCHISF's financial statements consists of leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means; and leave that has been used but not yet paid in cash or settled through noncash means. The payment or settlement could occur during employment or upon termination of employment and should be measured at the amount of cash payment or noncash settlement to be made. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation (or annual) leave, sick leave, personal leave, compensatory time, parental leave, bereavement leave, and certain types of sabbatical leave.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

2) Summary of Significant Accounting Policies (Continued)

e) Compensated Absences (Continued)

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. The liability for any sick days earned and unused after December 31, 1997, using a first-in, first-out policy, is based on an analysis of the approximate amount expected to be used prior to retirement versus the amount expected to be converted to service time for purposes of calculating employee pension benefits. The liability for sick days expected to be used is included in the liability for compensated absences and the remaining amount is included in the net pension liability. The compensated absences liability has been calculated based on the employees' salary level as of the date of the financial statements and includes salary-related costs (e.g., Social Security and Medicare tax).

f) Net Position

In the CCHISF, equity is displayed as unrestricted. This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

g) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h) New Accounting Pronouncements

Effective for the year ending June 30, 2025, the Department adopted GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences by aligning this guidance under a unified model and by amending certain previously required disclosures. See Note 6 for further information regarding the Department's compensated absences.

Effective for the year ending June 30, 2025, the Department adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires a government to assess whether a concentration or constraint makes the primary reporting unit vulnerable to the risk of a substantial impact, and whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, or are likely to occur within 12 months of the date of the financial statements. Disclosures should include the nature of such concentrations or constraints, the associated events, and actions taken by the government to mitigate the risk. The implementation of this statement had no impact on the financial statements.

i) Future Adoption of GASB Statements

Effective for the year ending June 30, 2026, the Department will adopt GASB Statement No. 103, *Financial Reporting Model Improvements*, which improves several key components of the financial reporting model to enhance its effectiveness in providing information that is essential for user decision making and government accountability.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

2) Summary of Significant Accounting Policies (Continued)

i) Future Adoption of GASB Statements (Continued)

Effective for the year ending June 30, 2026, the Department will adopt GASB Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. The Department has not yet determined the impact, if any, on its financial statements as a result of adopting these statements.

3) Contributions

Beginning July 1, 2023, and through June 30, 2024, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of 0.75% of salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.75% of the salary paid to its full-time employees who participate in the plan. Beginning July 1, 2024 and through June 30, 2026, the contribution rate shall be a percentage of salary to be determined by the Department, which in each fiscal year shall not exceed a 0.1 percentage point increase in the amount of salary actually required to be contributed for the previous fiscal year. Beginning July 1, 2026, the active member and employer contribution rates shall be a percentage of salary to be determined by the Department, which in each fiscal year shall not exceed 105% of the percentage of salary actually required to be contributed for the previous fiscal year. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

For the year ended June 30, 2025, member required contributions ranged from \$129.41 to \$164.25 per month per retiree, and from \$517.66 to \$657.02, per month per dependent beneficiary (assuming Medicare eligibility). Non-Medicare eligible members' required contributions ranged from \$153.97 to \$727.62 per retiree and from \$615.89 to \$2,910.49 per dependent family members. Active employees contributed \$9.397 million, or approximately 33.33% of total premiums, representing 0.85% of their salaries, and participating college districts contributed \$9.397 million, or 33.33% of total premiums, representing their required 0.85% contribution. The State contributed \$9.397 million, or approximately 33.34% of total premiums, representing their required contribution of 0.85% of estimated active employee salaries. The State contribution amount is annually adjusted to "true-up" the contribution from two years prior using actual rather than estimated covered payroll. The Department records an estimate for projected "true-up" amounts for the two years subsequent to the report date. The fund received \$66 thousand in Medicare Part D subsidy payments from the federal government. Retiree contributions are netted with related liability.

4) Deposits and Investments

a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11).

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

4) Deposits and Investments (Continued)

a) Deposits (Continued)

Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Annual Comprehensive Financial Report.

Cash on deposit with the State Treasurer totaled \$2.531 million at June 30, 2025.

b) Investments

Section 2 of the Public Funds Investment Act limits the State's investments outside the State Treasury to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding \$500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Investments of public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act are also permitted.

As of June 30, 2025, the Department had the following investments in the State Treasury Investment Pool (Illinois Funds):

	Amortized Cost (Thousands)	Weighted Average Maturity (Years)
Illinois Public Treasurers' Investment Pool	<u>\$ 1,053</u>	0.084
Total fixed income investments	<u>\$ 1,053</u>	

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since CCHISF is funded on a pay-as-you-go basis, the Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Since CCHISF is funded on a pay-as-you-go basis, the Department does not have a formal investment policy that limits investment choices. Investments in the Illinois Public Treasurers' Investment Pool were rated AAmmf by Fitch Ratings.

Rate of Return. For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 5.270%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

4) Deposits and Investments (Continued)

b) Investments (Continued)

The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at 1 East Old State Capitol Plaza, Springfield, Illinois 62701.

c) Reconciliation to Statement of Net Position

	Deposits (Thousands)	Investments (Thousands)
Amounts per Note 4(a)(b)	\$ 2,531	\$ 1,053
Cash Equivalents	1,053	(1,053)
Total per Statement of Net Position	\$ 3,584	\$ 0

d) Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2025, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2025 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2025 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2025, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2025 were \$5,394,208,362 and \$5,299,498,359, respectively.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2025 arising from securities lending agreements to the various funds of the State. The total allocated to the CCHISF at June 30, 2025 was \$.345 million.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

5) Total OPEB Liability

The components of the Total OPEB Liability of CIP at June 30, 2025, were as follows:

OPEB Liability	\$563,903,439
Plan Fiduciary Net Position	(99,439,000)
Total OPEB liability	<u>\$663,342,439</u>

Plan Fiduciary Net Position as a percentage of the total OPEB Liability -17.63%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified

Inflation	2.25%
Salary increases	Depends on age and service and ranges from 15.00% at less than 1 year of service to 3.50% at 34 or more years of service for employees under 50 and ranges from 13.00% at less than 1 year of service to 3.15% at 34 or more years of service for employees over 50. Salary increase includes a 3.15% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Healthcare cost trend rates	Trend rates for plan year 2026 are based on actual premium increases. For non-medicare costs, trend rates start at 8.00% for plan year 2027 and decrease gradually to an ultimate rate of 4.25% in 2042. For MAPD costs, trends rates are based on actual premium increases for 2026, expected increases from 2027 to 2028 and 7.80% in 2029, declining gradually to an ultimate rate of 4.25% in 2041.

Mortality rates for retirement and beneficiary annuitants were based on the Pub-2010 Healthy Retiree Mortality Table and PubT-2010 Healthy Retiree Mortality Table. For disabled annuitants mortality rates were based on the Pub-2010 Disabled Retiree Mortality Table. Mortality rates for pre-retirement were based on the Pub-2010 Employee Mortality Table and PubT-2010 Employee Mortality Table. Tables were adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2021.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period June 30, 2020 to June 30, 2023.

Projected benefit payments were discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since CIP is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 3.97% as of June 30, 2024, and 5.20% as of June 30, 2025.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

5) Total OPEB Liability (Continued)

The increase in the single discount rate from 3.97% to 5.20% caused the total OPEB liability to decrease by approximately \$73.3 million as of June 30, 2025.

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

During the plan year ending June 30, 2025, the trust earned \$162,000 in interest and due to a significant benefit payable, the market value of assets (net position) at June 30, 2025, is a negative \$99.4 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the investment return assumption was set to zero.

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 5.20%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (6.20%) or lower (4.20%) than the current rate:

Sensitivity of Total OPEB Liability as of June 30, 2025, to the Single Discount Rate Assumption			
	1% Decrease (4.20%)	Current Single Discount Rate Assumption (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$721,834,949	\$663,342,439	\$612,999,460

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the plan's total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

5) Total OPEB Liability (Continued)

Sensitivity of Total OPEB Liability as of June 30, 2025, to the Healthcare Cost Trend Rate Assumption			
	1% Decrease(b)	Healthcare Cost Trend Rates Assumption(a)	1% Increase(c)
Total OPEB liability	\$600,576,006	\$663,342,439	\$738,526,345
<p>(a) Current healthcare trend rates – Pre-Medicare per capita costs: 8.96% in 2026, 8.00% in 2027, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2042. Post-Medicare per capita costs: based on actual increase in 2026, expected increases from 2027 to 2028, 7.80% in 2029 decreasing ratably to an ultimate trend rate of 4.25% in 2041.</p> <p>(b) One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 7.96% in 2026, 7.00% in 2027, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2042. Post-Medicare per capita costs: based on actual increase in 2026, expected increases from 2027 to 2028, 6.80% in 2029 decreasing ratably to an ultimate trend rate of 3.25% in 2041.</p> <p>(c) One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 9.96% in 2026, 9.00% in 2027, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2042. Post-Medicare per capita costs: based on actual increase in 2026, expected increases from 2027 to 2028, 8.80% in 2029 decreasing ratably to an ultimate trend rate of 5.25% in 2041.</p>			

6) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2025, were as follows:

	Balance July 1, 2024	Net Change	Balance June 30, 2025	Amounts Due Within One Year
Compensated Absences	\$3	\$0	\$3	\$0
Total	\$3	\$0	\$3	\$0

7) Pension Plan

The vested full-time employees paid from CCHISF may participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2025 are included in the State of Illinois' Annual Comprehensive Financial Report for the year ended June 30, 2025. The SERS issues a separate Annual Comprehensive Financial Report that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

7) Pension Plan (Continued)

A summary of SERS 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 SERS' Annual Comprehensive Financial Report. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2025, the employer contribution rate was 51.180%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

8) 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. 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 towards 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 State Employee's Retirement System do not contribute towards 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 allowing those annuitants with twenty or more years of credited service to not have to contribute towards 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 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 expense 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 State of Illinois Annual Comprehensive Financial Report. A copy of the Annual Comprehensive Financial Report of may be obtained visiting the Office of the Illinois Comptroller's website at <https://illinoiscomptroller.gov/>.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

9) Fund Deficit

For the fiscal year ending June 30, 2025, total benefits and expenses were \$24.233 million which were financed by \$9.397 million in State contributions, \$9.397 million in employer contributions, \$66 thousand in the federal government Medicare Part D subsidy, and \$9.397 million in active member contributions, resulting in a net surplus of \$4.186 million.

Prior to fiscal year 2024, contributions made by the State, employers, and employees were defined as a fixed percentage of payroll, and retired member contributions were subject to a 5.0% per year increase resulting in the previous funding policy not providing a provision for adverse experience. The following factors contributed to the fund deficit: total payroll increasing at a rate lower than expected, premium rates increasing by more than 5.0%, overall claim costs increasing at a rate higher than expected, or more retirements occurring than expected. Also, the current financing policy does not provide a specific provision for claims incurred during the fiscal year that are expected to be paid in the following fiscal year. At June 30, the fund deficit was \$99.439 million.

10) Contingencies

The Department is a party to numerous legal proceedings, many of which occur normally in the course of operations. These proceedings are not, in the opinion of the Department's legal counsel, likely to have a material adverse impact on the Department's financial position. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another State agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

11) Interfund Borrowing

Public Act 103-0008 created 30 ILCS 105/5h.6 to allow for interfund borrowing to meet cash flow deficits and to maintain liquidity in the CCHISF. The Health Insurance Reserve Fund (HIRF) transferred \$50 million to CCHISF during fiscal year 2024. Moneys transferred from HIRF to CCHISF must be repaid within 96 months after the date of the last transfer or June 30, 2032, whichever is sooner. As of June 30, 2025, CCHISF has repaid \$0 to HIRF.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Unaudited)

Fiscal Year Ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$ 22,265,179	\$ 21,165,490	\$ 23,259,268	\$ 31,707,850	\$ 103,897,714	\$ 100,887,334	\$ 100,138,184	\$ 111,621,631	\$ 147,948,300
Interest on the Total OPEB Liability	24,821,441	21,554,591	22,237,167	13,125,903	36,659,297	48,521,794	59,739,976	63,692,922	54,582,721
Changes of Benefit Terms	1,145,180	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	51,983,095	(70,304,073)	12,825,130	(231,819,946)	(58,931,727)	(85,912,297)	(44,597,762)	33,283,790	(6,193,522)
Changes of Assumptions	(78,150,756)	5,928,882	(1,518,307)	(855,816,518)	(159,193,958)	(119,586,787)	(97,507,669)	(137,480,539)	(182,288,932)
Benefit Payments	(19,726,000)	(16,006,000)	(18,543,000)	(27,628,000)	(25,827,000)	(22,802,000)	(24,800,000)	(23,225,000)	(22,918,000)
Net Change in Total OPEB Liability	<u>2,338,139</u>	<u>(37,661,110)</u>	<u>38,260,258</u>	<u>(1,070,430,711)</u>	<u>(103,395,674)</u>	<u>(78,891,956)</u>	<u>(7,027,271)</u>	<u>47,892,804</u>	<u>(8,869,433)</u>
Total OPEB Liability - Beginning	<u>561,565,300</u>	<u>599,226,410</u>	<u>560,966,152</u>	<u>1,631,396,863</u>	<u>1,734,792,537</u>	<u>1,813,684,493</u>	<u>1,820,711,764</u>	<u>1,772,818,960</u>	<u>1,781,688,393</u>
Total OPEB Liability - Ending (a)	<u>\$ 563,903,439</u>	<u>\$ 561,565,300</u>	<u>\$ 599,226,410</u>	<u>\$ 560,966,152</u>	<u>\$ 1,631,396,863</u>	<u>\$ 1,734,792,537</u>	<u>\$ 1,813,684,493</u>	<u>\$ 1,820,711,764</u>	<u>\$ 1,772,818,960</u>
Plan Fiduciary Net Position									
Employer Contributions	\$ 18,794,000	\$ 15,900,000	\$ 34,890,000	\$ 9,430,000	\$ 9,298,000	\$ 9,196,000	\$ 13,975,000	\$ 8,830,000	\$ 8,676,000
Active Member Contributions	9,397,000	7,949,000	4,945,000	4,715,000	4,649,000	4,598,000	4,488,000	4,463,000	4,367,000
Net Investment Income	162,000	277,000	168,000	16,000	5,000	25,000	48,000	59,000	24,000
Benefit Payments	(19,726,000)	(16,006,000)	(18,543,000)	(27,628,000)	(25,827,000)	(22,802,000)	(24,800,000)	(23,225,000)	(22,918,000)
Operating Expenses	(4,507,000)	(4,673,000)	(5,023,000)	(6,049,000)	(4,492,000)	(4,229,000)	(4,198,000)	(3,543,000)	(2,886,000)
Other	66,000	35,000	50,000	58,000	202,000	97,000	171,000	207,000	185,000
Net Change in Plan Fiduciary Net Position	<u>4,186,000</u>	<u>3,482,000</u>	<u>16,487,000</u>	<u>(19,458,000)</u>	<u>(16,165,000)</u>	<u>(13,115,000)</u>	<u>(10,316,000)</u>	<u>(13,209,000)</u>	<u>(12,552,000)</u>
Plan Fiduciary Net Position - Beginning	<u>(103,625,000)</u>	<u>(107,107,000)</u>	<u>(123,594,000)</u>	<u>(104,136,000)</u>	<u>(87,971,000)</u>	<u>(74,856,000)</u>	<u>(64,540,000)</u>	<u>(51,331,000)</u>	<u>(38,266,000)</u>
Plan Fiduciary Net Position - Ending (b)	<u>(99,439,000)</u>	<u>(103,625,000)</u>	<u>(107,107,000)</u>	<u>(123,594,000)</u>	<u>(104,136,000)</u>	<u>(87,971,000)</u>	<u>(74,856,000)</u>	<u>(64,540,000)</u>	<u>(50,818,000)</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 663,342,439</u>	<u>\$ 665,190,300</u>	<u>\$ 706,333,410</u>	<u>\$ 684,560,152</u>	<u>\$ 1,735,532,863</u>	<u>\$ 1,822,763,537</u>	<u>\$ 1,888,540,493</u>	<u>\$ 1,885,251,764</u>	<u>\$ 1,823,636,960</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-17.63%	-18.45%	-17.87%	-22.03%	-6.38%	-5.07%	-4.13%	-3.54%	-2.87%
Covered-Employee Payroll	1,240,417,609	1,086,596,190	1,034,600,364	1,020,670,908	1,013,680,588	987,692,212	964,152,233	983,856,634	953,001,927
Net OPEB Liability as a Percentage of Covered-Employee Payroll	53.48%	61.22%	68.27%	67.07%	171.21%	184.55%	195.88%	191.62%	191.36%

*Plan Fiduciary Net Position was restated from \$(50,818,000) as of June 30, 2017, to \$(51,331,000) as of July 1, 2017.

**For the year ended June 30, 2019, the State paid an additional \$5,000,000 contribution through a supplemental appropriation, which is not included in the Statutorily Required Contributions.

***During fiscal year end June 30, 2023, the State made an extraordinary contribution of approximately \$25 million.

****Refer to Footnote 5 for a description of the changes in benefit terms and changes in assumptions.

Note: Information is not available prior to 2017. Additional years will be added to future reports as schedules are intended to show 10 years of historical data.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
(Unaudited)

Year Ended June 30	Actuarially Determined Contribution*	Statutorily Required Contributions	Contribution (Excess) Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2025	N/A	\$ 18,794,000	N/A	\$ 1,240,417,609	1.52%
2024	N/A	\$ 15,900,000	N/A	\$ 1,086,596,190	1.46%
2023	N/A	\$ 9,890,000	N/A	\$ 1,034,600,364	0.96%
2022	N/A	\$ 9,430,000	N/A	\$ 1,020,670,908	0.92%
2021	N/A	\$ 9,298,000	N/A	\$ 1,013,680,588	0.92%
2020	N/A	\$ 9,196,000	N/A	\$ 987,692,212	0.93%
2019	N/A	\$ 8,975,000	N/A	\$ 964,152,233	0.93%
2018	N/A	\$ 8,830,000	N/A	\$ 983,856,634	0.90%
2017	N/A	\$ 8,676,000	N/A	\$ 953,001,927	0.91%
2016	N/A	\$ 9,042,000	N/A	\$ 918,556,000	0.98%

See accompanying notes to schedule

*For 2016 through 2024, contributions for CIP are defined by State statute and Actuarially Determined Contributions are not developed. Benefits are financed on a pay-as-you-go basis, based on contribution rates defined by statute. For fiscal year end June 30, 2025, contribution rates are 0.85% of pay for active members, 0.85% of pay for community colleges, and 0.85% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year cost plus a margin for incurred but not paid plan costs.

For the year ended June 30, 2019, the State paid an additional \$5,000,000 contribution through a supplemental appropriation, which is not included in the Statutorily Required Contributions.

For the year ended June 30, 2023, the State paid an additional \$25,000,000 contribution through a supplemental appropriation, which is not included in the Statutorily Required Contributions.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS
(Unaudited)

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Sponsor's Fiscal Year End	June 30, 2026

Methods and assumptions used to determine Actuarial Liability and Contributions:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you go basis. Contribution rates are defined by statute. For fiscal year end June 30, 2025, contribution rates are 0.85% of pay for active members, 0.85% of pay for community colleges and 0.85% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Inflation	2.25%
Salary Increases	Depends on age and service and ranges from 15.00% at less than 1 year of service to 3.50% at 34 or more years of service for employees under 50 and ranges from 13.00% at less than 1 year of service to 3.15% at 34 or more years of service for employees over 50. Salary increase includes a 3.15% wage inflation assumption.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2024, actuarial valuation of SURS.
Mortality	Retirement and Beneficiary Annuitants: Pub-2010 Healthy Retiree Mortality Table and PubT-2010 Healthy Retiree Mortality Table. Disabled Annuitants: Pub-2010 Disabled Retiree Mortality Table. Pre-Retirement: Pub-2010 Employee Mortality Table and PubT-2010 Employee Mortality Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2021.
Healthcare Cost Trend Rates	Trend used plan year end 2026 are based on actual premium increases. For non-medicare costs, trend rates start at 8.00% for plan year 2027 and decrease gradually to an ultimate rate of 4.25% in 2042. For MAPD costs, trend rates are based on actual premium increases for 2026, expected increases from 2027 to 2028 and 7.80% in 2029, declining gradually to an ultimate rate of 4.25% in 2041.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of OPEB plan investment expense, including inflation	5.270%	5.486%	3.716%	0.327%	0.218%	1.922%	2.343%	1.503%	0.806%	0.470%

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**INDEPENDENT AUDITOR’S 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***

Honorable Frank J. Mautino
Auditor General
State 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, the financial statements of the Department of Central Management Services (Department), Community College Health Insurance Security Fund (Fund), 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 Fund’s financial statements and we have issued our report thereon dated January 21, 2026.

Report on Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting of the Fund (internal control).

In planning and performing our audit of the financial statements, we considered the Department’s 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 Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’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 second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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*.

Department's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Springfield, Illinois
January 21, 2026

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
SCHEDULE OF FINDINGS - *Government Auditing Standards Findings*
For the Year Ended June 30, 2025

2025-001 **FINDING** (Failure to Implement Adequate Information Technology Controls)

The Department of Central Management Services (Department) failed to maintain adequate general information technology controls related to its environment and applications.

Auditors tested information technology general controls (ITGCs) for seven Department applications assessed to have a material impact to the Department's financial information. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. Access provisioning steps were performed for each application.

Access Provisioning

We tested the Department's access provisioning procedures for a sample of 101 users across seven applications with a material impact to the Department's financial information. Our sample of 101 users was comprised of 71 existing users, 11 new-hired users, 17 terminated users and 2 administrative users. We noted the following exceptions:

- Five of 71 (7%) existing users' access to the application was not needed to perform their job responsibilities.
- Eight of 17 (47%) users had separated from the Department but were still defined as authorized users in the tested application as of June 30, 2025.

Lastly, the Department did not perform an annual review of user access for six of seven (86%) applications tested. The Department also did not perform an annual review of the Resource Access Control Facility (RACF) IDs.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Configuration Management section, requires entities to ensure applications are modified in a manner that promotes consistency, integrity, and security and to ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
SCHEDULE OF FINDINGS - *Government Auditing Standards Findings*
For the Year Ended June 30, 2025

2025-001 **FINDING** (Failure to Implement Adequate Information Technology Controls) –
Continued

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Department officials indicated this resulted from staff oversight.

Failure to review user access listings and remove application access for terminated employees or employees no longer needing access may result in unauthorized access to sensitive information or data breaches. (Finding Code No. 2025-001)

RECOMMENDATION

We recommend the Department ensure users’ access to its applications is appropriate based on job responsibilities, timely remove access for users who are no longer with the Department, and ensure user access reviews are performed on an annual basis. We further recommend the Department promptly terminate inappropriate and unnecessary user access and maintain documentation to support timeliness of changes to user access.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation. The Department is continually assessing its access control processes and implementing procedures to improve the timeliness and accuracy of access provisioning and review. The Bureau of Benefits has updated its offboarding checklist to specifically include all systems from which an exiting employee must be removed. Additionally, the Bureau has implemented an auditing policy which states a review of current users will be conducted on the 1st of April each year or the first weekday of the month, whichever comes first. This will ensure any requested revocations missed through the offboarding process are completed. As an ongoing effort, the Department has clarified responsibility and accountability for completing annual RACF ID reviews.

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
SCHEDULE OF FINDINGS - PRIOR YEAR FINDING NOT REPEATED
For the Year Ended June 30, 2025

- A. **FINDING** (Failure to determine premiums that allow for establishment of actuarial sound reserve)

During the prior engagement, the Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program). Additionally, the Department failed to establish premiums for dependents that covered the balance of the rate of insurance.

During the current engagement, the Community College Health Insurance Security Fund (Fund) had a net increase in net position totaling \$4.186 million. Although the Fund has a \$99.439 million fund deficit as of June 30, 2025, it appears the premiums established will allow for an actuarially sound reserve. Additionally, the Department established premiums for dependents that covered the balance of the rate of insurance. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-001)