Teachers’ Retirement System of the State of Illinois (A Component Unit of the State of Illinois)

Independent Auditor’s Reports and Financial Audit

For the Year Ended June 30, 2025

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

Teachers' Retirement System of the State of Illinois
(A Component Unit of the State of Illinois)
Financial Audit
For the Year Ended June 30, 2025

System Officials

Executive Director	Stan Rupnik, CFA
Chief Investment Officer	Stan Rupnik, CFA
Chief Financial Officer	Deron Bertolo
General Counsel	Emily Peterson
Director of Internal Audit (7/1/25-Present)	Teri Taylor, CPA, CIA
Director of Internal Audit and Risk (7/1/24-6/30/25)	Stacy Smith, CPA, CIDA

Governing Board Members

President	Mr. Matthew Hunt
Vice President	Mr. Andrew Hirshman
Board of Trustee	Dr. Tony Sanders
Board of Trustee	Ms. Beth Anderson
Board of Trustee	Mr. Kevin Blackburn
Board of Trustee	Mr. Joseph Blomquist
Board of Trustee	Ms. Marsha Byas
Board of Trustee	Mr. Michael Goetz
Board of Trustee	Ms. Maria Jazo-Harris
Board of Trustee	Ms. Maureen Mena
Board of Trustee	Mr. David Miller
Board of Trustee	Mr. Fred Peronto
Board of Trustee	Mr. Larry Pfeiffer
Board of Trustee	Mr. Doug Strand

Office Locations

Springfield Office
2815 West Washington Street
Springfield, Illinois 62794

Lisle Office
4200 Commerce Court, Suite 100
Lisle, Illinois 60532-3611

Chicago Office
333 West Wacker Drive, Suite 2610
Chicago, Illinois 60606

Summary

The audit of the accompanying financial statements of the Teachers' Retirement System of the State of Illinois ("System") was performed by **Forvis Mazars, LLP.**

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

Exit Conference

The System waived an exit conference in a correspondence from Deron Bertolo, Chief Financial Officer, on December 3, 2025.

Forvis Mazars, LLP
225 N. Water Street, Suite 400
Decatur, IL 62523
P 217.429.2411 | F 217.429.6109
forvismazars.us

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General
State of Illinois
and
The Board of Trustees
Teachers' Retirement System of the State of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the Statement of Fiduciary Net Position of the Teachers' Retirement System of the State of Illinois (System), a component unit of the State of Illinois, as of June 30, 2025, and the related Statement of Changes in Fiduciary Net Position for the year then ended, 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 respective 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. 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 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

The actuarially determined net pension liability, calculated as required by GASB Statement No. 67, *Financial Reporting for Pension Plans*, is dependent on several assumptions including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. These assumptions are discussed in Note A.6 of the financial statements. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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 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 polices 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 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 the net pension liability, the schedule of net pension liability, the schedule of investment returns, the schedule of contributions from employers and other contributing entities, and notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.

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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the System Officials' page, as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and basic 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 December 12, 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

Decatur, Illinois
December 12, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Teachers' Retirement System of the State of Illinois provides an overview of financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the Financial Statements and related notes that follow this discussion.

FINANCIAL HIGHLIGHTS

- The fiduciary net position of TRS at June 30, 2025 was $77.3 billion.
- During FY25, the fiduciary net position of TRS increased $5.8 billion.
- Defined benefit contributions from members, employers and the State of Illinois were $7.6 billion, an increase of $92.4 million or 1.2 percent for FY25.
- Deferred compensation contributions from employers and members were $24.4 million, an increase of $8.9 million for FY25.
- Total net investment income was $6.9 billion in FY25, compared to a $5.8 billion gain in FY24, an increase of 19.9 percent.
- Defined benefits and refunds paid to members and annuitants were $8.6 billion, an increase of $309.4 million or 3.7 percent for FY25.
- The actuarial accrued liability was $159.1 billion at June 30, 2025.
- The unfunded actuarial accrued liability was $83.1 billion at June 30, 2025. The funded ratio was 47.8 percent at June 30, 2025. The unfunded liability and funded ratio are calculated using a smoothed value of assets, as required under Public Act 96-0043.
- The total pension liability (TPL) was $162.0 billion at June 30, 2025.
- The net pension liability (NPL) was $84.8 billion at June 30, 2025. The plan fiduciary net position, as a percentage of total pension liability, was 47.7 percent.

The Financial Statements consist of:

Statement of Fiduciary Net Position. This statement reports the fiduciary net position which represents the difference between the financial statement elements comprised of assets and liabilities. It is the balance sheet for the pension system and reflects the June 30, 2025 net position (assets less liabilities) available for the payment of benefits and other fiduciary activities of the System.

Statement of Changes in Fiduciary Net Position. This statement details transactions that occurred during the fiscal year. It is the income statement of TRS and reflects the additions and deductions to fiduciary net position recorded throughout the fiscal year. This statement supports the change in the value of net position reported on the Statement of Fiduciary Net Position.

Notes to the Financial Statements. The notes are an integral part of the financial statements and include additional information not readily evident in the statements themselves.

Required Supplementary Information and Supplementary Information. The required supplementary information and supplementary information following the notes to the financial statements provide historical and additional detailed information considered useful in evaluating the pension system's financial condition.

Plan Reporting. The financial statements and notes presented in the TRS FY25 ACFR include two separately reported plans. The plans included are the TRS Defined Benefit Pension Plan, a fiduciary component unit of TRS, and the Deferred Compensation Plan, not a component unit of TRS but a custodial fund reporting fiduciary activities.

The following are condensed comparative financial statements.

CONDENSED COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION AS OF JUNE 30

	2025	Percentage Change	2024
Cash	$16,244,760	(46.9)%	$30,612,216
Receivables and prepaid expenses	2,673,254,234	14.9	2,326,392,969
Investments	76,590,555,598	7.6	71,173,673,106
Invested securities lending collateral	1,325,591,421	2668.2	47,886,000
Capital assets	7,023,321	0.7	6,972,221
Total assets	**80,612,669,334**	**9.5**	**73,585,536,512**
Total liabilities	**3,354,606,501**	**54.9**	**2,165,205,467**
Total fiduciary net position	**$77,258,062,833**	**8.2%**	**$71,420,331,045**

CONDENSED COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEARS ENDED JUNE 30

	2025	Percentage Change	2024
Contributions	$7,576,251,436	1.4%	$7,475,016,704
Net investment income	6,902,120,417	19.9	5,757,906,980
Participant fee income	325,661	107.2	157,139
Total additions	14,478,697,514	9.4	13,233,080,823
Benefits and refunds	8,569,786,477	3.7	8,260,383,852
Contributions sent to third-party administrator	24,320,882	57.1	15,477,104
Administrative expenses	46,858,367	21.6	38,536,723
Total deductions	8,640,965,726	3.9	8,314,397,679
Net increase in fiduciary net position	**5,837,731,788**	**18.7**	**4,918,683,144**
Total fiduciary net position - beginning of year	**71,420,331,045**	**7.4**	**66,501,647,901**
Total fiduciary net position - end of year	**$77,258,062,833**	**8.2%**	**$71,420,331,045**

FINANCIAL ANALYSIS

TRS was created to provide retirement, survivor and disability benefits to qualified members. Increases or decreases in the plan's fiduciary net position serve as useful indicators of TRS's financial position. The fiduciary net position was $77.3 billion at June 30, 2025.

CONTRIBUTIONS

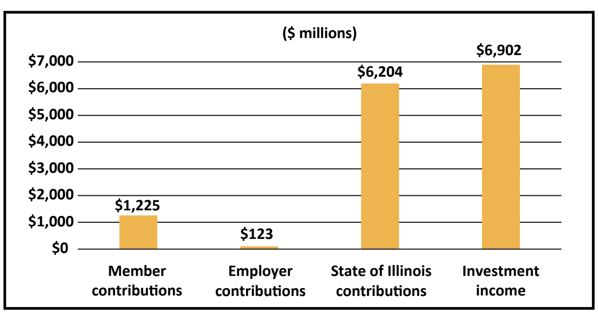
Defined benefit contributions increased $92.4 million during FY25. Contributions from the State of Illinois increased $45.2 million, member contributions increased $56.0 million and employer contributions from school districts decreased $8.8 million.

TRS Deferred Compensation Plan contributions totaled $24.4 million for FY25. This was an increase of $8.9 million as member participation increased from the prior year.

Public Act 100-0023 requires that the impact on state contributions due to changes in actuarial assumptions be phased in over five years on a retroactive basis.

State funding law provides for a 50-year funding plan that includes a 15-year phase-in period and a goal of 90 percent funding in the year 2045.

Defined Benefit Revenues by Type for the Year Ended June 30, 2025



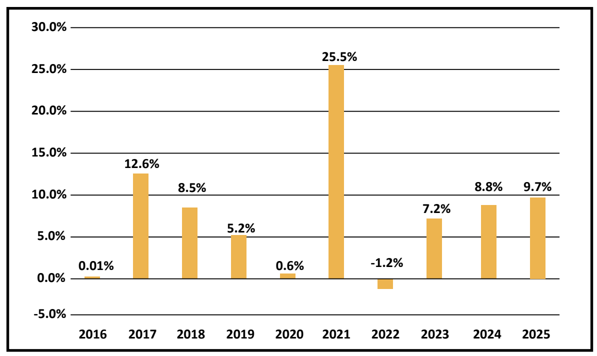
INVESTMENTS

The TRS trust fund is invested according to law under the "prudent person rule" requiring investments to be managed solely in the interest of fund participants and beneficiaries. Principles guiding the investment of funds include preserving the long-term principal of the trust fund and maximizing total return within prudent risk parameters.

The TRS investment portfolio earned 9.7 percent, net of fees, for the fiscal year ended June 30, 2025. In another year dominated by high inflation, market volatility and global geopolitical concerns, the investment strategy employed by TRS protected assets and limited the System's portfolio loss. TRS ended the fiscal year beating the assumed rate of return of 7.0 percent by 270 basis points.

During the fiscal year, total TRS investment assets increased approximately $5.4 billion, including a net investment gain of $6.9 billion. The significant increase in investment income contributed to the portfolio's positive return.

Annual Rate of Return (net of investment expenses)

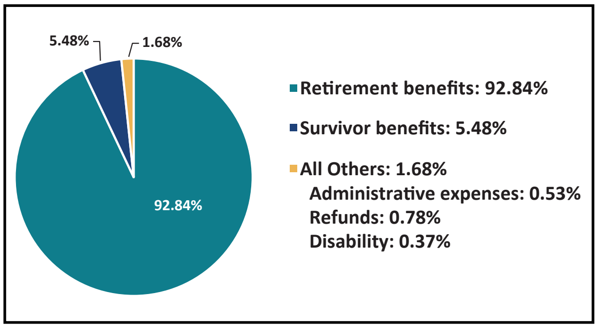


DEFINED BENEFITS AND REFUNDS

Retirement, survivor and disability benefit payments increased $310.8 million during FY25. Benefit payments increased to $8.5 billion with 134,395 recipients in FY25. The overall increase in benefit payments is due to an increase in retirement and survivor benefits as well as the number of retirees. Retirement benefits were higher as a result of annual increases in retirement benefits and an increase in the number of retirees from 118,637 as of June 30, 2024 to 119,914 as of June 30, 2025.

Refunds of contributions decreased $1.4 million in FY25.

Defined Benefit Deductions by Type for the Year Ended June 30, 2025



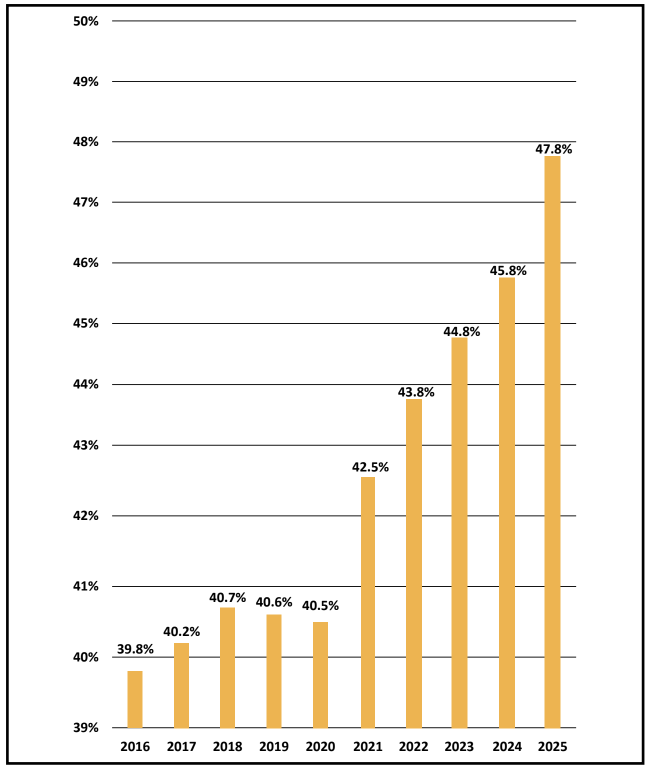
ACTUARIAL

For statutory funding and financial reporting, an actuarial valuation is performed annually and measures the total liability for all benefits earned to date. The actuarial accrued liability is a present value estimate of all benefits earned to date but not yet paid. The actuarial accrued liability based on statutory funding requirements increased $4.8 billion in FY25 to $159.1 billion at June 30, 2025. The actuarial unfunded liability is the present value of benefits allocated to service accrued-to-date that are not covered by the actuarial value of assets as of the valuation date. The actuarial unfunded liability based on the actuarial value of assets decreased $0.6 billion during FY25 to $83.1 billion at June 30, 2025. The funded ratio reflects the percentage of the actuarial accrued liability covered by the actuarial value of assets. The funded ratio increased from 45.8 percent on June 30, 2024 to 47.8 percent on June 30, 2025.

The actuarial unfunded liability and funded ratio are based on the actuarial value of assets. Public Act 96-0043 requires the five state retirement systems to smooth actuarial gains and losses on investments over a five-year period.

When the funded ratio was based on the fair value of assets, the reported funded ratio was impacted immediately by changes in market conditions. State funding requirements based on fair value assets also were impacted immediately and therefore were more volatile. Using the actuarial value of assets results in more stable reported funded ratios and state funding requirements over time.

Funded Ratio Based on Actuarial Value of Assets



The funded ratio in this chart is the ratio of actuarial assets to the actuarial liability. An increase in this ratio indicates an improvement in TRS's ability to meet future benefit obligations.

During FY14, TRS implemented GASB Statement No. 67, "Financial Reporting for Pension Plans." As a result of implementing the new statement, TRS is required to disclose the net pension liability (NPL) and total pension liability (TPL) in the Financial Statement Notes and Required Supplementary Information in accordance with criteria which differs from criteria used to disclose the actuarial accrued liability and actuarial unfunded liability. The TPL is $162.0 billion at June 30, 2025, while the NPL is $84.8 billion at June 30, 2025.

LEGISLATIVE

Public Act 104-0284

Supplemental Savings Plan Clarifications

Includes changes to the Supplemental Savings Plan section of the Pension Code to reflect the administration of the plan and applicable law more accurately.

Employer Contribution Payment Time Extended

Permits school districts to remit employer contributions due on salary increases in excess of 6 percent for a member's retirement within seven years of receipt. It was formerly within three years of receipt.

FINANCIAL STATEMENTS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Defined Benefit Pension Plan	Deferred Compensation Custodial Fund	Total
Assets			
Cash	$16,244,760	$ -	$16,244,760
Receivables and prepaid expenses:			
Member contributions	145,865,724	514,332	146,380,056
Participant DC fees	-	112,169	112,169
Employer contributions	18,597,473	2,330	18,599,803
State of Illinois	621,225	-	621,225
Investment income	198,627,037	-	198,627,037
Other receivables	5,516,326	3,044	5,519,370
Pending investment sales	2,303,394,574	-	2,303,394,574
Total receivables and prepaid expenses	2,672,622,359	631,875	2,673,254,234
Investments, at fair value:			
Fixed income	8,362,418,363	-	8,362,418,363
Public equities	27,508,085,606	-	27,508,085,606
Alternative investments	38,534,016,496	-	38,534,016,496
Derivatives	(7,069,183)	-	(7,069,183)
Short-term investments	2,121,920,261	-	2,121,920,261
Foreign currency	71,184,055	-	71,184,055
Total investments	76,590,555,598	-	76,590,555,598
Invested securities lending collateral:			
Securities lending collateral	1,291,690,421	-	1,291,690,421
Securities lending collateral with the State Treasurer	33,901,000	-	33,901,000
Total invested securities lending collateral	1,325,591,421	-	1,325,591,421
Capital assets:			
Capital assets, net of accumulated depreciation	3,478,455	-	3,478,455
Right to use assets, net of amortization	3,544,866	-	3,544,866
Total capital assets, net	7,023,321	-	7,023,321
Total assets	**80,612,037,459**	**631,875**	**80,612,669,334**
Liabilities			
Administrative expenses payable	6,234,910	5,545,328	11,780,238
Benefits and refunds payable	8,005,758	2,890	8,008,648
Lease and subscription liabilities	2,528,375	-	2,528,375
Investment expenses payable	119,692,859	-	119,692,859
Pending investment purchases	1,887,568,881	-	1,887,568,881
Securities lending collateral	1,324,675,060	-	1,324,675,060
Third-party administrator payable	-	352,440	352,440
Total liabilities	**3,348,705,843**	**5,900,658**	**3,354,606,501**
Total fiduciary net position (deficit) restricted for pensions and other	**$77,263,331,616**	**($5,268,783)**	**$77,258,062,833**

See accompanying Notes to Financial Statements.

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Defined Benefit Pension Plan	Deferred Compensation Custodial Fund	Total
Additions			
Contributions:			
Members	$1,224,699,297	$24,219,417	$1,248,918,714
State of Illinois	6,203,788,670	-	6,203,788,670
Employers:			
Federal funds	32,914,814	-	32,914,814
2.2 benefit formula	77,404,052	-	77,404,052
Excess employer costs	13,042,794	-	13,042,794
Employer SSP	-	182,392	182,392
Total contributions	7,551,849,627	24,401,809	7,576,251,436
Investment income:			
Net increase in fair value of investments	5,355,235,033	-	5,355,235,033
Alternatives income	1,500,950,850	-	1,500,950,850
Interest and dividends	1,122,950,821	-	1,122,950,821
Other investment income	10,499,276	-	10,499,276
Securities lending income	3,022,174	-	3,022,174
Less investment expenses:			
Alternatives expense	590,979,396	-	590,979,396
Direct investment expense	498,803,105	-	498,803,105
Securities lending management fees	755,236	-	755,236
Net investment income	6,902,120,417	-	6,902,120,417
Other income:			
Participant fees and dividends	-	325,607	325,607
SSP forfeitures	-	54	54
Total other income	-	325,661	325,661
Total additions	**14,453,970,044**	**24,727,470**	**14,478,697,514**
Deductions			
Retirement benefits	7,998,555,247	-	7,998,555,247
Survivor benefits	472,172,170	-	472,172,170
Disability benefits	31,470,753	-	31,470,753
Refunds	67,588,307	-	67,588,307
Contributions sent to third-party administrator	-	24,320,882	24,320,882
Administrative expenses	45,565,876	1,292,491	46,858,367
Total deductions	**8,615,352,353**	**25,613,373**	**8,640,965,726**
Net increase/(decrease) in net position	5,838,617,691	(885,903)	5,837,731,788
Total fiduciary net position			
Beginning of year (deficit)	71,424,713,925	(4,382,880)	71,420,331,045
End of year (deficit)	**$77,263,331,616**	**($5,268,783)**	**$77,258,062,833**

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTIONS

1. Reporting Entity

a. Defined Benefit Plan

The Teachers' Retirement System of the State of Illinois (TRS) is a public employee retirement system (PERS), that administers a cost-sharing, multiple-employer defined benefit pension plan. That pension plan is a fiduciary component unit of TRS. Membership is mandatory for all full-time, part-time and substitute public school personnel employed outside of Chicago in positions requiring licensure. Persons employed at certain state agencies and certain non-government entities also are members. Established by the State of Illinois, TRS is governed by the Illinois Pension Code (40 ILCS 5/16). TRS is a component unit of the State of Illinois and is included in the State's financial statements as a pension trust fund.

b. Deferred Compensation Plan

TRS also administers a deferred compensation plan. Pursuant to Section 16-204 of the Illinois Pension Code, the Board of Trustees of TRS established the TRS Supplemental Savings Plan (SSP). The SSP is an eligible deferred compensation plan (DCP) under Section 457(b) of the Internal Revenue Code. Membership is voluntary for eligible TRS members first employed in a TRS-covered position prior to Jan. 1, 2023. Eligible members first employed on or after Jan. 1, 2023 are automatically enrolled unless they opt out of the program. The assets of the SSP are maintained under a trust for the exclusive benefit of participants and beneficiaries. TRS uses a third-party administrator and acts as a pass-through entity for contributions received, thus assets in the trust are not controlled by TRS. Participating members, not TRS, direct the third-party administrator regarding use, exchange or employment of assets within their own accounts. The SSP is reported in a custodial fund as a fiduciary activity because it is not a component unit of TRS.

The net position deficit is a result of start-up expenses and technology costs expended in order to develop and implement the SSP. The deficit will be eliminated in future years as SSP participants increase and participation fees begin to offset plan costs.

TRS uses criteria established by the Governmental Accounting Standards Board (GASB) to determine whether other entities should be included within its financial reporting entity.

2. Employers

Members of TRS are employed by school districts, special districts, certain state agencies and certain non-governmental entities. Each employer remits member contributions to TRS.

Employers are responsible for employer contributions for:

- Teachers paid from federal funds.
- The 2.2 formula increase.
- Salary increases in excess of 6 percent. When a member retires, the employer is required to pay TRS contributions equal to the actuarial value of a pension benefit that results from any salary increase over 6 percent that is used in a retiring member's final average salary calculation. Several permanent exemptions are in effect for excess salary increases.
- Sick leave days received in excess of the normal annual allotment and applied to service credit for members in their final four years prior to retirement.
- Any portion of a member's salary that is greater than the governor's statutory salary.

In addition, the State of Illinois is a nonemployer contributing entity that provides employer contributions on behalf of the System's employers. For information about employer contributions made by the State of Illinois, see "Schedule of Contributions from Employers and Other Contributing Entities" within the Required Supplementary Information (RSI) section of this report.

Number of Employers (as of June 30)

	2025
Local school districts	850
Special districts	136
State agencies	9
Total	**995**

3. Members

TRS Membership (as of June 30)

	2025
Active members	174,157
Inactive members	154,395
Retirees and beneficiaries	134,395
Total	**462,947**

4. Board of Trustees

TRS is governed by a 15-member Board of Trustees. Trustees include the state superintendent of education, seven trustees appointed by the governor, five trustees elected by contributing TRS members, and two trustees elected by TRS annuitants. The president of the Board of Trustees, by law, is appointed by the governor from among the sitting trustees. The Board of Trustees elects its vice president from among its members. The Board of Trustees appoints an executive director who also serves as the secretary of the Board of Trustees. The executive director is responsible for the daily operations at TRS.

5. Benefit Provisions

a. Defined Benefit Plan

Governed by the Illinois Pension Code (40 ILCS 5/16), which is subject to amendment by the Illinois General Assembly and approval by the governor, TRS provides retirement, death and disability benefits. Membership is mandatory for all full-time, part-time and substitute public school personnel who are licensed and employed in Illinois outside the city of Chicago.

Public Act 96-0889 (Act), which was signed into law in the spring of 2010, added a new section to the Pension Code that applies different benefits to anyone who first contributes to TRS on or after Jan. 1, 2011 and does not have any previous service credit with one of the reciprocal retirement systems in Illinois. Members who first participate on or after that date are members of Tier 2.

The Act does not apply to anyone who made contributions to TRS prior to Jan. 1, 2011. They remain participants of Tier 1.

Tier 3 was created in July 2017. It is a hybrid retirement plan with both defined benefit and defined contribution plan components.

Tier 1 Benefits

A member qualifies for an age retirement annuity after meeting one of the following requirements: age 62 with five years of service credit; age 60 with 10 years; or age 55 with 20 years. If a member retires between the ages of 55 and 60 with fewer than 35 years of service, the annuity will be reduced at the rate of 0.50 percent for each month the member is under age 60. A member with fewer than five years of creditable service and service on or after July 1, 1947, is entitled to a single-sum benefit payable at age 65.

A retirement benefit is determined by the average of the four highest consecutive annual salary rates within the last 10 years of creditable service with one exception. Public Act 102-0016 removes the consecutive years requirement for members who are retiring on or after June 1, 2021 and the 2020-21 school year is used in the member's final average salary. The final average salary will be based on the four highest years within the last 10 years of creditable service.

Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. The 2.2 percent formula became effective July 1, 1998 but service earned before that date can be upgraded to the 2.2 formula with a member contribution. The cost of the upgrade can be reduced if members upgrade and continue teaching after 1998. A graduated formula applies to service earned before 1998 and provides a maximum benefit of 75 percent of average salary with 38 years of service.

Tier 1 members who contributed to TRS before July 1, 2005 receive a money purchase (actuarial) benefit if it provides a higher benefit than the 2.2 or graduated formulas. The 75 percent cap does not apply to the money purchase benefit.

All Tier 1 retirees receive an annual 3 percent increase on the current retirement benefit beginning Jan. 1 following the attainment of age 61 or on Jan. 1 following the member's first anniversary in retirement, whichever is later.

Disability and death benefits are provided.

If a member leaves covered employment, TRS will refund a member's retirement contributions upon request. The refund consists of actual contributions, excluding the 1 percent death benefit contribution.

Effective July 1, 2017, Tier 1 members contribute 9.0 percent of their creditable earnings to TRS and an additional contribution to a retiree health insurance program that is not administered by TRS.

Tier 2 Benefits

Differences with Tier 1 include raising the minimum eligibility to draw a retirement benefit to age 67 with 10 years of service. A discounted annuity can be paid at age 62 with 10 years of service. The Tier 2 law caps creditable earnings and contributions used for retirement purposes at a level that is lower than the Social Security wage base. Tier 2 annual increases will be the lesser of 3 percent or ½ percent of the rate of inflation of the original benefit beginning Jan. 1 following attainment of age 67 or on Jan. 1 following the member's first anniversary in retirement, whichever is later.

The 2.2 retirement formula also applies to Tier 2, but the final average salary is based on the member's highest average salary earned during eight consecutive years out of the last 10 years of service with one exception. Public Act 102-0016 removes the consecutive years requirement for members who are retiring on or after June 1, 2021 and the 2020-21 school year is used in the member's final average salary. The final average salary will be based on the eight highest years within the last 10 years of creditable service.

The single-sum benefit also is payable at age 65 to Tier 2 members with fewer than five years of service. The money purchase (actuarial) benefit is not available to Tier 2 members.

Disability and refund provisions for Tier 2 are identical to those that apply to Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Effective July 1, 2017, Tier 2 members contribute 9.0 percent of their creditable earnings to TRS and an additional contribution to a retiree health insurance program that is not administered by TRS.

Tier 3 Benefits

Enacted in July of 2017, the Tier 3 benefit is designed to be a hybrid retirement plan with two parts – a defined benefit (DB) pension and a defined contribution (DC) savings plan.

Under the law, Tier 3 members would make payroll contributions to their DB pensions that are based on the full cost of this part of the benefit, but no more than 6.2 percent of salary. In addition, Tier 3 members would contribute a minimum of 4 percent of their pay to the DC portion of the plan.

At retirement, TRS members would receive a pension and be able to access funds from their DC savings account as they see fit.

However, an implementation date for Tier 3 has not been set. As written, the current language of the Tier 3 statute inadvertently conflicts with other provisions of the Illinois Pension Code. Until these differences are corrected by the legislative and executive branches, Tier 3 cannot be implemented.

b. Deferred Compensation Plan

The Deferred Compensation Plan provides retirement benefits to participating members. All contributions are held in Trust for the exclusive benefit of participants and beneficiaries. Participants are always 100 percent vested in all contributions and investment earnings (including employer contributions and related investment earnings), regardless of years of service credit attained. A Participant is not entitled to a distribution of his/her accounts under the Plan until the earlier of the Participant's severance from employment or the calendar year in which the Participant attains age 59 and one half (59 ½). Exceptions to distribution restrictions rules include death, disability and unforeseeable financial emergency.

6. Actuarial Measurements

The Schedule of Changes in the Net Pension Liability, Schedule of the Net Pension Liability and the Schedule of Contributions from Employers and Other Contributing Entities may be found in the Required Supplementary Information.

Member, employer and state contributions are statutorily defined by the Illinois Pension Code (40 ILCS 5/16), which is subject to amendment by the Illinois General Assembly with approval by the governor. Since July 1, 1995, state appropriations have been made through a continuing appropriation.

Member contributions are allocated as follows: 7.5 percent for retirement; 0.5 percent for post-retirement increases; and 1 percent for death benefits.

Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through state appropriations from the Common School Fund. Employers also make contributions for the 2.2 benefit formula and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due and the total employer normal cost on salaries exceeding the governor's salary.

State funding law provides for a 50-year funding plan that includes a 15-year phase-in period.

Public Act 96-0043, which was effective July 15, 2009, requires TRS to use a five-year smoothing method for asset valuation beginning on June 30, 2009. State contribution requirements were first affected by this change in FY11.

Public Act 100-0023, which was effective July 6, 2017, requires the impact on state contributions due to changes in actuarial assumptions to be phased in over five years. State contribution requirements were first affected by this change in FY18. The FY18 requirement was recertified in January 2018 due to the new law.

Administrative expenses are budgeted and approved by the TRS Board of Trustees. Funding for these expenses is included in the employer contribution, as determined by the annual actuarial valuation.

Pension Liability

The actuarial assumptions included in the June 30, 2025 actuarial valuation were used to calculate the June 30, 2025 total pension liability. These assumptions were based on the latest experience study conducted by TRS actuaries, as discussed later in this section.

As of June 30, 2025, the assumption for future investment returns was 7.0 percent, a rate unchanged from June 30, 2024. The components that make up the investment return assumption are the real rate of return, 4.5 percent, and inflation, 2.5 percent. The investment return assumption for the 2025 actuarial valuation is based on an asset allocation study conducted by the TRS investment consultant and additional analysis conducted by the actuary in 2025.

The TRS actuary used the following assumed rates of returns by asset class, excluding 2.5 percent for the assumed rate of inflation as well as investment expenses.

Expected Arithmetic Returns Over 10-20 Year Horizon

Asset Class	Return	Target Asset Allocation
Public Equity	4.59%	37.0%
Private Equity	7.93	15.0
Public Income	3.52	15.0
Private Credit	6.70	8.0
Real Estate	4.76	16.0
Infra/Other Real Assets	5.38	2.0
Diversifying Strategies	2.83	6.0
Cash Equivalents	0.25	1.0
Total		**100.0%**

If the plan's fiduciary net position is not sufficient to cover all benefit payments to current plan members, GASB Statement No. 67 requires the discount rate to be different from the assumed rate of return. Instead, the discount rate would be a blended rate, which includes the long-term expected rate of return and a municipal bond rate (the Bond Buyer's 20-Bond GO Index) as of the end of the current fiscal year. Based on the following projections, the System can use the long-term expected rate of return as the discount rate for the year ended June 30, 2025, as it did for the prior year.

TRS, with the assistance of the System's actuary, projected that the plan's fiduciary net position will provide for all benefit payments to current plan members. Projected contributions assume that all statutorily required contributions are made, including projected contributions from members, employers and the State of Illinois (nonemployer contributing entity). Projected state contributions reflect the changes enacted in Public Acts 100-0023, 100-0340, 100-0587, 101-0010 and 102-0718. However, the projections do not include any assumptions about the utilization of Tier 3 under PA 100-0023.

Estimated contributions from employers and the State of Illinois, of which the majority of the contributions (approximately 99 percent) are provided by the State of Illinois, are projected to be approximately $6.5 billion in FY26 and grow to $10.4 billion by FY45 based on present statutory requirements for current members. Tier 1's liability is partially funded by Tier 2 because the Tier 2 member contributions are higher than the cost of Tier 2 benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate.

The actuarial cost method required for financial reporting purposes is the entry age normal method. For TRS, TPL is developed and rolled forward to the valuation date based on member census data one year prior. TPL is projected to the June 30, 2025 measurement date based on census data as of June 30, 2024. Assets, included in plan fiduciary net position, are measured at fair value.

Net Pension Liability

	June 30, 2025
Total pension liability	$162,014,881,717
Plan fiduciary net position	77,263,331,616
Net pension liability	$84,751,550,101
Plan fiduciary net position as a percentage of the total pension liability	47.7%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current	1% Increase
Discount rate	6.0%	7.0%	8.0%
Net pension liability	$105,432,099,580	$84,751,550,101	$67,591,096,780

Most of the actuarial assumptions used in the June 30, 2025 actuarial valuation are based on the actuarial experience analysis dated August 16, 2024 that covered the period July 1, 2020 through June 30, 2023 and the economic experience review presented at the June 2025 Board meeting.

Actuarial Assumptions Used for Financial Reporting Disclosure

Actuarial Valuation Date	June 30, 2025
Census Date:	June 30, 2024 with total pension liability projected to June 30, 2025.
Actuarial Cost Method:	
For financial reporting purposes	Entry age normal
Asset Valuation Method:	
For financial reporting purposes	Fair value as of valuation date
Actuarial Assumptions:	
Investment rate of return	7.0% adopted effective June 30, 2022 and reaffirmed at the June 18, 2025 Board meeting.
Real rate of investment return	4.50%
Projected salary increases	8.50% with 1 year of service to 4.00% with 20 or more years of service. Includes inflation and real wage growth (productivity) assumptions.
Group size growth rate	0%
Assumed inflation rate	2.50%
Post-retirement increase	Tier 1: 3%, compounded; Tier 2: 1.25%, not compounded.
Mortality table:	PubT - 2010 adjusted for TRS experience with future mortality improvements on a fully generational basis using the 2024 Adjusted Scale MP-2021.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial transactions of TRS are recorded using the economic resources measurement focus and the accrual basis of accounting. Member and employer contributions are recognized as additions when due pursuant to statutory or contractual requirements. Benefits and refunds are recognized as deductions when they are due and payable in accordance with the terms of the plan.

2. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of additions to and deductions from net position during the reporting period. Actual results could differ from these estimates. TRS uses an actuary to determine the total pension liability for the defined benefit plan and to determine the actuarially-required contribution.

3. Risks and Uncertainties

TRS investments are diversified and include various investment securities. Investment securities are exposed to a variety of risk including credit, market and interest rate risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that value changes will occur in the near-term and such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

4. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that may affect the reporting of future financial statements:

Adopted in 2025

GASB Statement No. 101: *Compensated Absences*, is effective for fiscal years beginning after December 15, 2023. The System has noted and implemented this guidance with an immaterial impact on the financial statements.

GASB Statement No. 102: *Certain Risk Disclosures*, is effective for fiscal years beginning after June 15, 2024. TRS has reviewed and implemented this guidance and has determined no disclosures were required for the current reporting period. Ongoing monitoring for such risks will continue.

Not Yet Effective

GASB Statement No. 103: *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. Management is currently evaluating this pronouncement and does not expect it to have a material impact on the System's financial statements based on preliminary review.

GASB Statement No. 104: *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. While the exact impact on our financial presentation is still under review, we anticipate only moderate changes to capital asset disclosures.

5. Method Used to Value Investments

TRS reports investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for publicly traded equities, foreign currency and exchange traded derivatives is determined by using the closing price listed on national securities exchanges as of June 30. Fair value for most of fixed income securities and over-the-counter derivatives is determined primarily by using quoted market prices provided by independent pricing services. Short-term investments are generally reported at amortized cost, which approximates fair value. Appraisals are used to determine fair value on directly owned real estate investments. Fair value for private equity investments, diversifying funds and partnership interests in real estate and real assets is determined by TRS staff and the general partners or investment managers in accordance with the provisions in the individual agreements. These agreements also require that an independent audit be performed on an annual basis.

6. Capital Assets, Including Lease and Subscription Assets

TRS categorizes capital assets as tangible capital assets and intangible right to use assets.

Tangible capital assets are stated on the basis of historical cost. Depreciation is computed using the straight-line method based upon the capitalization thresholds and estimated useful lives of the assets (Building and building improvements: $25,000, 10 - 40 years; Equipment and furniture $5,000, 3 - 10 years; Computer software: $25,000, 3 - 5 years).

Intangible right-to-use assets are measured at the present value of expected payments over the term of the contract. The capitalization threshold for lease assets and subscriptions is $100,000 for a term greater than one year. Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Capital Assets, Not Depreciated:				
Construction in Progress	$ -	$455,902	$ -	$455,902
Land	235,534	-	-	235,534
Mineral Lease Rights	2,643	-	-	2,643
	238,177	455,902	-	694,079
Capital Assets, Depreciated or Amortized:				
Office Building	9,885,038	-	-	9,885,038
Site Improvements	1,151,601	17,313	-	1,168,914
Equipment & Furniture	3,658,132	229,256	765,880	3,121,508
Purchased Software	295,045	-	-	295,045
Internally Generated Software (IGS)	12,412,492	-	-	12,412,492
Right to Use Asset - Office Buildings	1,884,801	-	2,726	1,882,075
Right to Use Asset - Copiers	104,529	-	-	104,529
Right to Use Asset - Computer Software	2,391,701	2,395,082	1,306,695	3,480,088
	31,783,339	2,641,651	2,075,301	32,349,689
Less Accumulated Depreciation or Amortization:				
Office Building	8,686,319	235,384	-	8,921,703
Site Improvements	1,072,905	12,525	-	1,085,430
Equipment & Furniture	3,251,135	184,225	822,782	2,612,578
Purchased Software	295,045	-	-	295,045
Internally Generated Software (IGS)	9,543,480	1,640,385	-	11,183,865
Right to Use Asset - Office Buildings	485,919	174,770	-	660,689
Right to Use Asset - Copiers	69,686	34,843	-	104,529
Right to Use Asset - Computer Software	1,644,806	804,121	1,292,319	1,156,608
	25,049,295	3,086,253	2,115,101	26,020,447
Total Net Capital Assets	**$6,972,221**	**$11,300**	**($39,800)**	**$7,023,321**

7. Compensated Absences

When employment is terminated, TRS employees are entitled to receive compensation for all accrued unused vacation time and one-half of all unused sick leave earned through Dec. 31, 1997. Sick time earned after Dec. 31, 1997 is not compensable at termination. Noncompensable sick time can be converted to pension service credit. Amounts expected to be converted to service credit are included in the net pension liability and therefore excluded from the compensated absence liability.

At June 30, 2025, the System had a liability of $4,647,853 for compensated absences, an increase of $2,263,315 from the June 30, 2024 liability. The estimated amount due within one year is $2,652,346. The implementation of GASB 101 did not result in a material impact on TRS's financial statements, therefore, prior year amounts were not restated.

Beginning with June 30, 2025, the liability now includes noncompensable earned time that is more likely than not to be used by employees during their employment with TRS. The liability is included in administrative and investment expenses payable on the Statement of Fiduciary Net Position. For non-investment staff, the increase in liability is reflected in the financial statements as administrative expense. For investment staff, the increase is reflected as investment expense.

8. Receivables

Receivables consist primarily of 1) member and employer contributions owed and yet to be remitted by the employing districts, 2) interest, dividends, real estate and private equity income owed to TRS, 3) appropriations not yet received from the State of Illinois as of June 30 and 4) pending investment sales.

TRS assesses penalties for late payment of contributions and may collect any unpaid amounts from the employing districts by filing a claim with the appropriate regional superintendent of education or the Office of the Comptroller against future state aid payments to the employer. TRS considers these employer receivables to be fully collectible.

TRS has recorded an allowance for uncollectible receivables in the amount of $2,824,446 to account for amounts of benefit overpayments deemed unlikely to be collected from members.

9. Risk Management

TRS, as a component unit of the State of Illinois, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. TRS obtains commercial insurance for fidelity, surety and property. TRS also procures insurance for fiduciary and cyber liability.

No material commercial insurance claims have been filed in the last three fiscal years.

C. CASH

Custodial credit risk for deposits is the risk that, in the event of a bank failure, TRS's deposits may not be returned. TRS has a formal policy addressing custodial credit risk. The policy is designed to minimize custodial credit risk through proper due diligence of custody financial institutions and investment advisors; segregate safekeeping of TRS assets; establish investment guidelines and work to have all investments held in custodial accounts through an agent, in the name of custodian's nominee, in a corporate depository or federal book entry account system. For those investment assets held outside of the custodian, TRS will follow the applicable regulatory rules.

The non-investment bank balance and carrying amount of TRS's deposits was $16,244,760 at June 30, 2025. Of the bank balance, $16,244,510 was on deposit with the State Treasurer at June 30, 2025. State Treasurer deposits are in an internal investment pool collateralized at a third-party custodial bank and are not subject to custodial credit risk.

Certain investments of TRS with maturities of 90 days or less consisting of bank-sponsored, short-term investment funds, commercial paper, and certificates of deposit are reported as short-term investments in the Statement of Fiduciary Net Position. Included in the reported balances is the State Street Global Advisors Short-Term Investment Fund (STIF) with a value of $2,032,627,669 at June 30, 2025. The STIF fund has an average credit quality rating of A1P1 and a weighted average maturity of 36.0 days.

For the purposes of this disclosure, foreign currency held by investment managers is considered a deposit. However, for financial statement presentation and investment purposes, TRS considers foreign currency an investment asset. Uncollateralized foreign currency subject to custodial credit risk was $71,184,055 at June 30, 2025.

D. INVESTMENTS

1. Investment Policies

Through the TRS Board of Trustees, as authorized in the Illinois Pension Code, TRS serves as fiduciary for the members' trust funds and is responsible for investment of those funds by authority of the "prudent person rule." This rule establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

Long-term Asset Allocation

The TRS Board of Trustees has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the System's operations, including the allocation of invested assets. Plan 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 pension plan. The following table summarizes the Board-adopted, long-term allocation targets in effect as of June 30, 2025.

Long-term Asset Allocation Policy Mix	
Equity	52%
Real assets	18
Diversifying strategies	6
Income	24
Total	**100%**

2. Investment Risk

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a financial institution failure, TRS would not be able to recover the value of the investments in the possession of an outside party. The TRS investment policy adopted by the TRS Board of Trustees includes a formal process to address custodial credit risk. This policy requires the custodian to provide safekeeping of the System's assets in segregated accounts and to have the assets registered in TRS's name, custodian's nominee name or in a corporate depository or federal book entry system.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in any one issuer. Investment parameters established in the Investment Management Agreements with external managers restrict holdings to no more than 5 percent of a single issuer within an account. The TRS portfolio has no investments in any one issuer that comprise 5 percent or more of the System's total investments or fiduciary net position.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to TRS. Credit risk exposure is dictated by each investment manager's agreement. Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual security quality rating tiers and/or the average credit quality of the overall portfolio. Most guidelines allow managers to hold bonds with a minimal quality S&P rating of B- or Moody's equivalent rating of B3. However, in circumstances where position downgrades occur, investment managers have been given permission to hold securities below this rating due to circumstances such as a higher peer group rating from another nationally-recognized statistical rating organization, the investment manager's internal ratings or other mitigating factors.

As of June 30, 2025, TRS held the following fixed income investments with respective Moody's quality ratings or equivalent rating. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Quality Rating	Corporate Debt Securities	Asset-Backed Securities	Foreign Debt Securities	U.S. Agency Obligations	U.S. Government Backed Mortgages	Municipals	Commingled Funds	Total
Aaa	$89,210,644	$187,402,525	$27,922,296	$ -	$ -	$ -	$ -	$304,535,465
Aa1	67,260,977	11,951,684	15,957,101	961,359	409,235,937	-	235,203,777	740,570,835
Aa2	37,631,065	8,550,158	20,365,372	-	-	2,437,048	355,990,850	424,974,493
Aa3	140,354,569	870,755	34,515,963	-	-	-	482,888,513	658,629,800
A1	171,434,610	3,275,924	34,395,441	-	-	2,787,105	1,150,038,599	1,361,931,679
A2	97,594,600	5,261,500	110,862,031	-	-	-	306,127,610	519,845,741
A3	181,586,355	19,526,971	95,174,924	-	-	2,139,860	33,330,363	331,758,473
Baa1	140,980,023	504,554	147,856,817	-	-	-	-	289,341,394
Baa2	294,517,417	10,826,583	303,718,078	-	-	-	-	609,062,078
Baa3	320,557,272	7,852,063	257,094,794	-	-	197,905	-	585,702,034
Ba1	108,179,449	807,728	144,372,912	-	-	-	132,403,905	385,763,994
Ba2	70,155,554	1,472,325	216,766,548	-	-	-	-	288,394,427
Ba3	95,322,575	4,630,336	150,625,033	-	-	-	-	250,577,944
B1	30,426,134	744,193	87,575,948	-	-	-	26,516,424	145,262,699
B2	28,897,987	-	75,142,958	-	-	-	32,419,415	136,460,360
B3	15,696,592	1,713,588	181,970,721	-	-	-	-	199,380,901
Caa1	1,256,878	62,224	42,164,198	-	-	-	-	43,483,300
Caa2	82,485	-	67,086,387	-	-	-	-	67,168,872
Caa3	67,605	-	-	-	-	-	-	67,605
Ca	-	-	3,115,467	-	-	-	-	3,115,467
C	90,003	-	9,786,501	-	-	-	-	9,876,504
Not rated	62,445,502	26,404,861	16,639,263	-	-	-	-	105,489,626
Withdrawn	14,956,193	18,793	15,693,195	-	-	-	-	30,668,181
Total credit risk, bonds, corporate notes and government obligations	**1,968,704,489**	**291,876,765**	**2,058,801,948**	**961,359**	**409,235,937**	**7,561,918**	**2,754,919,456**	**7,492,061,872**
U.S. Treasuries								870,356,491
Total bonds, corporate notes & government obligations	**$1,968,704,489**	**$291,876,765**	**$2,058,801,948**	**$961,359**	**$409,235,937**	**$7,561,918**	**$2,754,919,456**	**$8,362,418,363**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TRS's fixed income investments are managed in accordance with operational guidelines that are specific as to the degree of interest rate risk that can be taken. TRS manages the interest rate risk within the portfolio using various methods including effective duration, option adjusted duration, average maturity and segmented time distribution, which reflect the total fair value of investments maturing during a given time period.

The segmented time distribution of the various investment types of TRS debt securities as of June 30, 2025 is as follows:

		Maturity in Years				
Type	**2025 Fair Value**	**Less Than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**More Than 20 years**
U.S. treasuries/agencies	$871,317,850	$99,621,900	$407,386,536	$194,371,552	$44,633,438	$125,304,424
U.S. government-backed mortgages	409,235,937	-	27,961,691	53,677,483	28,170,179	299,426,584
Municipals	7,561,918	-	197,905	949,541	2,713,769	3,700,703
Asset-backed securities	291,876,765	-	185,180,828	38,276,162	23,424,290	44,995,485
Commingled funds (U.S. & international)*	2,754,919,456	40,839,863	582,661,369	1,552,068,436	579,349,788	-
Corporate debt securities	1,968,704,489	126,987,992	1,057,435,003	465,299,703	129,851,889	189,129,902
Foreign debt/corporate obligations	2,058,801,948	65,295,463	777,367,549	676,114,485	369,970,650	170,053,801
Total bonds, corporate notes and government obligations	**8,362,418,363**	**332,745,218**	**3,038,190,881**	**2,980,757,362**	**1,178,114,003**	**832,610,899**
Derivatives	(7,069,183)	41,269,955	(5,690,403)	(414,563)	9,247	(42,243,419)
Total bonds, corporate notes, government obligations, securities lending collateral and derivatives	**$8,355,349,180**	**$374,015,173**	**$3,032,500,478**	**$2,980,342,799**	**$1,178,123,250**	**$790,367,480**

** Weighted average maturity figures were used if available to plot the commingled funds within the schedule.*

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. TRS's currency risk exposure, or exchange rate risk, is primarily derived from its holdings in foreign currency-denominated equity, fixed income and derivative investments as well as foreign currency. According to TRS's Investment Policy and investment manager agreements, international equity and global fixed income managers, at their discretion, may or may not hedge the portfolio's foreign currency exposures with currency forward contracts or options, depending upon their views on a specific country or foreign currency relative to the U.S. dollar.

TRS's exposure to foreign currency risk in U.S. dollars as of June 30, 2025 is as follows:

Currency	Foreign Currency	Equities	Fixed Income	Derivatives	Total
Australian Dollar	$2,144,220	$256,670,546	$ -	$ -	$258,814,766
Brazilian Real	(14,943,275)	102,196,476	72,589,371	(374,835)	159,467,737
British Pound	8,329,208	1,212,213,410	-	-	1,220,542,618
Canadian Dollar	2,491,047	648,791,187	-	-	651,282,234
Chilean Peso	284,045	8,494,416	5,649,751	(24,429)	14,403,783
Chinese Yuan	134,423,303	-	-	-	134,423,303
Chinese Yuan Renminbi	(131,173,983)	333,610,129	18,796,165	522,856	221,755,167
Colombia Peso	61,574	2,867,038	37,679,599	(14,277)	40,593,934
Czech Koruna	479,830	1,846,394	18,982,176	(713,311)	20,595,089
Danish Krone	1,232,545	120,882,497	-	-	122,115,042
Dominican Peso	-	-	1,061,587	-	1,061,587
Egyptian Pound	186,895	1,712,475	27,711,532	2,018,220	31,629,122
Emirati Dirham	56,706	67,949,465	-	-	68,006,171
Euro	21,807,295	2,734,365,220	65,886,540	(1,845,920)	2,820,213,135
Hong Kong Dollar	5,278,183	677,904,484	-	(345,832)	682,836,835
Hungarian Forint	487,051	21,307,107	35,678,628	(266,998)	57,205,788
Indian Rupee	236,911	532,673,711	57,949,330	67,698	590,927,650
Indonesian Rupiah	1,753,322	51,814,011	56,242,097	-	109,809,430
Israeli Shekel	388,339	58,606,854	-	114,347	59,109,540
Japanese Yen	13,814,277	1,494,140,030	-	-	1,507,954,307
Kazakhstani Tenge	-	1,054,320	-	-	1,054,320
Kuwati Dinar	59,044	168,072	-	-	227,116
Malaysian Ringgit	1,257,624	24,550,575	33,593,457	75,618	59,477,274
Mexican Peso	510,541	80,132,077	79,400,646	798,565	160,841,829
Moroccan Dirham	-	5,088,111	-	-	5,088,111
New Taiwan Dollar	3,859,349	592,630,066	-	(35,324)	596,454,091
New Zealand Dollar	20,198	661,065	-	-	681,263
Nigerian Naira	-	-	-	3,720,137	3,720,137
Norwegian Krone	1,112,215	69,981,739	-	-	71,093,954
Pakistani Rupee	57,631	585,148	-	-	642,779
Paraguayan Guaraní	-	-	988,511	-	988,511
Peruvian Sol	68,857	-	66,128,495	-	66,197,352
Philippine Peso	69,360	5,072,205	-	-	5,141,565
Polish Zloty	(1,669,855)	75,231,846	52,148,474	137,957	125,848,422
Qatari Riyal	187,509	11,535,357	-	-	11,722,866
Romanian Leu	201,967	-	5,408,958	-	5,610,925
Russian Ruble	2,721,076	-	-	-	2,721,076
Saudi Riyal	1,138,734	62,791,834	-	-	63,930,568
Singapore Dollar	801,503	98,115,554	-	(93,602)	98,823,455
South African Rand	6,585,912	112,900,635	74,000,555	114,985	193,602,087
South Korean Won	911,878	440,314,735	-	(51,553)	441,175,060
Swedish Krona	1,551,389	129,864,033	-	-	131,415,422
Swiss Franc	670,500	523,478,425	-	-	524,148,925
Thailand Baht	983,190	41,707,507	16,202,945	38,772	58,932,414
Turkish Lira	588,856	16,991,043	10,102,908	-	27,682,807
Ukraine Hryvnia	168,345	-	-	-	168,345
Uruguayan Peso	-	-	2,473,364	-	2,473,364
Vietnam Dong	1,990,739	12,014,453	-	-	14,005,192
Total subject to foreign currency risk	**71,184,055**	**10,632,914,250**	**738,675,089**	**3,843,074**	**11,446,616,468**
Investments in international securities payable in U.S. dollars	-	973,512,921	1,361,283,029	(603,458)	2,334,192,492
Total international investment securities (including domestic securities payable in foreign currency)	**71,184,055**	**11,606,427,171**	**2,099,958,118**	**3,239,616**	**13,780,808,960**
Domestic investments (excluding securities payable in foreign currency)	-	15,901,658,435	6,262,460,245	(10,308,799)	22,153,809,881
Total fair value	**$71,184,055**	**$27,508,085,606**	**$8,362,418,363**	**($7,069,183)**	**$35,934,618,841**

In addition to the previous table, the fair value of TRS's investments in foreign currency denominated real asset, private credit and private equity funds was $539,026,666, $48,061,865 and $918,706,004 at June 30, 2025, respectively. Currencies included Euro, British pound, Swedish Krona and South Korean won.

3. Securities Lending Program

The TRS Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions, which are loans of securities to broker-dealers or other approved entities. The borrower of a security must post collateral in excess of the fair value of the security. TRS receives both cash and non-cash (i.e., securities) collateral.

Eligible forms of collateral include cash consisting of U.S. dollar, euro, sterling and yen, U.S. treasuries, government agency securities, certificates of deposit, letters of credit issued by approved banks and specific types of corporate debt obligations and common stock. Securities on loan are marked to market daily and collateral for the loan is required not to fall below minimum levels established by TRS and its lending agent. Agreements are in place allowing TRS, upon demand, to return the collateral in exchange for the original securities. TRS does not have the authority to pledge or sell collateral securities, without borrower default; as such, the collateral security or non-cash collateral is not reported in TRS's financial statements in accordance with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions."

As of June 30, 2025, State Street Bank & Trust Company served as the securities lending agent for the fixed income, domestic equity, international equity, and global equity lending programs. In this capacity, TRS reduces credit risk by allowing State Street to lend securities to a diverse group of dealers on behalf of TRS. At fiscal year end, TRS has no credit risk exposure to borrowers because the amount TRS owes the borrowers exceeds the amount the borrowers owe TRS. The weighted average term of the loans is 10 days as securities on loan can be recalled on demand by TRS or the borrower can return the loaned securities at any time. Since loans are terminable at will, the maturity of loans generally does not match the maturity of collateral investments. TRS may enter into term loan agreements, evaluated on an individual basis, but as of June 30, 2025, there were no term loans outstanding.

Cash collateral received is invested in a separate account managed by the lending agent, with a weighted average maturity of 116 days at June 30, 2025. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses known to the securities lending agent.

As of June 30, 2025, TRS had outstanding loaned investment securities with a fair value of $1,686,583,955 against which it had received cash and non-cash collateral with a fair value of $1,724,677,420. The securities on loan remain on TRS's Statement of Fiduciary Net Position in their respective investment categories. As of June 30, 2025, TRS cash collateral received and reported as securities lending obligation on the Statement of Fiduciary Net Position totaled $1,290,774,060; whereas the fair value of reinvested cash collateral reported as securities lending collateral was $1,291,690,421. The net increase (decrease) in fair value of investments within the Statement of Changes in Fiduciary Net Position reflects the change in fair value of the reinvested cash collateral. TRS also reports securities lending collateral with the Office of the Illinois State Treasurer on the Statement of Fiduciary Net Position. Further detail on this amount can be obtained by calling the Office of the Illinois State Treasurer at (217) 558-1250 or by visiting **www.illinoistreasurer.gov**.

Income earned and costs related to securities lending activities are reported on the Statement of Changes in Fiduciary Net Position. For FY25, the System earned net income of $2,266,938 from securities lending.

4. Derivatives

TRS, through its external investment managers, invests in derivative securities as part of its investment program. All derivatives are reported at fair value in the Statement of Fiduciary Net Position. TRS does not directly transact in derivatives but permits certain managers to use these instruments for risk management and investment purposes. TRS does not apply hedge accounting.

Derivative instruments held in the portfolio may include futures, options, swaps and forward contracts. These positions are used primarily to enhance returns and manage exposure to interest rate, currency, equity and commodity risks. Derivative investments are not leveraged through borrowing. For obligations to purchase, notional values are generally collateralized by cash or cash equivalents. For obligations to sell, the underlying reference security is typically held in the portfolio.

Derivative transactions involve credit risk and market risk. Credit risk is the risk that a counterparty fails to perform under contract terms. This risk is mitigated through the use of exchange-traded instruments cleared by regulated clearinghouses. TRS also maintains a Global Market Entity Identifier (GMEI) and legal entity identifier in compliance with Commodity Futures Trading Commission (CFTC) requirements for participation in over-the-counter markets.

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices or other market factors will adversely affect the value of a derivative or increase settlement costs. TRS manages market risk by imposing limits on the types and amounts of derivative exposures permitted within the portfolio. Compliance with these limits is monitored on a regular basis.

As of June 30, 2025, derivative investments in the TRS investment portfolio included currency forward contracts, rights, warrants, futures, options, swaps and swaptions. Within the financial statements, currency forward contracts are reflected as investment payables/receivables, rights and warrants are reflected as equities, and all futures, options, swaps and swaptions are classified as derivatives. The change in fair value of derivative investments is included in investment income on the Statement of Changes in Fiduciary Net Position.

The following tables summarize the derivatives held within the TRS investment portfolio including fair value amounts, change in fair value of derivative investments (realized and unrealized) and notional amounts of derivative instruments. Investments in limited partnerships and commingled funds may include derivatives that are not covered in the following disclosure.

As of June 30, 2025, the TRS investment portfolio held the following derivatives.

Investment Derivatives	Classification	Fair Value at June 30, 2025	Change in Fair Value	Notional Value*
Credit Default Swaps Bought	Swaps	($6,758,958)	$2,192,508	$199,804,186
Credit Default Swaps Written	Swaps	16,207	(4,818,119)	29,989,720
Fixed Income Futures Long	Futures	-	(1,253,317)	474,751,277
Fixed Income Futures Short	Futures	-	1,156,987	(73,677,866)
Fixed Income Options Bought	Options	52,522	(87,128)	19,000,000
Foreign Currency Options Bought	Options	130,508	(224,007)	92,887,938
Foreign Currency Options Written	Options	(771,217)	1,791,671	(64,317,938)
FX Forwards	Long -term Instruments	275,194	(18,097,350)	-
Index Futures Long	Futures	-	4,181,110	84,219,339
Index Futures Short	Futures	-	(2,875,570)	(336,942)
Pay Fixed Interest Rate Swaps	Swaps	2,725,042	5,148,398	177,863,258
Receive Fixed Interest Rate Swaps	Swaps	(2,070,272)	609,884	468,427,652
Rights	Common Stock	55,538	77,593	2,518
Total Return Swaps Bond	Swaps	126,592	(7,406,019)	49,794,298
Total Return Swaps Equity	Swaps	(519,607)	3,037,309	(111,835,595)
Warrants	Common Stock	103,784	(295,566)	1,345,467
Grand Total		**($6,634,667)**	**($16,861,616)**	**$1,347,917,312**

** Notional may be a dollar amount or size of underlying for futures, rights, warrants and options. Negative values (in brackets) refer to short positions.*

Currency Forward Contracts (FX Forwards)

Objective: Currency forward contracts are agreements to exchange one currency for another at an agreed upon price and settlement date. TRS's investment managers use these contracts primarily to hedge the currency exposure of its investments.

Terms: Currency forward contracts are two-sided contracts in the form of either forward purchases or forward sales. Forward purchases obligate TRS to purchase specific currency at an agreed upon price. Forward sales obligate TRS to sell specific currency at an agreed upon price. As of June 30, 2025, TRS had currency forward purchase or sale contracts for 35 different currencies with various settlement dates.

Fair Value: As of June 30, 2025, TRS's open currency forward contracts had a net fair value (unrealized gain) of $275,194.

Financial Futures (Fixed Income and Index)

Objective: Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, protect against changes in interest rates or replicate an index.

Terms: Futures contracts are standardized and traded on organized exchanges, thereby minimizing TRS's credit risk. As the daily fair value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. As of June 30, 2025, TRS had outstanding futures contracts with a notional value, or exposure, of $484,955,808. Notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through September 2025.

Fair Value: Gains and losses on futures contracts are settled daily based on the change of the index or commodity price for the underlying notional value. Because of daily settlement, the futures contracts have no fair value. TRS's realized loss on futures contracts was $3,783,042 during FY25.

Financial Options (Foreign Currency)

Objective: Financial options are agreements that give 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. The owner (buyer) of an option has all the rights, while the seller (writer) of an option has the obligations of the agreement. As a writer of financial options, TRS 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. Premiums received are recorded as a liability when the financial option is written. The Options Clearing Corporation (OCC) functions for options markets much like a clearinghouse does for futures markets.

Terms: As of June 30, 2025, the TRS investment portfolio held currency forward options with notional value of $28,570,000. Contractual principal/notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through January 2026.

Fair Value: Fluctuations in the fair value of financial options are recognized in TRS's financial statements as incurred rather than at the time the options are exercised or expire. As of June 30, 2025, the fair value of all option contracts, gross of premiums received, was ($640,709). The fair value represents the amount needed to close all positions as of that date.

Credit Default Swaps

Objective: Credit default swaps (CDS) are derivative instruments that replicate the economic effect of investing in corporate debt obligations and are used to manage exposure to credit risk. A CDS functions as a form of credit protection, transferring the risk of default on a reference security or group of securities. Credit default swaps may reference a single issuer (single-name CDS) or a group of issuers (index CDS). The primary risks associated with CDS are credit risk of the underlying reference obligations and counterparty risk.

TRS may both purchase and write credit default swaps. When purchasing protection, TRS reduces credit exposure by paying a periodic or upfront premium to a counterparty in exchange for the right to receive compensation if a credit event, such as default, occurs; in this case, TRS's maximum loss is limited to the premiums paid. When writing protection, TRS increases credit exposure by receiving a premium in exchange for the obligation to compensate the buyer if a credit event occurs, which may require payment up to the full notional value of the reference obligation; if no default occurs, TRS retains the premium received.

Terms: As of June 30, 2025, TRS had credit default swaps in its portfolio with various maturity dates through June 2030. The notional values as of June 30, 2025, included purchased credit default swaps (buying protection) of $199,804,186 and written credit default swaps (selling protection) of $29,989,720.

Fair Value: The fair value of credit default swaps held by TRS was ($6,742,751) as of June 30, 2025. This represents the amount due to or (from) TRS under the terms of the counterparty agreements.

Interest Rate Swaps

Objective: Interest rate swaps are agreements between parties to exchange a set of cash flow streams over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. Long positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease interest rate/risk exposure. Inflation-linked swaps are agreements where a fixed payment is exchanged for a variable payment linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations and are used to transfer inflation risk from one counterparty to another.

Terms: As of June 30, 2025, TRS held interest rate swaps in various currencies with various expiration/ maturity dates ranging from 2025 to 2054. Swap agreements typically are settled on a net basis, with a party receiving or paying only the net amount of the fixed/floating payments. Payments may be made at the conclusion of a swap agreement or periodically during its term.

Fair Value: The table below presents the fair value of TRS's interest rate swap exposure as of June 30, 2025.

	As of June 30, 2025
Receive floating/pay fixed	$2,725,042
Receive fixed/pay floating	(2,070,272)

Derivative Interest Rate Risk

TRS is exposed to interest rate risk on various derivative instruments, including swaptions and options. The following table summarizes, as of June 30, 2025, a segmented time schedule of derivative instruments that are highly sensitive to interest rate changes.

		Investment Maturity (in Years)			
Investment Type	Fair Value	Less Than 1 year	1 to 5 years	6 to 10 years	More than 10
Credit Default Swaps Bought	($6,758,958)	$ -	($6,758,958)	$ -	$ -
Credit Default Swaps Written	16,207	3,951	12,256	-	-
Fixed Income Options Bought	52,522	52,522	-	-	-
Pay Fixed Interest Rate Swaps	2,725,042	2,973,546	(98,126)	(115,407)	(34,971)
Receive Fixed Interest Rate Swaps	(2,070,272)	(2,969,761)	1,154,425	(299,155)	44,219
Total Return Swaps Bond	126,592	126,592	-	-	-
Total Return Swaps Equity	(519,607)	(211,184)	-	-	(308,423)
Total	**($6,428,474)**	**($24,334)**	**($5,690,403)**	**($414,562)**	**($299,175)**

TRS had the following interest rate swaps at June 30, 2025.

Asset Description	TRS Receives	TRS Pays	Notional	Fair Value June 30, 2025
Pay Fixed Interest Rate/Inflation Swaps:				
Interest Rate Swap COP	3 month IBRCO	10.13%	$1,481,895	($57,492)
Interest Rate Swap COP	3 month IBRCO	8.02	11,099,826	68,158
Interest Rate Swap COP	3 month IBRCO	8.06	2,882,407	15,579
Interest Rate Swap COP	3 month IBRCO	8.21	6,303,550	16,688
Interest Rate Swap COP	3 month IBRCO	8.19	6,095,820	17,458
Interest Rate Swap COP	3 month IBRCO	8.20	1,447,537	2,966
Interest Rate Swap COP	3 month IBRCO	8.42	2,863,605	(5,481)
Interest Rate Swap EUR	12 month ESTR	2.08	1,496,658	9,583
Interest Rate Swap HUF	6 month BUBOR	6.25	5,785,551	(9,443)
Interest Rate Swap HUF	6 month BUBOR	6.20	5,969,811	19,410
Interest Rate Swap HUF	6 month BUBOR	5.91	1,189,519	7,755
Interest Rate Swap HUF	6 month BUBOR	6.15	5,454,570	(18,137)
Interest Rate Swap ILS	4 month SHIR	4.49	26,043,059	249,846
Interest Rate Swap KRW	91 day CD-KSDA	2.65	17,634,855	(34,971)
Interest Rate Swap MXN	28 day Mexican TIIE	8.28	72,517,468	2,704,290
Interest Rate Swap PLN	6 month WIBOR	6.41	1,219,551	(147,640)
Interest Rate Swap ZAR	3 month JIBAR	7.42	1,366,533	9,115
Interest Rate Swap ZAR	3 month JIBAR	7.49	2,536,119	13,535
Interest Rate Swap ZAR	3 month JIBAR	7.98	2,489,639	(72,580)
Interest Rate Swap ZAR	3 month JIBAR	8.06	1,985,285	(63,597)
Total Pay Fixed Interest Rate/ Inflation Swaps:			**$177,863,258**	**$2,725,042**
Receive Fixed Interest Rate/ Inflation Swaps:				
Interest Rate Swap BRL	6.78%	3 month Brazilian CDI	$1,093,196	($497,991)
Interest Rate Swap BRL	11.12	3 month Brazilian CDI	112,683	(8,149)
Interest Rate Swap BRL	10.96	3 month Brazilian CDI	1,377,968	(115,480)
Interest Rate Swap BRL	13.45	3 month Brazilian CDI	2,912,722	37,900
Interest Rate Swap BRL	13.29	3 month Brazilian CDI	4,272,745	32,749
Interest Rate Swap BRL	13.26	3 month Brazilian CDI	2,145,882	13,481
Interest Rate Swap BRL	14.09	3 month Brazilian CDI	13,276,679	(3,691)
Interest Rate Swap BRL	13.40	3 month Brazilian CDI	3,897,131	14,419
Interest Rate Swap BRL	13.22	3 month Brazilian CDI	2,751,621	18,471
Interest Rate Swap CLP	3.51	6 month Chile Interbank Rate	2,501,111	(26,815)
Interest Rate Swap CLP	5.10	6 month Chile Interbank Rate	201,195	2,387

(continued)

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Asset Description	TRS Receives	TRS Pays	Notional	Fair Value June 30, 2025
Interest Rate Swap CNY	2.31%	3 Month CNRR	$7,212,337	$128,945
Interest Rate Swap CNY	2.26	3 Month CNRR	10,313,307	271,349
Interest Rate Swap CNY	1.80	3 Month CNRR	961,552	12,436
Interest Rate Swap CNY	1.48	3 Month CNRR	3,064,685	290
Interest Rate Swap CNY	1.59	3 Month CNRR	22,929,314	121,514
Interest Rate Swap CNY	1.43	3 Month CNRR	5,145,489	(11,678)
Interest Rate Swap COP	6.65	3 Month COOVIBR	656,898	(69,100)
Interest Rate Swap COP	8.68	3 Month COOVIBR	2,083,532	(3,053)
Interest Rate Swap CZK	3.96	6 month PRIBOR	2,089,542	20,557
Interest Rate Swap CZK	3.22	6 month PRIBOR	5,037,695	(95,710)
Interest Rate Swap CZK	3.32	6 month PRIBOR	49,674,103	(638,158)
Interest Rate Swap HUF	1.96	6 month BUBOR	1,556,739	(266,583)
Interest Rate Swap ILS	4.50	3 month TELBOR	26,043,059	(254,189)
Interest Rate Swap ILS	4.12	12 month SHIR	26,176,689	383,095
Interest Rate Swap INR	5.99	6 month MIBOR	6,118,179	76,758
Interest Rate Swap INR	5.63	6 month MIBOR	3,362,873	(9,060)
Interest Rate Swap KRW	3.10	91 day CD-KSDA	821,234	15,213
Interest Rate Swap KRW	2.89	91 day CD-KSDA	3,556,609	64,441
Interest Rate Swap KRW	2.65	91 day CD-KSDA	1,572,756	12,362
Interest Rate Swap KRW	2.31	91 day CD-KSDA	81,431,535	(109,029)
Interest Rate Swap KRW	2.49	91 day CD-KSDA	2,319,931	471
Interest Rate Swap MXN	9.15	28 day Mexican TIIE	22,813,890	477,296
Interest Rate Swap MXN	9.07	28 day Mexican TIIE	16,673,724	334,038
Interest Rate Swap MXN	8.75	28 day Mexican TIIE	72,517,468	(2,715,572)
Interest Rate Swap MXN	7.65	28 day Mexican TIIE	2,911,361	(6,311)
Interest Rate Swap MXN	7.66	28 day Mexican TIIE	1,848,401	(3,209)
Interest Rate Swap MXN	7.67	28 day Mexican TIIE	3,257,833	(3,368)
Interest Rate Swap MXN	7.75	28 day Mexican TIIE	2,106,712	3,916
Interest Rate Swap MXN	8.20	28 day Mexican TIIE	2,525,408	12,924
Interest Rate Swap MYR	3.62	3 month KLIBOR	5,343,783	75,618
Interest Rate Swap PLN	6.83	6 month WIBOR	2,584,850	134,870
Interest Rate Swap PLN	6.85	6 month WIBOR	5,147,561	306,821
Interest Rate Swap PLN	3.96	6 month WIBOR	2,186,095	(24,635)
Interest Rate Swap THB	1.36	12 month THOR	6,467,490	24,630
Interest Rate Swap THB	1.18	12 month THOR	16,875,149	14,142
Interest Rate Swap USD	2.92	SOFR	1,350,000	(43,838)
Interest Rate Swap ZAR	9.16	3 month JIBAR	777,829	57,456
Interest Rate Swap ZAR	8.93	3 month JIBAR	1,317,578	82,094

(continued)

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Asset Description	TRS Receives	TRS Pays	Notional	Fair Value June 30, 2025
Interest Rate Swap ZAR	7.98%	3 month JIBAR	$943,321	$27,234
Interest Rate Swap ZAR	7.77	3 month JIBAR	1,294,675	26,175
Interest Rate Swap ZAR	8.63	3 month JIBAR	2,813,533	31,295
Total Receive Fixed Interest Rate/Inflation Swaps:			**$468,427,652**	**($2,070,272)**

BUBOR - *Budapest Interbank Offered Rate,* **CDI** - *Cetip Interbank Deposit (interbank lending rate),* **CD-KSDA** - *Certificates of Deposit, Korean Securities Dealer Assoc.,* **CNRR** - *China Fixing Repo Rates,* **COOVIBR** - *Colombia Overnight Interbank Rate,* **ESTR** - *Euro Short-Term Rate,* **IBRCO** - *Colombia Interbank Rate,* **JIBAR** - *Johannesburg Interbank Average Rate,* **KLIBOR** - *Kuala Lumpur Interbank Offered Rate,* **MIBOR** - *Mumbai Interbank Offered Rate,* **PRIBOR** - *Prague Interbank Offered Rate,* **SHIR** - *Shekel Overnight Interest Rate,* **SOFR** - *Secured Interbank Overnight Interest Rate,* **TELBOR** - *Tel Aviv Interbank Offered Rate,* **THOR** - *Tokyo Term Risk-Free Rate***,** **TIIE** - *Mexico Interbank Equilibrium Interest Rate,* **WIBOR** - *Warsaw Interbank Offered Rate*

Derivative Credit Risk

Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the established terms. In order to eliminate credit risk, derivative securities are traded through a clearing house which guarantees delivery and accepts the risk of default by either party. Derivatives which are exchange traded are not subject to credit risk and are evaluated within the investment risk disclosure.

Non-exchange traded derivative instruments may expose TRS to credit/counterparty risk. TRS investment managers reduce credit risk by evaluating the credit quality and operational capabilities of the counterparties. Because the counterparty risk of a security will fluctuate with market movements, all TRS managers using non-exchange traded derivatives operate a collateral call process ensuring full collateralization of these derivatives. TRS does not have a policy regarding master netting arrangements.

As of June 30, 2025, the aggregate fair value of non-exchange traded derivative instruments in asset positions was $22,316,026. All applicable futures, options and swaps are in compliance with Dodd-Frank requirements and cleared through the appropriate futures and swaps exchanges. The counterparty risk exposure below is primarily unsettled currency forward contracts. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Counterparty Ratings for Non-Exchange Traded Derivatives

Quality Rating	Fair Value at June 30, 2025
Aa2	$1,653,055
Aa3	7,101,467
A1	7,435,312
A2	940,645
A3	5,185,547
Total Subject to Credit Risk	**$22,316,026**

Although the derivative instruments held within the TRS investment portfolio are executed with various counterparties, approximately 99 percent of the fair value exposure to credit risk is for non-exchange traded derivative contracts held with 10 counterparties.

5. Investment Commitments

Investments in certain limited partnerships commit TRS to possible future capital contributions. As of June 30, 2025, TRS had remaining unfunded commitments of $14,830,897,299 within the real estate, other real assets, private equity, diversifying strategies and global income asset classes.

6. Schedule of Investment Returns

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 9.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts invested.

7. Fair Value Measurement

TRS categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

Level 1 Inputs using unadjusted quoted prices in active markets or exchanges for identical assets and liabilities.

Level 2 Significant other observable inputs, which may include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Level 3 Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the investment.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Investments measured at fair value using net asset value (NAV) per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy; however, separate disclosures for these investments are required.

Debt and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets, to the extent these securities are actively traded.

Short-term investments consisting of money market funds, certificates of deposit and highly liquid cash equivalents are generally reported at amortized cost which approximates fair value. These investments are not categorized in the fair value hierarchy.

Debt and investment derivatives classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Valuation estimates from service providers' internal models use observable inputs such as interest rates, yield curves, credit/risk spreads and default rates. Matrix pricing techniques value securities based on their relationship to benchmark quoted prices. Exchange traded and over-the-counter investment derivatives valued by independent pricing service providers, where the value is derived from underlying asset prices, reference rates, indices or other observable inputs are also included in Level 2.

Debt securities classified as Level 3 include valuations using significant unobservable inputs, valuations using proprietary information, inputs that cannot be corroborated by observable market data and securities valued with last trade date due to limited trading volume. Real assets classified as Level 3 include direct investments in real estate. Valuations for real estate investments are performed quarterly by investment managers. An appraisal by an independent third-party member of the Appraisal Institute is obtained once every three years for each property and is used to establish fair value.

The following table summarizes the valuation of TRS investments by the fair value hierarchy levels as of June 30, 2025.

Investments and Derivative Instruments Measured at Fair Value

Investments by fair value level	June 30, 2025	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt securities				
Asset-backed securities	$291,876,765	$ -	$291,876,765	$ -
Commercial/collateralized mortgages & loans	263,757,090	-	263,757,090	-
Domestic corporate obligations	1,704,947,399	-	1,704,947,399	-
Fixed income mutual funds	2,302,568,302	-	234,067,478	2,068,500,824
Foreign debt/corporate obligations	2,058,801,948	-	2,058,801,948	-
Municipals	7,561,918	-	7,561,918	-
U.S. agencies obligations	961,359	-	961,359	-
U.S. government-backed mortgages	409,235,937	-	409,235,937	-
U.S. treasuries	870,356,491	-	870,356,491	-
Total debt securities	**7,910,067,209**	**-**	**5,841,566,385**	**2,068,500,824**
Equity investments				
International common and preferred stock	11,595,492,033	11,595,090,141	401,892	-
U.S. common and preferred stock	15,912,593,573	15,912,593,573	-	-
Total equity investments	**27,508,085,606**	**27,507,683,714**	**401,892**	**-**
Real assets				
Real estate	4,431,915,627	-	-	4,431,915,627
Total real assets	**4,431,915,627**	**-**	**-**	**4,431,915,627**
Total investments by fair value level	**$39,850,068,442**	**$27,507,683,714**	**$5,841,968,277**	**$6,500,416,451**
Investments measured at the net asset value (NAV)				
Commingled fixed income funds	$452,351,154			
Diversifying strategies	3,403,460,487			
Private debt partnerships	9,476,528,232			
Private equity partnerships	12,776,014,570			
Private real estate partnerships	6,104,957,263			
Real asset partnerships	2,341,140,317			
Total investments measured at the NAV	**34,554,452,023**			
Total investments measured at fair value	**$74,404,520,465**			
Investment derivative instruments				
Credit default swaps	(6,742,751)	(6,742,751)	-	-
Index and variance swaps	(393,014)	180,432	(573,446)	-
Interest rate and inflation swaps	654,769	654,769	-	-
Options/swaptions	(588,187)	(588,187)	-	-
Total investment derivative instruments	**($7,069,183)**	**($6,495,737)**	**($573,446)**	**$ -**
Total invested securities lending collateral*	**$1,291,690,421**	**$ -**	**$1,291,690,421**	**$ -**

** Does not include lending collateral with the State Treasurer.*

Investments measured at NAV for fair value are not subject to level classification. The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table.

Investments Measured at the Net Asset Value (NAV)

	Fair Value June 30, 2025	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled fixed income funds[1]	$452,351,154	$ -	Monthly, quarterly	30-60 days
Diversifying funds - liquid	3,403,460,487	-	Daily, weekly, monthly, quarterly	1-90 days
Diversifying funds - illiquid	-	-	Not eligible	N/A
Total diversifying strategies[2]	**3,403,460,487**	-		
Custom private debt partnerships	4,146,620,140	858,253,362	Monthly, quarterly, not eligible	60-90 days; N/A
Private debt partnerships	5,329,908,092	2,977,077,122	Not eligible	N/A
Total private debt partnerships[3]	**9,476,528,232**	**3,835,330,484**		
Private equity partnerships[4]	12,776,014,570	6,858,078,850	Not eligible	N/A
Private real estate partnerships[4]	6,104,957,263	3,298,605,540	Not eligible	N/A
Real assets partnerships[5]	2,341,140,317	838,882,425	Not eligible	N/A
Total investments measured at the NAV	**$34,554,452,023**	**$14,830,897,299**		

1) **Commingled fixed income funds:** The investment strategies for the four fixed income funds include high yield, defensive bond arbitrage, global liquidity relative value and emerging market debt. The fair value of the investments has been determined using the NAV per share (or its equivalent) of the investments. Liquidity is available monthly or quarterly upon notice of redemption.

2) **Diversifying funds:** The diversifying strategies asset class applies various strategies that provide diversification to the total investment portfolio. Investments focus on reducing equity-like risk characteristics encompassed in the overall TRS portfolio by enhancing exposures to strategies that show little to no correlation to growth factors while adding positive skew and active risk management characteristics. Two CTA portfolio direct investments include trend/momentum exposures, while a direct investment in a treasury index provides long duration credit exposure. The systematic and discretionary macro strategies include direct investments in four funds diversifying through regional and product expertise, speed of algorithms and style of trading. Other strategies include one direct investment and one diversified fund of funds. The fair value of these investments has been determined using the NAV per share of the investments (or its equivalent). The most significant element of NAV is the fair value of the underlying investment holdings which are valued on either a monthly or quarterly basis by the general partner and are audited annually. Most strategies maintain a liquidity profile of less than one year, ranging from daily to quarterly and require advance notice prior to redemption. TRS is currently liquidating one fund of funds investment as part of strategic asset allocation repositioning.

3) **Private debt partnerships:** Private debt funds consist of 81 funds investing across strategies such as stressed debt/credit, direct and specialty lending, real estate and real asset credit and global multi-credit strategies. Seven of these funds are custom partnerships investing in opportunistic investments. The private debt funds provide additional exposure to niche and/or specific non-traditional point-in-time opportunities that are not normally targeted by traditional fixed income managers. Funds are valued using the NAV per share (or its equivalent) and are audited annually. Redemption restrictions are in place over the life of the partnership. The average life of these funds spans three to 12 years and distributions are received

throughout the life of the fund. Most custom partnerships allow TRS to liquidate upon giving advanced notice. TRS has no plans to liquidate as of June 30, 2025, and TRS did not sell any funds on the secondary market during the fiscal year. As of June 30, 2025, it is probable that all investments in this type will be sold at an amount different from the current NAV of the Plan's ownership interest.

4) **Private equity and real estate partnerships:** TRS has 297 private equity partnerships which include investments in privately held equity, such as buyouts, co-investments, venture capital and growth equity, as well as privately held debt. The 71 real estate limited partnerships invest in various property types across multiple geographic regions. Investments in limited partnerships are normally long term with an approximate life of 10 to 15 years and considered illiquid. Investors are subject to redemption restrictions which limit and restrict the ability of limited partners to exit prior to dissolution. Partnership interests are valued using their respective NAV calculated by the general partner's fair valuation policy and are generally audited annually. The most significant element of NAV is the fair value of the investment holdings, which are typically valued on a quarterly basis by the general partners. Distributions are received as the funds sell underlying portfolio company investments. TRS has no plans on liquidating the portfolio; however, will opportunistically sell funds in the secondary market to reposition the portfolio and optimize returns. During the fiscal year, TRS sold full or partial interest in 32 private equity funds on the secondary market. As of June 30, 2025, it is probable that all investments in this type will be sold at an amount different from the current NAV of the Plan's ownership interest.

5) **Real assets partnerships:** Real assets strategies include 17 limited partnerships investing in global infrastructure, direct energy, renewables, and non-U.S. agriculture. These partnerships are not eligible for redemption, considered illiquid and have an approximate life of six to 20 years. Distributions are received during the life of the fund as underlying investments are liquidated. Partnership interests are valued by the general partner using their respective NAV per share (or equivalent), with the most significant element of NAV being the fair value of the investment holdings. TRS has no plans to liquidate these funds. As of June 30, 2025, it is probable that all investments in this type will be sold at an amount different from the current NAV of the Plan's ownership interest.

E. RESERVES

TRS maintains statutory reserve accounts in accordance with the provisions of 40 ILCS 5/16-101 et seq. In 1997, the Illinois General Assembly passed legislation that allowed the crediting of additions at fair value, as opposed to book value, to the Benefit Trust Reserve.

1. Benefit Trust

	2025
Balances at June 30	$77,249,567,678

This reserve serves as a clearing account for TRS additions and deductions. The reserve is credited with contributions from the State of Illinois that are not specifically allocated to the Minimum Retirement Annuity Reserve, member and employer contributions, income from TRS invested assets and contributions from annuitants who qualify for automatic annual increases in annuity.

The reserve accumulates member contributions made prior to retirement plus interest credited at a rate of 6 percent annually.

Contributions have been 7.5 percent of salary since July 1, 1998. Contributions are fully refundable upon withdrawal from TRS, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest is credited as of the date of retirement or death of those retiring or dying during the year and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member's balance in the reserve at the beginning of the fiscal year.

This reserve is charged for transfers to the Minimum Retirement Annuity Reserve and all

- refunds to withdrawing members,
- retirement annuity payments (except as provided by the Minimum Retirement Annuity Reserve),
- benefits that are paid to disabled members,
- death benefits paid and
- refunds to annuitants for survivor benefit contributions.

The expected benefit payments do not equal the present value of the reserve. The additional amount needed (the unfunded actuarial accrued liability) as calculated by the actuary was $83.1 billion in FY25 based on the actuarial value of assets.

2. Minimum Retirement Annuity

	2025
Balances at June 30	$13,763,938

The minimum annuity is set by law at $25 per month for each year of creditable service to a maximum of $750 per month after 30 or more years of creditable service. To qualify, annuitants are required to make a one-time contribution that is credited to the reserve. Interest at 6 percent is credited to the reserve annually based upon the average reserve balance. The State of Illinois also appropriated funds necessary to pay the minimum benefits. All benefits paid under this program are charged to the reserve. This reserve is fully funded.

F. OTHER POST EMPLOYMENT BENEFITS FOR TRS EMPLOYEES

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 towards health, dental and vision benefits with an amount based on factors such as date of retirement, years of credited service with the State of Illinois, whether the annuitant is covered by Medicare and whether the annuitant has chosen a managed health care plan. Employees of the System who retired before Jan. 1, 1998 and are vested in either SERS or TRS do not contribute towards health and vision benefits. A premium is required for dental. For annuitants who retired on or after Jan. 1, 1998, the annuitant's contribution amount is reduced 5 percent for each year of credited service with the state allowing those annuitants with 20 or more years of credited service to not have to contribute towards health and vision benefits. A premium is required for dental. Annuitants also receive life insurance coverage equal to the annual salary of their last day of employment until age 60, at which time the benefit becomes $5,000.

The State of Illinois pays the TRS 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 System adopted GASB 75 but has chosen not to record the other post employment liability because it is deemed insignificant to the financial statements. The footnote and required supplementary information also required by GASB 75 have been excluded, as well, due to the insignificance of the liability.

A summary of post employment benefit provisions, changes in benefit provisions and 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 for CMS. A copy of the financial statements may be obtained by contacting their office, Department of Central Management Services, 704 Stratton Office Building, Springfield, IL 62706.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability for Fiscal Years

	2025	2024	2023	2022
Total pension liability				
Service cost	$2,448,675,821	$2,309,476,634	$2,229,200,487	$2,097,274,410
Interest	10,881,794,196	10,476,520,526	10,144,364,716	9,834,039,952
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(36,222,046)	76,540,137	405,098,326	(260,304,587)
Change of assumptions	-	1,202,972,544	-	448,727,943
Benefit payments, including refund of member contributions	(8,569,786,477)	(8,260,383,852)	(7,967,329,515)	(7,669,576,246)
Net change in total pension liability	4,724,461,494	5,805,125,989	4,811,334,014	4,450,161,472
Total pension liability - beginning	157,290,420,223	151,485,294,234	146,673,960,220	142,223,798,748
Total pension liability - ending (a)	162,014,881,717	157,290,420,223	151,485,294,234	146,673,960,220
Plan fiduciary net position				
Contributions - employer	123,361,660	132,235,207	124,748,100	120,876,570
Contributions - nonemployer contributing entity	6,203,788,670	6,158,581,314	6,009,158,073	5,866,799,836
Contributions - member	1,224,699,297	1,168,677,259	1,109,497,833	1,072,639,330
Net investment income (loss)	6,902,120,417	5,757,906,980	4,427,042,975	(743,042,373)
Benefit payments, including refund of member contributions	(8,569,786,477)	(8,260,383,852)	(7,967,329,515)	(7,669,576,246)
Administrative expense	(45,565,876)	(37,020,402)	(32,026,386)	(26,575,798)
Net change in plan fiduciary net position	5,838,617,691	4,919,996,506	3,671,091,080	(1,378,878,681)
Plan fiduciary net position - beginning	71,424,713,925	66,504,717,419	62,833,626,339	64,212,505,020
Plan fiduciary net position - ending (b)	77,263,331,616	71,424,713,925	66,504,717,419	62,833,626,339
Employers' net pension liability - ending (a) - (b)	**$84,751,550,101**	**$85,865,706,298**	**$84,980,576,815**	**$83,840,333,881**

Schedule of the Net Pension Liability for Fiscal Years

	2025	2024	2023	2022
Total pension liability	$162,014,881,717	$157,290,420,223	$151,485,294,234	$146,673,960,220
Plan fiduciary net position	77,263,331,616	71,424,713,925	66,504,717,419	62,833,626,339
Net pension liability	**$84,751,550,101**	**$85,865,706,298**	**$84,980,576,815**	**$83,840,333,881**
Plan fiduciary net position as a percentage of the total pension liability	47.7%	45.4%	43.9%	42.8%
Covered payroll	$13,354,862,457	$12,721,190,256	$12,382,202,189	$11,647,247,711
Net pension liability as a percentage of covered payroll	634.6%	675.0%	686.3%	719.8%

2021	2020	2019	2018	2017	2016
$2,032,149,463	$1,991,622,987	$1,947,627,286	$1,838,002,948	$1,877,570,053	$1,681,242,232
9,580,886,840	9,296,897,060	8,991,684,121	8,703,519,454	8,390,352,464	8,264,257,311
-	-	-	(374,603,419)	-	-
(370,469,646)	(28,215,833)	258,778,925	1,191,346,970	482,486,212	701,827,169
(162,359,084)	-	77,241,572	(666,054,719)	(2,725,599,755)	7,553,894,504
(7,388,142,712)	(7,099,524,955)	(6,818,760,572)	(6,551,634,376)	(6,438,005,920)	(5,931,207,177)
3,692,064,861	4,160,779,259	4,456,571,332	4,140,576,858	1,586,803,054	12,270,014,039
138,531,733,887	134,370,954,628	129,914,383,296	125,773,806,438	124,187,003,384	111,916,989,345
142,223,798,748	138,531,733,887	134,370,954,628	129,914,383,296	125,773,806,438	124,187,003,384
97,594,081	92,658,238	88,514,781	84,633,117	149,495,577	148,040,767
5,140,648,356	4,813,451,679	4,466,020,692	4,095,125,358	3,986,363,699	3,742,469,245
1,023,531,951	994,400,416	963,972,120	938,037,245	929,130,165	951,809,398
13,046,153,685	275,669,398	2,617,831,332	4,049,271,728	5,520,453,001	(44,103,178)
(7,388,142,712)	(7,099,524,955)	(6,818,760,572)	(6,551,634,376)	(6,438,005,920)	(5,931,207,177)
(23,758,112)	(22,966,372)	(24,335,680)	(21,550,896)	(22,728,735)	(22,967,917)
11,896,027,249	(946,311,596)	1,293,242,673	2,593,882,176	4,124,707,787	(1,155,958,862)
52,316,477,771	53,262,789,367	51,969,546,694	49,375,664,518	45,250,956,731	46,406,915,593
64,212,505,020	52,316,477,771	53,262,789,367	51,969,546,694	49,375,664,518	45,250,956,731
$78,011,293,728	**$86,215,256,116**	**$81,108,165,261**	**$77,944,836,602**	**$76,398,141,920**	**$78,936,046,653**

2021	2020	2019	2018	2017	2016
$142,223,798,748	$138,531,733,887	$134,370,954,628	$129,914,383,296	$125,773,806,438	$124,187,003,384
64,212,505,020	52,316,477,771	53,262,789,367	51,969,546,694	49,375,664,518	45,250,956,731
$78,011,293,728	**$86,215,256,116**	**$81,108,165,261**	**$77,944,836,602**	**$76,398,141,920**	**$78,936,046,653**
45.1%	37.8%	39.6%	40.0%	39.3%	36.4%
$11,120,776,122	$10,827,438,800	$10,450,452,444	$10,163,980,000	$9,965,569,893	$9,811,614,284
701.5%	796.3%	776.1%	766.9%	766.6%	804.5%

Schedule of Investment Returns for Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.7%	8.7%	7.2%	(1.2%)	25.4%	0.6%	5.1%	8.5%	12.5%	(0.1%)

Schedule of Contributions from Employers and Other Contributing Entities, Last 10 Fiscal Years ($ thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially-determined contribution (ADC)	$10,216,460	$9,694,780	$9,201,648	$8,947,919	$8,441,258	$7,988,612	$7,429,037	$7,080,756	$6,248,879	$4,582,530
Contributions in relation to the actuarially-determined contribution:*										
State	6,203,622	6,158,370	6,008,948	5,866,530	5,140,337	4,813,078	4,465,578	4,094,616	3,985,783	3,741,802
Federal & Employer Contributions	122,694	130,977	123,194	120,441	97,082	92,038	87,707	84,034	148,749	147,408
Total contributions	6,326,316	6,289,347	6,132,142	5,986,971	5,237,419	4,905,116	4,553,285	4,178,650	4,134,532	3,889,210
Contribution deficiency	**$3,890,144**	**$3,405,433**	**$3,069,506**	**$2,960,948**	**$3,203,839**	**$3,083,496**	**$2,875,752**	**$2,902,106**	**$2,114,347**	**$693,320**
Covered payroll	$13,354,862	$12,721,190	$12,382,202	$11,647,248	$11,120,776	$10,827,439	$10,450,452	$10,163,980	$9,965,570	$9,811,614
Contributions as a percentage of covered payroll	47.4%	49.4%	49.5%	51.4%	47.1%	45.3%	43.6%	41.1%	41.5%	39.6%

** Contributions for minimum benefits from the state and for excess sick from employers do not count towards actuarial funding requirements. Beginning in FY18, employer contributions on salaries exceeding the statutory salary of the governor are included and the projected excess salary contribution is included in the ADC. In all years, employer contributions for excess salary increases are included. However, employer contributions for excess sick leave are not included because there is no assumption for excess sick leave, and it is not included in the funding requirements. Before FY17, the actuarially determined contribution was based on GASB Statement No. 25. Beginning in FY17, a different basis for determining the actuarially-determined contribution is used, as described in the following table. For FY22, the state contribution amount includes an additional one-time contribution of $173 million appropriated for TRS per Public Act 102-0696. For FY23, the state contribution amount includes an additional one-time contribution of $115 million appropriated for TRS per Public Act 102-0698. An additional $115,215,500 was appropriated in a FY23 supplemental bill, Public Act 103-000, however, it was not received by TRS until FY24.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in Net Pension Liability and the Schedule of Net Pension Liability are affected by various factors. In FY25, the total pension liability increased by $4.7 billion.

The Schedule of Contributions from Employers and Other Contributing Entities compares actual and actuarially-determined contributions. There is a difference between these amounts because actual contributions are based on state statute under a methodology that does not conform to that used to determine the actuarially-determined contribution.

The following assumptions were used to determine the statutory and actuarially-determined contributions for FY25.

	For Funding per State Statute	**For Determining the Actuarially-determined Contribution**
Valuation Used to Determine Funding Amount:	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Projected unit credit	Entry age normal
Amortization Method:	15-year phase-in to a level percent of payroll reached in FY10; then level percent of payroll until a 90 percent funding level is achieved in FY45	Level percent of payroll. Amortization payments increase at the rate of future state revenue growth, assumed to be 2%.
Remaining Amortization:	20 years, closed	20 years, closed beginning with 2015 actuarial valuation; subsequent increases in the UL amortized over subsequent 20-year periods.
Asset Valuation Method:	Actuarial value of assets with five-year smoothing of investment gains and losses	Actuarial value of assets with five-year smoothing of investment gains and losses.

SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30

	2025	2024
Personnel services		
Salaries	$20,672,055	$16,728,490
Retirement contributions	2,393,763	1,672,377
Insurance and payroll taxes	6,942,316	5,344,849
	30,008,134	23,745,716
Professional services		
Actuarial services	248,220	299,669
External auditors	209,317	253,942
Legal services	508,602	314,261
Legislative consulting	90,000	90,000
Information systems consulting	6,484,580	5,577,099
Operations consulting	716,664	270,614
Other	1,611	25,783
	8,258,994	6,831,368
Communications		
Postage	153,022	224,558
Printing and copying	52,989	50,115
Telephone	169,825	172,300
	375,836	446,973
Other services		
Administrative services	2,831,235	583,049
Building operations and maintenance	373,619	276,176
EDP supplies and equipment	237,063	562,230
Equipment repairs, rental and maintenance	42,209	223,411
Insurance	615,859	737,265
Memberships and subscriptions	321,186	226,791
Office equipment and furniture	15,036	15,540
Office supplies	15,118	22,215
Software licenses and maintenance	459,727	809,630
Travel, conferences, education	218,098	286,793
	5,129,150	3,743,100
Depreciation expense	3,086,253	3,769,566
Total administrative expenses	**$46,858,367**	**$38,536,723**

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on the following page.

SCHEDULE OF DIRECT INVESTMENT EXPENSE
FOR THE YEARS ENDED JUNE 30

	2025	2024
Investment manager fees	$471,414,558	$497,490,153
Master custodian fees		
State Street Bank and Trust Company	2,459,813	4,005,525
Investment consultants		
Aksia, L.L.C.	896,861	828,678
RVK, Inc.	485,000	545,000
Stepstone Group, L.P.	1,059,617	1,053,662
Stepstone Group Real Estate, L.P.	359,759	349,372
	2,801,237	2,776,712
Investment advisors		
Ernst & Young Private, Ltd.	194,407	242,524
Evercore Group L.L.C.	5,002,462	1,982,048
Meketa Investment Group, Inc.	480,000	300,000
Stout Risius Ross, Inc.	-	180,000
	5,676,869	2,704,572
Legal services		
DLA Piper, L.L.P.	1,195,486	712,058
Other investment expense		
Auditing costs	168,229	147,163
Communication services	31,836	28,843
Education, meetings and travel	204,824	124,970
Investment activity expenses	5,770,360	1,685,007
Investment analytical systems	1,525,459	1,204,371
Personnel costs	7,080,705	5,610,239
Research, subscriptions and memberships	164,348	82,063
Other costs	309,381	287,454
	15,255,142	9,170,110
Total direct investment expense	**$498,803,105**	**$516,859,130**

SCHEDULE OF PROFESSIONAL SERVICES FOR THE YEARS ENDED JUNE 30

	2025	2024
Actuarial services		
Gabriel, Roeder, Smith & Company	$ -	$75,000
The Segal Company Midwest, Inc.	248,220	224,669
	248,220	299,669
External auditors		
Office of the Auditor General (Forvis Mazars, L.L.P.)	209,317	253,942
Legal services		
Elrod Friedman L.L.P.	1,714	11,675
Holland & Knight, L.L.P.	48,764	56,434
Howard & Howard Attorneys, P.L.L.C.	15,556	11,628
Ice Miller L.L.P.	114,406	65,647
King & Spalding L.L.P.	193,518	81,913
Nixon Peabody L.L.P.	5,566	400
Ottosen DiNolfo Hasenbalg & Castaldo, Ltd.	13,345	2,530
Reinhart Boerner Van Deuren s.c.	114,040	78,647
State of Illinois, Office of the Attorney General	1,193	3,192
Veritext, L.L.C.	-	1,945
Whitt Law, L.L.C.	500	250
	508,602	314,261
Legislative consulting		
Leinenweber Baroni & Daffada Consulting, L.L.C.	90,000	90,000
Information systems consulting		
Apex Systems	637,000	608,504
Capitol Strategies Consultants Inc.	1,409,641	1,528,910
CapTech Ventures Inc.	2,325,314	1,279,130
Carahsoft Technology Corp.	42,780	-
CDW L.L.C.	14,411	-
Dayagdag, Chris	202,375	177,305
Decker Innovations Inc.	668,043	636,756
Ellerman, Greg	195,916	174,037
HSO North America, L.L.C.	12,125	28,625
Precision Task Group Inc.	465,243	631,824
Presidio Networked Solutions Group, L.L.C.	-	27,961
Promet Solutions Corporation	27,969	35,094
Resultant L.L.C.	13,620	49,901
Sentinel Technologies, Inc.	470,143	399,052
	6,484,580	5,577,099
Operations consulting		
CapFinancial Partners L.L.C.	65,000	62,500
CEM Benchmarking, Inc.	59,000	55,000
Election Services Conglomerate L.L.C.	8,621	-
Higher Logic, L.L.C.	11,470	11,136
Krasan Consulting Services Inc.	39,933	-
Mosaic Governance Advisors L.L.C.	112,865	105,339
Navigate 360 L.L.C.	-	6,821
Prosci Inc.	-	27,893
SABA Software	-	1,925
The Segal Company Midwest, Inc.	419,775	-
	716,664	270,614
Other	1,611	25,783
Total professional services	**$8,258,994**	**$6,831,368**

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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
and
The Board of Trustees
Teachers' Retirement System of the 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 Teachers' Retirement System of the State of Illinois (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, and have issued our report thereon dated December 12, 2025, which contained an emphasis of matter paragraph regarding actuarial assumptions used in the actuary's calculation of the net pension liability.

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, misstatement 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 System'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 have not been 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
December 12, 2025