UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2025

(With Independent Auditor's Report Thereon)

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2025

Table of Contents

UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

December 22, 2025

Holders of University of Illinois
Health Services Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Health Services Facilities System for the fiscal year ending June 30, 2025. This report supplements the Annual Financial Report of the University of Illinois.

Continued national and local challenges, including rising labor costs and workforce actions, medical supply and pharmaceutical inflation, and limited reimbursement increases impacted the Health Services Facilities System's financial results in fiscal year 2025. Higher patient volume, focused efforts on revenue cycle performance, and prudent resource management enabled the System to grow while advancing its mission of improving health for all through outstanding clinical care, education, research, and social responsibility.

The leadership, medical professionals, and staff of the System remain steadfast in their commitment to providing excellent care to the residents of our community and the State of Illinois.

The 2025 financial statements and accompanying notes appearing on pages 5 through 35 have been audited by RSM US LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois. Their report on the financial statements is included on pages 2 through 4.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul N. Ellinger
Vice President, Chief Financial Officer, and Comptroller

349 Henry Administration Building • 506 South Wright Street • Urbana, Illinois 61801
Office (217) 333-1560 • cfo-CFO@ad.uillinois.edu

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University of Illinois Health Services Facilities System (System), a segment of the University of Illinois, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the System, a segment of the University of Illinois, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University of Illinois, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability and the Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the University Officials page and Transmittal Letter 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 the 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 22, 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.

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Schaumburg, Illinois
December 22, 2025

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Net Position

June 30, 2025

Assets		
Current assets:		
Claim on cash and on pooled investments	$	419,905,597
Restricted claim on cash and on pooled investments		880,010
Restricted cash and cash equivalents		2,390
Accrued investment income		1,626,176
Patient accounts receivable, net		182,634,304
Other receivables, net		12,242,171
Inventories		18,756,004
Prepaid expenses, deposits, and other assets		14,264,331
Total current assets		650,310,983
Noncurrent assets:		
Restricted claim on cash and on pooled investments		32,785,655
Other receivables		301,091
Capital assets, nondepreciable		13,282,544
Depreciable and amortizable capital assets, net		455,647,692
Total noncurrent assets		502,016,982
Total assets	$	1,152,327,965
Liabilities, Deferred Inflow of Resources, and Net Position		
Current liabilities:		
Accounts payable	$	98,930,046
Accrued payroll		34,627,704
Accrued interest payable		882,400
Unearned revenues		4,000,000
Estimated third-party settlements		55,437,304
Current maturities of finance purchases payable		2,336,417
Current maturities of leases and subscriptions payable		7,929,655
Current portion of accrued compensated absences		3,509,764
Total current liabilities		207,653,290
Noncurrent liabilities:		
Bonds payable		71,316,638
Finance purchases payable, net of current maturities		143,450,000
Leases and subscriptions payable, net of current maturities		11,210,819
Accrued compensated absences, net of current portion		36,362,398
Total noncurrent liabilities		262,339,855
Deferred inflow of resources		652,767
Total liabilities and deferred inflow of resources		470,645,912
Net investment in capital assets		230,921,331
Restricted:		
Expendable for capital projects and equipment		28,253,167
Expendable for debt service		990
Unrestricted		422,506,565
Total net position		681,682,053
Total liabilities, deferred inflow of resources, and net position	$	1,152,327,965

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2025

Operating revenues:		
Net patient service revenue	$	1,315,566,903
Other revenues		84,071,295
Total operating revenues		1,399,638,198
Operating expenses:		
Salaries, wages and benefits		581,158,534
On-behalf for fringe benefits		97,160,126
Special funding situation for fringe benefits		112,549,453
Supplies and general expenses		760,073,344
Administrative services		29,296,639
Depreciation and amortization		55,828,667
Total operating expenses		1,636,066,763
Operating loss		(236,428,565)
Nonoperating revenues (expenses):		
On-behalf for fringe benefits		97,160,126
Special funding situation for fringe benefits		112,549,453
State appropriations and University allocations		45,887,984
Transfer to the University of Illinois Hospital Services Fund		(36,000,000)
Net increase in fair value of investments		4,194,497
Interest on capital asset related debt		(10,016,081)
Investment income (net of related expenses)		9,227,815
Loss on disposal of capital assets		(3,054,557)
Other nonoperating revenues, net		1,309,800
Net nonoperating revenues		221,259,037
Decrease in net position		(15,169,528)
Net position, beginning of year		696,851,581
Net position, end of year	$	681,682,053

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2025

Cash flows from operating activities:	
Patient services	$ 1,290,112,405
Payments to suppliers	(741,304,011)
Payments for administrative services	(29,296,639)
Payments to employees and for benefits	(555,704,725)
Other receipts	45,817,561
Net cash provided by operating activities	9,624,591
Cash flows from noncapital financing activities:	
State appropriations and University allocations	9,887,984
Other receipts	303,694
Net cash provided by noncapital financing activities	10,191,678
Cash flows from capital and related financing activities:	
Purchases of capital assets	(25,778,115)
Capital grant	4,000,000
Principal paid on financed purchases, leases, and subscriptions	(13,421,072)
Interest paid on bonds, financed purchases, leases, and subscriptions	(10,330,722)
Net cash used in capital and related financing activities	(45,529,909)
Cash flows from investing activities:	
Interest and other earnings on investments	9,425,246
Pooled cash allocated from University related to unrealized gains	4,194,497
Net cash provided by investing activities	13,619,743
Net decrease in cash and cash equivalents	(12,093,897)
Cash and cash equivalents, beginning of year	465,667,549
Cash and cash equivalents, end of year	$ 453,573,652

(Continued)

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2025

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(236,428,565)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		55,828,667
Provision for uncollectible accounts		9,066,432
On-behalf for fringe benefits		97,160,126
Special funding situation for fringe benefits		112,549,453
Changes in assets, liabilities, and deferred inflow of resources:		
Patient accounts receivable		(5,396,333)
Other receivables		2,815,850
Inventories		(4,898,346)
Prepaid expenses, deposits, and other assets		(4,907,539)
Accounts payable and accrued expenses		10,265,424
Estimated third-party settlements		(29,124,597)
Accrued compensated absences		2,345,511
Deferred inflow of resources - leases portion		348,508
Net cash provided by operating activities	$	9,624,591
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits	$	97,160,126
Special funding situation for fringe benefits		112,549,453
State appropriations		36,000,000
Transfer to University of Illinois Hospital Services Fund		(36,000,000)
Other increases in capital assets		1,855,286
Decrease of capital asset obligations in accounts payable		(6,748,761)
Capital assets acquired through financed purchase, lease, or subscription		14,788,097
Loss on disposal of capital assets		(3,054,557)

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organizational Background and Basis of Presentation

The University of Illinois Health Services Facilities System (System) comprises the University of Illinois Hospital (Hospital) and Hospital-based clinics providing patient care at the University of Illinois Chicago (UIC). The Hospital is a tertiary care facility located in Chicago, Illinois offering a full range of clinical services. Management of the System is the responsibility of the University of Illinois (University).

The System was established by a Bond Resolution (Resolution) of the Board of Trustees of the University of Illinois (Board) adopted on January 22, 1997. These separate financial statements of the System have been prepared to satisfy the requirements of the Series 2023 bond indentures. The financial balances and activities of the System are also included in the University's financial statements. The financial statements of the System are prepared in accordance with United States (U.S.) generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a business type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business type activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balances for the fiscal year. Cash and all liquid investments with original maturities of ninety days or less are defined as cash and cash equivalents.

(c) Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is determined for the System's investments based upon a framework described in Note 2(f). Bank deposits and money market funds are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(d) Inventories

Inventories of pharmaceutical and other supplies are stated at the lower of cost or market with cost determined using the first-in, first-out method.

(e) Capital Assets

Capital assets, which are or will be owned by the University, are recorded at cost or, if donated, at acquisition value at the date of the gift. Intangible right-of-use lease and subscription assets are recorded at cost based on the present value of expected payments over the term of the respective lease or arrangement plus any payments made to the lessor or provider at or before the commencement of the lease or arrangement term and certain direct costs that are ancillary charges necessary to place the lease or subscription asset into service. Depreciation and amortization of capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the assets, or over the shorter of the estimated useful lives or the lease or arrangement term for intangible right-of-use lease or subscription assets. The System's policy requires the capitalization of land and collection purchases regardless of cost, equipment and intangible right-of-use lease assets at or over \$5,000, right-of-use subscription assets at or over \$25,000, purchased or internally developed software, easements, buildings and improvements at or over \$250,000 and purchased or internally developed infrastructure at or over \$1,000,000.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25		
Intangibles:		Moveable equipment:	
Software	5 – 10	Equipment	3 – 20
Right-of-use	Shorter of the estimated useful lives or the lease or arrangement term		

(f) Deferred Inflow of Resources

Gains on refundings of the System's bonds of \$227,786 are reported as deferred inflow of resources on the accompanying Statement of Net Position. The gains on refundings are amortized over the life of the debt using the straight-line method.

Deferred inflow of resources of \$424,981 related to leases in which the System is lessor is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is recognized as revenue over the term of the lease.

(g) Compensated Absences

Accrued compensated absences are recognized when leave (a) is attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Unless otherwise specified by a collective bargaining agreement, leave earned in the current fiscal year is considered used before unused leave earned in prior fiscal years (last in first out, LIFO).

Compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees (e.g. jury duty) are recognized as a liability when the leave commences. Holiday leave is recognized when the leave is taken.

The liability for leave that has been used, but not yet paid, has been recognized in accrued salaries. The liability for leave that has not been used is recognized in accrued compensated absences, including the University's share of salary-related payments.

(h) Premiums

Premiums for the System's bonds are reported within long-term debt and amortized over the life of the debt issue using the effective interest method.

(i) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and amortization and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(j) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations including on-behalf for fringe benefits, special funding situation for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of net nonoperating revenues.

Other operating revenues of the System include capitation payments from Health Maintenance Organizations (HMO) and Preferred Provider Organizations (PPO) to provide medical services to subscribers, revenues from laboratory services provided to external organizations, cafeteria/gift shop sales, and other sources.

In fiscal year 2025, the System designated $36,000,000 of its State appropriation for transfer to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services for the purpose of making payments to the System for services rendered to Medicaid recipients. It is not part of or a related organization of the University including the System.

(k) Patient Service Revenue

The System has agreements with third-party payors that provide payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods. See Note 8 for the impact of such changes in estimate for fiscal year 2025.

The System provides allowances for uncollectible accounts receivable based upon management's best estimate of uncollectible accounts, considering type, age, collection history, and other appropriate factors.

(l) ***Charity Care***

The policy of the System is to treat patients in immediate need of medical services without regard to their ability to pay for such services. The System provides care without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. This policy defines charity care and provides guidelines for assessing a patient's ability to pay. Eligibility is based on patient qualification, financial resources, and service criteria. Because the System does not pursue collection of amounts determined to be charity care, they are not reported as revenue.

The System maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated cost of charity care using the System's cost-to-charge ratio was $38,310,200 for fiscal year 2025. The ratio of costs to charges is calculated based on the System's total operating expenses. Unreimbursed costs of providing care to Medicare and Medicaid patients are not included as charity care.

(m) ***Classification of Expenses***

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers to the University of Illinois Hospital Services Fund and capital financing costs.

(n) ***On-Behalf for Fringe Benefits***

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System has reported outside sources of financial assistance provided by other entities on behalf of the System during the year ended June 30, 2025, as described below.

Substantially all active employees participate in group health insurance plans provided by the State and administered by the Illinois Department of Central Management Services (CMS). The State contributed, on-behalf of the System, an estimated $97,160,126, which is reflected as both nonoperating revenues and operating expenses within the Statement of Revenues, Expenses and Changes in Net Position.

(o) ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS fiduciary net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For financial reporting purposes, the State and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The System recognizes its proportionate share of the State's pension expense relative to the System's employees as nonoperating revenue and special funding situation for fringe benefits operating expense.

(p) Other Postemployment Benefits (OPEB)

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and state public universities' unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State - General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Pursuant to State Statute, the State covers the contributions for employees who are compensated from the System's operating funds. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

The University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees who are not paid from gift, grant, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from gift, grant, and other similar funds. The System is under a special funding situation since its employees are not paid from gift, grant, and other similar funds.

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan. The System recognizes the proportionate share of the State's OPEB expense relative to the System's employees as nonoperating revenue and special funding situation for fringe benefits operating expense.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which was effective for periods beginning after December 15, 2023. The objective of this Statement is to require liabilities for compensated absences to be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Implementation of this pronouncement resulted in updates to compensated absences related disclosures, but did not materially impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*, which was effective for periods beginning after June 15, 2024. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Implementation of this pronouncement did not materially impact the System's financial statements.

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments that are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

The following details the carrying value of the System's cash, cash equivalents, and investments as of June 30, 2025:

Money market funds	$	2,390
Claim on cash and on pooled investments		453,571,262
Total cash, cash equivalents and investments	$	453,573,652

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Bloomberg three-month T-Bills index and Intercontinental Exchange Bank of America 1-year Treasury Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Bloomberg one-year to three-year U.S. Government Bond Index, the Bloomberg one year to three year U.S. Government Credit Bond Index, the Bloomberg Intermediate U.S. Government Credit Bond Index, and the Bloomberg Intermediate U.S. Aggregate Bond Index.

The System's non-pooled investments of $2,390, reported as cash equivalents, as of June 30, 2025, were invested in money market funds with maturities of less than one year.

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2025, the University's operating internal investment portfolio had an effective duration for its interest-bearing securities of 1.6 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g., money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short-term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk. At June 30, 2025, the University's operating internal investment pool primarily consisted of securities with credit ratings of A or better. The System's non-pooled money market funds have a credit rating of AAA.

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University's investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2025, the System's investments and deposits had no custodial credit risk exposure.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized securities, an individual issuance trust. These concentration limits do not apply to investments in money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2025, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private equity and hedge funds. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) Investments and Fair Value Measurements

GASB standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the System has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the System has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

The System's non-pooled investments of $2,390 as of June 30, 2025 are invested in money market funds that are reported at cost.

(3) Patient Accounts Receivable

Patient accounts receivable as of June 30, 2025, reported as current assets, consisted of the following amounts:

Patient accounts receivable, net of contractual allowances and charity care:		
Medicaid managed care	$	90,757,709
HMO/PPO		43,486,213
Medicare managed care		43,416,424
Blue Cross		28,966,153
Medicaid		28,341,776
Medicare		22,955,274
Commercial insurance		8,246,213
Self-pay and other		21,530,099
Total		287,699,861
Less allowance for uncollectible accounts		(105,065,557)
Total patient accounts receivable, net	$	182,634,304

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at June 30, 2025 was as follows:

Medicaid managed care	31.5	%
HMO/PPO	15.1	
Medicare managed care	15.1	
Blue Cross	10.1	
Medicaid	9.9	
Medicare	8.0	
Self-pay and other	7.5	
Commercial insurance	2.8	
	100.0	%

(4) Capital Assets

The capital assets of the System are not pledged to secure outstanding indebtedness of the Board. The System records right-of-use lease and subscription assets based on the present value of expected payments over the term of the respective leases and arrangements. The expected payments are discounted using the interest rate charged on the lease or arrangement, if available, and are otherwise discounted using the System's incremental borrowing rate. The System does not have any leases subject to a residual value guarantee.

Capital asset activity for the year ended June 30, 2025, is summarized as follows:

Capital Assets	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 770,917	$	$	$	$ 770,917
Construction in process	23,277,775	10,200,392		(20,966,540)	12,511,627
Total nondepreciable capital assets	24,048,692	10,200,392	—	(20,966,540)	13,282,544
Depreciable capital assets:					
Buildings	503,374,780			19,701,364	523,076,144
Leasehold improvements	2,320,152				2,320,152
Equipment	203,001,421	9,114,870	(17,466,773)	587,270	195,236,788
Software	150,557,951		(2,571,318)	677,906	148,664,539
Total depreciable capital assets	859,254,304	9,114,870	(20,038,091)	20,966,540	869,297,623
Less accumulated depreciation:					
Buildings	193,602,029	15,747,032			209,349,061
Leasehold improvements	2,320,150				2,320,150
Equipment	130,618,228	19,034,904	(14,468,603)		135,184,529
Software	81,808,344	10,534,249	(2,571,318)		89,771,275
Total accumulated depreciation	408,348,751	45,316,185	(17,039,921)	—	436,625,015
Total depreciable capital assets, net	450,905,553	(36,201,315)	(2,998,170)	20,966,540	432,672,608
Amortizable capital assets:					
Right-of-use buildings	3,655,109	426,017			4,081,126
Right-of-use equipment	10,279,454	1,174,157	(2,529,802)		8,923,809
Right-of-use subscription	18,846,404	14,757,301	(3,567,053)		30,036,652
Total amortizable capital assets	32,780,967	16,357,475	(6,096,855)	—	43,041,587
Less accumulated amortization:					
Right-of-use buildings	925,221	463,281			1,388,502
Right-of-use equipment	6,161,915	2,191,063	(2,529,802)		5,823,176
Right-of-use subscription	8,507,353	7,858,138	(3,510,666)		12,854,825
Total accumulated amortization	15,594,489	10,512,482	(6,040,468)	—	20,066,503
Total amortizable capital assets, net	17,186,478	5,844,993	(56,387)	—	22,975,084
Total depreciable and amortizable capital assets, net	$ 468,092,031	$ (30,356,322)	$ (3,054,557)	$ 20,966,540	$ 455,647,692

(5) Bonds Payable

During fiscal year 2024, the University issued $68,325,000 Health Services Facilities System Revenue Bonds, Series 2023. Proceeds of these bonds were used to currently refund the Health Services Facilities System Revenue Bonds, Series 2013 and to pay certain interest and costs of issuing the Series 2023 Bonds. The refunding of Series 2013 resulted in savings of $12,435,569 over the remaining life of the issue at a present value of $8,319,558. The difference between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $251,149. This gain on refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2025 was as follows:

Bonds Payable							
Series	Rate on June 30 outstanding debt	Fiscal year maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Bonds payable:							
2023	5% to 5.50%	2028 – 2043	$ 68,325,000	$	$	$ 68,325,000	$
			68,325,000	—	—	68,325,000	—
Unamortized premium			3,172,207		(180,569)	2,991,638	
Total bonds payable			$ 71,497,207	$ —	$ (180,569)	$ 71,316,638	$ —

The bonds do not constitute obligations of the State. Bond principal and interest payments are funded from revenues pledged from (a) System net revenues, principally consisting of all charges, income and revenues received from the continued use and operation of the System remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System, (b) Medical Service Plan (MSP) revenues net of bad debt expense and contractual allowances and (c) UI College of Medicine tuition revenue.

These revenues for the year ended June 30, 2025 were as follows:

System net revenues	$ 46,036,020
Adjusted MSP revenues	378,139,149
UI College of Medicine student tuition	60,849,086
Total	$ 485,024,255

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues					
Bond issue(s)	Purpose	Source of revenue pledged	Future revenues pledged[1]	Term of commitment	Debt service to pledged revenues (current year)
Series 2023	Refunding	System net revenues, MSP revenues net of bad debt and contractual allowances, College of Medicine tuition	$ 108,000,600	2043	0.73%

[1] Total estimated future principal and interest payments on bonds

The resolutions authorizing the bonds provide for the establishment of separate funds as follows: Revenue Fund, Project Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund and Development Reserve. All income and revenues received from the continued use and operation of the System, as provided for by the Bond Resolution, are to be deposited in the Revenue Fund and used to pay necessary operation and maintenance expenses of the System. In the event of default, the bond owners may sue to command performance. The Bond Resolution also requires transfers to funds as follows:

Project Fund – at the discretion of the University Comptroller, amounts not needed to complete construction and renovation projects specified in the Bond Resolution are required to be transferred either to the Repair and Replacement Reserve or to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolution to provide for the cost of unusual maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System.

Bond and Interest Sinking Fund – amounts transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2025, and there was not a balance in the reserve at June 30, 2025.

The System made all required transfers for the year ended June 30, 2025.

After fulfillment of the provisions described above, the surplus, if any, remaining in the Revenue Fund may be used at the Board's option (a) to redeem bonds of the System which are subject to early redemption, (b) to improve or add facilities to the System, or (c) for any other lawful purpose.

Assets restricted by Bond Resolution or other agreements were held for the following purposes at June 30, 2025:

Restricted assets:		
Cash equivalents and claim on cash and pooled investments	$	33,668,055
Purpose:		
Repair and replacement reserve	$	28,225,131
Capital projects or equipment purchases		4,559,534
Bond and interest sinking fund		883,390
Total assets limited as to use		33,668,055
Less amounts required for current liabilities		(882,400)
Total for long-term use	$	32,785,655

(a) Debt Service Requirements

Future estimated debt service requirements for the Series 2023 Bonds at June 30, 2025 were as follows:

	Principal	Interest
2026	$ —	$ 3,529,600
2027	—	3,529,600
2028	2,825,000	3,458,975
2029	2,980,000	3,313,850
2030	3,140,000	3,160,850
2031 - 2035	18,305,000	13,216,125
2036 - 2040	23,610,000	7,989,988
2041 - 2043	17,465,000	1,476,612
Total debt service	68,325,000	$ 39,675,600
Unamortized premium	2,991,638	
Total bonds payable	$ 71,316,638	

(6) Finance Purchases, Leases and Software Subscriptions

(a) Finance Purchase Arrangements

The System has finance purchase arrangements with external parties related to hospital space and equipment with remaining lease terms ranging from three years to thirty-three years. The renewal and termination options are not included in the assets or liability balance until they are reasonably certain of exercise. The term does not include periods of a finance purchase that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in the finance purchase payable. The System did not have any finance purchases with variable lease payments as of June 30, 2025.

One of these finance purchase arrangements is a private-public partnership. The University entered into several agreements with private enterprises to construct the UI Health Specialty Care Building (SCB), which includes an outpatient surgery center and five specialty clinics. The University has partnered with Provident Group-UIC Surgery Center LLC (Provident) and a developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident was responsible for the design, development, and construction of the SCB. The Illinois Finance Authority (IFA) issued $149,845,000 of tax-exempt bonds with fixed interest rates of 4.00% and 5.00% in August 2020 and loaned the proceeds to Provident to fund a portion of the SCB project cost. The University leased the land on which the SCB was built to Provident over a period of 40 years and has entered a sublease with Provident to lease the SCB facility from Provident. Upon the termination or expiration of the land lease, the SCB, any improvements, fixtures, equipment, and all personal property attached to or within the SCB shall be owned by the University.

Finance purchase payable activity for the year ended June 30, 2025 was as follows:

Finance Purchase Payable

	Beginning balance	Additions	Deductions	Ending balance	Current portion
Finance purchase payable	$ 148,014,413	$	$ (2,227,996)	$ 145,786,417	$ 2,336,417

As of June 30, 2025, the scheduled fiscal year maturities of finance purchase liabilities and related interest are as follows:

	Principal	Interest
2026	$ 2,336,417	$ 6,092,814
2027	2,350,000	5,974,650
2028	2,465,000	5,854,275
2029	2,590,000	5,727,900
2030	2,720,000	5,595,150
2031-2035	15,770,000	25,741,500
2036-2040	19,885,000	21,605,525
2041-2045	24,240,000	17,186,000
2046-2050	29,490,000	11,829,600
2051-2055	35,880,000	5,312,400
2056-2058	8,060,000	161,200
	$ 145,786,417	$ 111,081,014

(b) Lessee Arrangements

The System leases warehouse space and equipment from external parties with remaining lease terms ranging from less than one year to seven years. The renewal and termination options are not included in the right-of-use assets or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The System did not have any leases with variable lease payments as of June 30, 2025.

Leases payable activity for the year ended June 30, 2025 was as follows:

Leases Payable

	Beginning balance	**Additions**	**Deductions**	**Ending balance**	**Current portion**
Leases payable	$ 7,090,373	$ 1,600,174	$ (2,575,934)	$ 6,114,613	$ 1,974,522

As of June 30, 2025, the scheduled fiscal year maturities of lease liabilities and related interest are as follows:

	Principal	Interest
2026	$ 1,974,522	$ 133,303
2027	1,594,574	93,980
2028	1,017,737	58,033
2029	429,924	36,451
2030	386,617	25,582
2031-2032	711,239	18,377
	$ 6,114,613	$ 365,726

(c) Lessor Arrangements

The System leases space within and attached to its buildings to external parties. These arrangements have terms ranging from one year to four years. In accordance with GASB 87, the System records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. During the fiscal year ended June 30, 2025, the System recognized revenues related to these lease agreements totaling $144,158, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2025, the System recognized revenue of $3,348 related to variable receipts that were not previously included in the measurement of the lease receivable.

(d) Subscription-Based Information Technology Arrangements

The System has many subscription-based information technology agreements (SBITAs) with remaining terms ranging from less than one year to five years. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise. The SBITA term does not include periods that include a mutual termination option.

Certain System SBITAs contain both fixed and variable subscription payments. These exist primarily within the agreements based on the consumer price index (fixed in substance) or other maintenance costs, which are paid based on actual costs incurred by the vendor (not fixed). The remaining SBITAs do not contain variable lease payments. Variable payments that are not fixed in nature and non-subscription charges are not included in the subscription liability. The total expenditures for variable payments not previously included in the measurement of the subscription liability during the fiscal year ended June 30, 2025, were $829,476.

Additionally, there were no commitments for SBITAs that have not yet commenced.

Subscription payable activity for the year ended June 30, 2025 was as follows:

Subscription Payable

	Beginning balance	Additions	Deductions	Ending balance	Current portion
Subscriptions payable	$ 7,605,899	$ 14,037,104	$ (8,617,142)	$ 13,025,861	$ 5,955,133

As of June 30, 2025, the scheduled fiscal year maturities of subscription liabilities and related interest are as follows:

	Principal	Interest
2026	$ 5,955,133	$ 369,688
2027	4,769,997	203,094
2028	1,266,235	67,585
2029	912,950	30,526
2030	121,546	3,084
	$ 13,025,861	$ 673,977

(7) Accrued Compensated Absences

Accrued compensated absences includes earned and unused vacation and sick leave, including salary-related payments. Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of System employment for one-half of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance

Balance, beginning of year	$	37,526,651
Additions (deductions), net		2,345,511
Balance, end of year		39,872,162
Less current portion		(3,509,764)
Balance, end of year – noncurrent portion	$	36,362,398

(8) Net Patient Service Revenue

Approximately 93% of the System's net patient service revenue was derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2025. Reimbursement under these programs provided payments to the System at amounts different from its established rates, based on a specific amount per case, or a contracted price, for rendering services to program beneficiaries. The System records contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs and adjusts them in future periods as final settlements through cost reports or other means as determined.

Net patient service revenue for the year ended June 30, 2025 was derived from the following payers:

Medicaid managed care	$	1,470,162,137
Medicare managed care		671,485,001
Medicare		627,041,199
HMO/PPO		1,027,427,916
Self-pay and other		311,503,375
Medicaid		220,170,462
Commercial insurance		69,036,466
Total gross revenue		4,396,826,556
Contractual allowances and provision for uncollectible accounts		(3,081,259,653)
Net patient service revenue	$	1,315,566,903

A summary of the payment arrangements with major third-party payers follows:

Medicare and Medicare Managed Care: Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient services are paid at prospectively determined rates that are based on the patients' diagnosis. Outpatient payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractors (MAC). The System's Medicare cost reports have been audited by the MAC through June 30, 2020.

Medicaid and Medicaid Managed Care: Services are reimbursed at prospectively determined rates. Medicaid payment methodologies and rates for services rendered are subject to change and the amount of funding available to the University of Illinois Hospital Services Fund. Such changes could have a significant effect on the System's revenues.

HMO/PPO: The System has payment agreements with certain HMOs and PPOs. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, prospectively determined daily rates, and capitated per-member per-month rates.

For the fiscal year ended June 30, 2025, changes in estimates have been recognized as an increase in net patient service revenue of approximately $25,322,000 as a result of settled cost reports and changes in estimates related to services rendered in previous years.

(9) Retirement and Postemployment Benefits

(a) Defined Benefit Pension Plan

General Information about the Defined Benefit Pension Plan

Plan Description: The University contributes to the SURS, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, and provides retirement annuities and other benefits for staff members and employees of State universities, and community colleges, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report (ACFR) as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2023 can be found in the Financial Section of SURS ACFR.

Contributions: The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2024 and fiscal year 2025, respectively, was 12.53% and 11.98% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155 (j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

Pension Liabilities, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pensions

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2024. At June 30, 2024, SURS defined benefit plan reported a NPL of $30,230,907,727.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the NPL to be recognized for the System is $0. The proportionate share of the State's NPL associated with the System is $2,900,723,695. This amount is not recognized in the System's financial statements. The NPL and total pension liability as of June 30, 2024 was determined based on the June 30, 2023 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2023.

Defined Benefit Pension Expense: At June 30, 2024, SURS defined benefit plan reported a collective net pension expense of $1,996,285,670.

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to the SURS defined benefit plan during fiscal year 2023. As a result, the University recognized revenue and defined benefit pension expense of $926,970,440 from this special funding situation during the year ended June 30, 2025, of which $191,548,016 was related to the System.

Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pensions: Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 305,114,071	$
Changes in assumptions	483,809,428	
Net difference between projected and actual earnings on pension plan investments		27,577,324
Total	$ 788,923,499	$ 27,577,324

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows and Inflows of Resources
2025	$ 126,531,380
2026	756,545,086
2027	(49,545,529)
2028	(72,184,762)
Total	$ 761,346,175

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period from June 30, 2020 through June 30, 2024. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.15 to 15.00 percent, including inflation
Investment rate of return	6.50 percent

Mortality rates were based on the Pub-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	36.0%	7.13%
Stabilized Growth		
Core Real Assets	8.0%	5.06%
Public Credit Fixed Income	6.5%	4.10%
Private Credit	2.5%	7.36%
Non-Traditional Growth		
Private Equity	11.0%	10.92%
Non-Core Real Assets	4.0%	9.09%
Inflation Sensitive		
U.S. TIPS	5.0%	2.12%
Principal Protection		
Core Fixed Income	10.0%	1.34%
Crisis Risk Offset		
Systematic Trend Following	10.0%	2.90%
Alternative Risk Premia	3.0%	2.62%
Long Duration	2.0%	2.84%
Long Volatility/Tail Risk	2.0%	-1.22%
Total	**100.0%**	**5.63%**
Inflation		**2.80%**
Expected Arithmetic Return		**8.43%**

Discount Rate: A single discount rate of 6.35% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.97% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2024). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.35%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.35%	Current Single Discount Rate Assumption 6.35%	1% Increase 7.35%
$36,700,168,358	$30,230,907,727	$24,839,790,537

Additional information regarding SURS basic financial statements, including the plan's net position, can be found in SURS Annual Comprehensive Financial Report by accessing the website at www.surs.org.

(b) Defined Contribution Pension Plan

General Information about the Defined Contribution Pension Plan

Plan Description: The University contributes to the Retirement Savings Plan (RSP) administered by SURS, a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941 and provides retirement annuities and other benefits for staff members and employees of State universities and community colleges, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5. Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

Benefits Provided: A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2024, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

Contributions: All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from "trust, federal, and other funds" as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State's General Assembly.

Forfeitures: Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee's RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have these forfeited employer contributions reinstated to their account, so long as the employee's own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State's contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State's General Assembly.

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense: For the year ended June 30, 2024, the State's contributions to the RSP on behalf of individual employers totaled $96,741,887. Of this amount, $89,857,115 was funded via an appropriation from the State and $6,884,772 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2024. The University's share of pensionable contributions was 59.0350%. As a result, the University recognized revenue and defined contribution pension expense of $57,111,565 from this special funding situation during the year ended June 30, 2025, of which $11,801,558 was related to the System. The amount that constituted forfeitures for the University was $4,064,424.

(c) Other Postemployment Benefits

Plan description: The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for the SURS members were defined within Note 9(a).

The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

Benefits provided: The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the State universities' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of CMS shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the State's General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2025, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $16,299 ($9,068 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $16,799 ($6,781 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Special funding situation of OPEB: The proportionate share of the State's OPEB expense relative to the System's former employees or retirees was estimated to be ($90,800,121) during the year ended June 30, 2025. The amount of the total proportionate share of the total OPEB liability to be recognized by the System related to the special funding situation is $0.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2023, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2023.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical & Rx (QCHP**)	10.02% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 4.25% in year 2041.
Medical & Rx (MAPD***)	Based on actual increase in 2025, 15.00% from 2026 through 2030, 7.00% in 2031 decreasing ratably to an ultimate trend of 4.25% in 2041.
Retiree Premium (QCHP)	16.84% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate trend of 4.25% in year 2041.
Retiree Premium (MAPD)	Based on actual increase in 2025, 15.00% from 2026 through 2030, 7.00% in 2031 decreasing ratably to an ultimate trend of 4.25% in 2041.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2024 and 2025 are based on actual premiums. Premiums after 2025 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

Healthcare Cost Trend Rate:	
Medical & Rx (QCHP**)	9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040.
Medical & Rx (MAPD***)	0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
Retiree Premium (QCHP)	8.04% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040.
Retiree Premium (MAPD)	0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 5.75% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.
**Quality Care Health Plan
***Medicare Advantage Prescription Drug

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2023 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scales
SERS	July 2018 - June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
TRS	July 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2023 valuations for Pensions. Thus, for all five plans, the 2023 valuation information for pensions is presented in the FY 2024 State of Illinois ACFR in footnote 16. For TRS and SURS, the total pension liability presented in the June 30, 2023, actuarial valuation is based on census data as of June 30, 2022, rolled-forward to the measurement date of June 30, 2023.

Discount Rate: Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.86% at June 30, 2023, and 3.97% at June 30, 2024, was used to measure the total OPEB liability.

(10) Related-Party Transactions

The University charged the System for administrative and other services totaling $29,296,639 in fiscal year 2025. These charges represent a portion of the estimated administrative and other service costs incurred by the University in support of the System. An additional $41,418,092 was paid by the University on behalf of the System for salaries and other costs for the year ended June 30, 2025, in exchange for System services and facilities provided, and are recognized as operating expenses (salaries and general) and operating revenues.

The System provides funds to the UI College of Medicine to support programmatic initiatives that benefit the System's strategic goals and to pay for salaries of physicians and staff in the College of Medicine who serve as medical directors and physician leaders of the System under various agreements. During fiscal year 2025, approximately $64.1 million was recognized in salaries and wages, and supplies and general expenses, by the System under these agreements.

The System provides funds to the University of Illinois College of Pharmacy under various arrangements to pay for salaries of clinical pharmacists, faculty, and residents and to support programs that benefit the System's clinical operations. During fiscal year 2025, approximately $18.6 million was recognized in salaries and wages and supplies and general expenses under these arrangements.

The System contracts with the UI College of Pharmacy to provide certain pharmacy services related to the Federal drug discount program under Section 340b of the Public Health Service Act, under which the System is a covered entity and purchases drugs for dispensing to eligible outpatients. During fiscal year 2025, the System paid approximately $20.4 million to the UI College of Pharmacy for these services.

The UI College of Pharmacy also provides various community benefit programs to patients and constituents of the System. During fiscal year 2025, the System paid approximately $6.6 million to the UI College of Pharmacy to support these programs.

Most healthcare services rendered by physicians at the University are charged, billed and collected through the MSP. For Hospital-based ambulatory care services, there is a charge for both professional and technical components. Based on the underlying agreements between the MSP and the System, the System remits certain net technical revenue to the MSP. Total MSP remittances from the System for the year ended June 30, 2025 relating to the delivery of ambulatory care were approximately $16.9 million.

During fiscal year 2025, various departments within the UI College of Medicine agreed to reimburse the System for a portion of the expenses related to the resident and fellowship training program. This reimbursement, which totaled $4.4 million, has been reflected in the financial statements as a reduction of the related expenses.

(11) Commitments and Contingencies

(a) Commitments

At June 30, 2025, the System had commitments on various construction projects and contracts for repairs and renovation of health services facilities of $17,045,867, commitments on software projects of $3,647,402, and commitments on equipment of $393,221.

In October 2024, the System was awarded a grant from the Illinois Board of Higher Education for $20,000,000 to partially fund phase one of the hospital access expansion project. The project encompasses a four-story addition and renovation to the System's hospital to create expanded capabilities to care for emergency patients and creation of space for future expansion of much needed services. In accordance with this grant agreement, $4,000,000 was advanced to the System in December 2024 and is reported as unearned revenues on the Statement of Net Position.

(b) Contingencies

The University (including the System) is involved in regulatory audits arising in the normal course of business.

In fiscal year 2025, the System received notices from Medicare and other payers requiring that it provide documentation for certain claims as part of audit programs. The System has responded to these requests. Review of claims through these Medicare and other payer audit programs may result in a liability to Medicare and other payers which could have a material impact on the System's net patient service revenue.

The University (including the System) is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self insurance liability, which covers hospital and medical professional/general liability, estimated general and contractual liability, and workers' compensation liability. At June 30, 2025, the University's total accrued self insurance liability was $313,547,588.

The University's accrued self insurance liability includes $258,058,786 at June 30, 2025, for the most probable and reasonably estimable ultimate cost of medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and System specific data to cover projected losses for claims incurred but not yet reported. The System contributes to the University's self insurance reserve through annual assessments (approximately $19.2 million in fiscal year 2025 reported as general expenses). Therefore, no liability related to medical malpractice claims is included in the System's financial statements, but the entire self insurance liability is reflected in the University's financial statements.

The System utilizes classes of medical devices and x-ray machines that have legally imposed costs associated with their eventual disposal. The System does not have sufficient information available to reasonably estimate the timing and/or cost related to these future retirement obligations.

(12) Subsequent Event

On July 4, 2025, the U.S. Congress enacted the One Big Beautiful Bill Act (H.R. 1), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The H.R. 1 has not had a material impact on the System's financial results to date as many aspects of the legislation are effective for future periods. The System is currently evaluating what impact the H.R. 1 will have on its financial results, cash flows and net position for future periods. Future regulatory developments and economic effects stemming from the H.R. 1 or other legislation remain uncertain and could have a material adverse impact on the System's results of operations and financial condition.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Required Supplementary Information
Year Ended June 30, 2025

Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability

Measurement Date	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
(a)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
(c)	$2,900,723,695	$2,763,386,352	$2,722,736,087	$2,627,941,908	$2,685,929,039	$2,445,838,023	$2,325,669,476	$2,068,800,122	$2,016,718,081	$1,770,601,518
Total (b) + (c)	$2,900,723,695	$2,763,386,352	$2,722,736,087	$2,627,941,908	$2,685,929,039	$2,445,838,023	$2,325,669,476	$2,068,800,122	$2,016,718,081	$1,770,601,518
(d)	$407,716,874	$381,130,718	$360,104,021	$332,786,958	$320,699,826	$300,473,375	$288,314,036	$274,251,179	$265,271,833	$253,062,776
(e)	711.46%	725.05%	756.10%	789.68%	837.52%	813.99%	806.64%	754.35%	760.25%	699.67%
(f)	44.60%	44.06%	43.65%	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%

(a) Proportion Percentage of the Collective Net Pension Liability
(b) Proportion Amount of the Collective Net Pension Liability
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the System
(d) Employer defined benefit Covered Payroll*
(e) Proportion of Collective Net Pension Liability associated with the System as a percentage of defined benefit covered payroll
(f) SURS Plan Net Position as a Percentage of Total Pension Liability

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

(Continued)

Notes to Required Supplementary Information
June 30, 2025

The pension schedules above are presented to illustrate the requirements of the Governmental Accounting Standards Board's Statement No. 68 to show information for 10 years.

Changes of benefit terms. Public Act 103-0548, effective August 11, 2023, made changes to the calculation of service and eliminated the part-time adjustment for participants on or after September 1, 2024. This change was first reflected in the Total Pension Liability as of June 30, 2024.

Changes of assumptions. In accordance with *Illinois Compiled Statutes*, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2020, to June 30, 2023, was performed in Spring 2024, resulting in the adoption of new assumptions as of June 30, 2024. These assumptions are listed below.

- Salary increase. The overall assumed rates of salary increase range from 3.15 percent to 15.00 percent based on years of service, with an underlying wage inflation rate of 2.40 percent. Separate rates of increase are assumed for members in academic and non-academic positions.

- Investment return. The investment return is assumed to be 6.50 percent. This reflects an assumed real rate of return to 4.10 percent and assumed price inflation of 2.40 percent.

- Effective rate of interest. The long-term assumption for the effective rate of interest for crediting the money purchase accounts is 7.00 percent.

- Normal retirement rates. Separate rates are assumed for members in academic positions, non-academic positions, and public safety positions. Rates are generally highest for public safety positions and lowest for academic positions.

- Early retirement rates. Separate rates are assumed for members in academic positions and non-academic positions. Rates are generally higher for non-academic positions.

- Turnover rates. Assumed rates maintain the pattern of decreasing termination rates as years of service increase, with separate rates for academic and non-academic positions.

- Mortality rates. Use of Pub-2010 mortality tables reflects its high applicability to public pensions. The projection scale utilized is the MP-2021 scale, with separate rates for academic, non-academic, and public safety members.

- Disability rates. Separate rates are assumed for members in academic positions, non-academic positions, and public safety positions, as well as for males and females. Public safety disability incidence is assumed to be 50 percent line-of-duty related and 50 percent ordinary.

- Plan election. For new non-academic members, assumed plan election rates are 75 percent for Tier 2 and 25 percent for Retirement Savings Plan (RSP). For new academic members, assumed plan election rates are 55 percent for Tier 2 and 45 percent for RSP.

- Cost of living adjustment. Annual annuity increases are assumed to be 3.00 percent for Tier 1 members and 1.20 percent for Tier 2 members.