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

FINANCIAL AUDIT

For the Year Ended June 30, 2024

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2024

AGENCY OFFICIALS

Director (3/7/2024 – Present)	Ms. Raven DeVaughn
Director (Acting) (7/1/2023 – 3/6/2024)	Ms. Raven DeVaughn
Assistant Director (5/24/2024 – Present)	Mr. Aundra Williams
Assistant Director (Acting) (7/1/2023 – 5/23/2024)	Mr. Aundra Williams
Assistant Director	Vacant
Chief of Staff	Mr. Patrick Nolan
Chief Administrative Officer	Ms. Sarah Kerley
Chief Operating Officer (7/10/2023 – Present)	Mr. William McCarty
Chief Operating Officer (Acting) (7/1/2023 – 7/9/2023)	Mr. Sean Neuert
Chief Financial Officer	Ms. Karen Pape
General Counsel (12/1/2023 – Present)	Ms. Corey-Anne Gulkewicz
General Counsel (Acting) (7/1/2023 – 11/30/2023)	Ms. Corey-Anne Gulkewicz
Chief Internal Auditor (10/16/2023 – Present)	Mr. Butch Stilwell
Chief Internal Auditor (Acting) (7/1/2023 – 10/15/2023)	Ms. Dawn Meier

Agency main offices are located at:

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

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A Fiduciary Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	1	1
Repeated Findings	1	1
Prior Recommendations Implemented or Not Repeated	0	1

SCHEDULE OF FINDINGS

Item No.	Pages	Last/First Report	Description	Finding Type
		CURRENT FINDINGS		
2024-001	26-27	2023/2021	Failure to determine premiums that allow for establishment of actuarial sound reserve	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison on January 28, 2025. The responses to the recommendations were provided by Amy Lange, Audit Liaison, in a correspondence dated February 03, 2025.

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Members of American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Department of Central Management Services (Department), Community College Health Insurance Security Fund (Fund), a fiduciary component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Community College Health Insurance Security Fund experienced a deficit position of $103.625 million as of June 30, 2024. The factors contributing to the deficit are not covered by the current funding policy. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- exercise professional judgement and maintain professional skepticism throughout the audit.

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

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

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

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions, Notes to Schedule of Contributions, and Schedule of Investment Returns on pages 20-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, on our consideration of the Department's internal control over financial reporting of the Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
February 14, 2025

FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended June 30, 2024

(amounts expressed in thousands)

Assets	
Cash Equity with State Treasurer	$ 1,135
Cash and Cash Equivalents	2,036
Securities Lending Collateral Equity of State Treasurer	465
Receivables:	
Employer	470
Employee	462
Federal Government	107
Interest	9
Other Receivables	962
Total Receivables	2,010
Due from Other Funds	137
Total Assets	5,783
Liabilities	
Accounts Payable and Other	58,907
Intergovernmental Payables	14
Due to Other Funds	50,019
Obligations under Securities Lending of State Treasurer	465
Total Current Liabilities	109,405
Long-term Compensated Absences	3
Total Liabilities	109,408
Unrestricted Net Position (Deficit)	$ (103,625)

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
A FIDUCIARY COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2024

(amounts expressed in thousands)

Additions	
Contributions	
Employer	$ 7,950
State	7,950
Active Plan Member	7,949
Federal Government Medicare Part D	35
Total Contributions	23,884
Investment Income	277
Total Additions	24,161
Deductions	
Benefit Payments and Refunds	16,006
General and Administrative Expense	4,673
Total Deductions	20,679
Net Increase (Decrease) in Net Position	3,482
Unrestricted Net Position	
Net Position (Deficit), July 1, 2023	(107,107)
Net Position (Deficit), June 30, 2024	$ (103,625)

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

1) Plan Description

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

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

Membership in the plan consisted of the following at June 30, 2024:

Retirees and Beneficiaries	6,552
Inactive, Nonretired Members	6,624
Active Members	18,775
Total	31,951
Number of participating employers	39
Number of nonemployer contributing entities	1

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

2) Summary of Significant Accounting Policies

a) Financial Reporting Entity

As defined by Generally Accepted Accounting Principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

2) Summary of Significant Accounting Policies (Continued)

a) Financial Reporting Entity (Continued)

Based upon the required criteria, CCHISF has no component units. CCHISF is considered a fiduciary component unit of the State of Illinois due to fiscal dependency on the State. The financial statements of the CCHISF are included in the financial statements of the State of Illinois as a pension (and other employee benefit) trust fund. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

b) Measurement Focus and Basis of Accounting

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

c) Cash and Cash Equivalents

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

d) Deposits and Investments

Investments are reported at fair value.

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

e) Compensated Absences

Compensated absences reported in the statement of fiduciary net position consist of unpaid, accumulated vacation and sick leave balances for Department employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary-related costs (e.g., Social Security and Medicare tax).

2) Summary of Significant Accounting Policies (Continued)

e) Compensated Absences (Continued)

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for the purposes of calculating employee pension benefits.

f) Net Position

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

g) Use of Estimates

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

3) Contributions

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

3) Contributions (Continued)

For the year ended June 30, 2024, member required contributions ranged from $160.37 to $177.00 per month per retiree, and from $583.76 to $617.69, per month per dependent beneficiary (assuming Medicare eligibility). Non-Medicare eligible members' required contributions ranged from $183.92 to $740.22 per retiree and from $669.40 to $2,694.29 per dependent family members. Active employees contributed $7.949 million, or approximately 33.33% of total premiums, representing 0.75% of their salaries, and participating college districts contributed $7.950 million, or 33.33% of total premiums, representing their required 0.75% contribution. The State contributed $7.950 million, or approximately 33.34% of total premiums, representing their required contribution of 0.75% of estimated active employee salaries. The State contribution amount is annually adjusted to "true-up" the contribution from two years prior using actual rather than estimated covered payroll. The Department records an estimate for projected "true-up" amounts for the two years subsequent to the report date. The fund received $35 thousand in Medicare Part D subsidy payments from the federal government. Retiree contributions are netted with related liability.

4) Deposits and Investments

a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Annual Comprehensive Financial Report.

Cash on deposit with the State Treasurer totaled $1.135 million at June 30, 2024.

b) Investments

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

As of June 30, 2024, the Department had the following investments in the State Treasury Investment Pool (Illinois Funds):

	Amortized Cost (Thousands)	Weighted Average Maturity (Years)
Illinois Public Treasurers' Investment Pool	$ 2,036	0.141
Total fixed income investments	$ 2,036	

4) Deposits and Investments (Continued)

b) Investments (Continued)

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

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

Rate of Return. For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 5.486%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at 1 East Old State Capitol Plaza, Springfield, Illinois 62701.

c) Reconciliation to Statement of Net Position

	Deposits (Thousands)	Investments (Thousands)
Amounts per Note 4(a)(b)	$ 1,135	$ 2,036
Cash Equivalents	2,036	(2,036)
Total per Statement of Net Position	$ 3,171	$ 0

d) Securities Lending Transactions

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

During fiscal year 2024, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

4) Deposits and Investments (Continued)

d) Securities Lending Transactions (Continued)

The State Treasurer did not impose any restrictions during fiscal year 2024 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2024 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2024, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2024 were $6,315,526,626 and $6,212,419,117, respectively.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2024 arising from securities lending agreements to the various funds of the State. The total allocated to the CCHISF at June 30, 2024 was $.465 million.

5) Total OPEB Liability

The components of the Total OPEB Liability of CIP at June 30, 2024, were as follows:

OPEB Liability	$561,565,300
Plan Fiduciary Net Position	(103,625,000)
Total OPEB liability	$665,190,300
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	-18.45%

5) Total OPEB Liability (Continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified

Inflation	2.25%
Salary increases	Depends on age and service and ranges from 12.75% at less than 1 year of service to 3.50% at 34 or more years of service for employees under 50 and ranges from 12.00% at less than 1 year of service to 3.00% at 34 or more years of service for employees over 50. Salary increase includes a 3.00% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Healthcare cost trend rates	Trend rates for plan year 2025 are based on actual premium increases. For non-medicare costs, trend rates start at 8.00% for plan year 2026 and decrease gradually to an ultimate rate of 4.25% in 2041. For MAPD costs, trends rates are based on actual premium increases for 2025, 15.00% in 2026 to 2030 and 7.00% in 2031, declining gradually to an ultimate rate of 4.25% in 2041.

Mortality rates for retirement and beneficiary annuitants were based on the Pub-2010 Healthy Retiree Mortality Table and PubT-2010 Healthy Retiree Mortality Table. For disabled annuitants mortality rates were based on the Pub-2010 Disabled Retiree Mortality Table. Mortality rates for pre-retirement were based on the Pub-2010 Employee Mortality Table and PubT-2010 Employee Mortality Table. Tables were adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2020.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period June 30, 2017 to June 30, 2020.

Projected benefit payments were discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since CIP is financed on a pay-as-you-go basis, a discount rate consistent with fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity's index's "20-year Municipal GO AA Index" has been selected. The discount rates are 3.97% as of June 30, 2024, and 3.86% as of June 30, 2023. The increase in the single discount rate from 3.86% to 3.97% caused the total OPEB liability to decrease by approximately $6.3 million from 2023 to 2024.

5) Total OPEB Liability (Continued)

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

During the plan year ending June 30, 2024, the trust earned $277,000 in interest and due to a significant benefit payable, the market value of assets at June 30, 2024, is a negative $103.6 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set to zero.

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

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.97%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.97%) or lower (2.97%) than the current rate:

Sensitivity of Total OPEB Liability as of June 30, 2024, to the Single Discount Rate Assumption			
	1% Decrease (2.97%)	**Current Single Discount Rate Assumption (3.97%)**	**1% Increase (4.97%)**
Total OPEB liability	$726,729,977	$665,190,300	$612,504,460

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

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

5) Total OPEB Liability (Continued)

Sensitivity of Total OPEB Liability as of June 30, 2024, to the Healthcare Cost Trend Rate Assumption			
	1% Decrease(b)	**Healthcare Cost Trend Rates Assumption(a)**	**1% Increase(c)**
Total OPEB liability	$597,670,047	$665,190,300	$746,986,039

(a) Current healthcare trend rates – Pre-Medicare per capita costs: 9.02% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2041. Post-Medicare per capita costs: based on actual increase in 2025, 15.00% from 2026 to 2030, 7.00% in 2031 decreasing ratably to an ultimate trend rate of 4.25% in 2041.

(b) One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 8.02% in 2025, 7.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2041. Post-Medicare per capita costs: based on actual increase in 2025, 14.00% from 2026 to 2030, 6.00% in 2031 decreasing ratably to an ultimate rate of 3.25% in 2041.

(c) One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 10.02% in 2025, 9.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2041. Post-Medicare per capita costs: based on actual increase in 2025, 16.00% from 2026 to 2030, 8.00% in 2031 decreasing ratably to an ultimate rate of 5.25% in 2041.

6) Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2024, were as follows:

	Balance July 1, 2023	**Additions**	**Deletions**	**Balance June 30, 2024**	**Amounts Due Within One Year**
Compensated Absences	$2	$11	$10	$3	$0
Total	$2	$11	$10	$3	$0

7) Pension Plan

The vested full-time employees paid from CCHISF may participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2024 are included in the State of Illinois' Annual Comprehensive Financial Report for the year ended June 30, 2024. The SERS issues a separate Annual Comprehensive Financial Report that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

7) Pension Plan (Continued)

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' Annual Comprehensive Financial Report. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2024, the employer contribution rate was 52.657%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

8) Post-employment Benefits

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

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

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706-4100.

9) Fund Deficit

For the fiscal year ending June 30, 2024, total benefits and expenses were $20.679 million which were partially financed by $7.950 million in State contributions, $7.950 million in employer contributions, $35 thousand in the federal government Medicare Part D subsidy, and $7.949 million in active member contributions, resulting in a net surplus of $3.482 million.

Prior to fiscal year 2024, contributions made by the State, employers, and employees were defined as a fixed percentage of payroll, and retired member contributions were subject to a 5.0% per year increase resulting in the previous funding policy not providing a provision for adverse experience. The following factors contributed to the fund deficit: total payroll increasing at a rate lower than expected, premium rates increasing by more than 5.0%, overall claim costs increasing at a rate higher than expected, or more retirements occurring than expected. Also, the current financing policy does not provide a specific provision for claims incurred during the fiscal year that are expected to be paid in the following fiscal year. At June 30, the fund deficit was $103.625 million.

10) Contingencies

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

11) Interfund Borrowing

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
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SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(Unaudited)

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

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

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

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

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SCHEDULE OF CONTRIBUTIONS

(Unaudited)

Year Ended June 30	Actuarially Determined Contribution*	Statutorily Required Contributions	Contribution (Excess) Deficiency	Covered Payroll	Actual Contribution as a % of Covered Payroll
2024	N/A	$ 15,900,000	N/A	$ 1,086,596,190	1.46%
2023	N/A	$ 9,890,000	N/A	$ 1,034,600,364	0.96%
2022	N/A	$ 9,430,000	N/A	$ 1,020,670,908	0.92%
2021	N/A	$ 9,298,000	N/A	$ 1,013,680,588	0.92%
2020	N/A	$ 9,196,000	N/A	$ 987,692,212	0.93%
2019	N/A	$ 8,975,000	N/A	$ 964,152,233	0.93%
2018	N/A	$ 8,830,000	N/A	$ 983,856,634	0.90%
2017	N/A	$ 8,676,000	N/A	$ 953,001,927	0.91%
2016	N/A	$ 9,042,000	N/A	$ 918,556,000	0.98%
2015	N/A	N/A	N/A	N/A	N/A

See accompanying notes to schedule

* Prior to 2016, amounts disclosed as "Actuarially Determined Contribution" are the actuarially determined "Annual Required Contribution" which was calculated biennially under GASB Statement No. 43. For years listed as N/A information to complete the schedule was not available.

For 2016 through 2024, contributions for CIP are defined by State statute and Actuarially Determined Contributions are not developed. Benefits are financed on a pay-as-you-go basis, based on contribution rates defined by statute. For fiscal year end June 30, 2024, contribution rates are 0.75% of pay for active members, 0.75% of pay for community colleges, and 0.75% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year cost plus a margin for incurred but not paid plan costs.

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

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

NOTES TO SCHEDULE OF CONTRIBUTIONS
(Unaudited)

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Sponsor's Fiscal Year End	June 30, 2025

Methods and assumptions used to determine Actuarial Liability and Contributions:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you go basis. Contribution rates are defined by statute. For fiscal year end June 30, 2024, contribution rates are 0.75% of pay for active members, 0.75% of pay for community colleges and 0.75% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Inflation	2.25%
Salary Increases	Depends on age and service and ranges from 12.75% at less than 1 year of service to 3.50% at 34 or more years of service for employees under 50 and ranges from 12.00% at less than 1 year of service to 3.00% at 34 or more years of service for employees over 50. Salary increase includes a 3.00% wage inflation assumption.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2021, actuarial valuation of SURS.
Mortality	Retirement and Beneficiary Annuitants: Pub-2010 Healthy Retiree Mortality Table and PubT-2010 Healthy Retiree Mortality Table. Disabled Annuitants: Pub-2010 Disabled Retiree Mortality Table. Pre-Retirement: Pub-2010 Employee Mortality Table and PubT-2010 Employee Mortality Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2020.
Healthcare Cost Trend Rates	Trend used plan year end 2025 are based on actual premium increases. For non-medicare costs, trend rates start at 8.00% for plan year 2026 and decrease gradually to an ultimate rate of 4.25% in 2041. For MAPD costs, trend rates are based on actual premium increases for 2025, 15.00% in 2026 to 2030 and 7.00% in 2031, declining gradually to an ultimate rate of 4.25% in 2041.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

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SCHEDULE OF INVESTMENT RETURNS

(Unaudited)

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

Note: Information is not available prior to 2016. Additional years will be added to future reports as schedules are intended to show 10 years of historical data.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of Central Management Services (Department), Community College Health Insurance Security Fund (Fund), a fiduciary component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Fund's financial statements and we have issued our report thereon dated February 14, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2024-001.

Department's Responses to the Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
February 14, 2025

SCHEDULE OF FINDINGS

2024-001. FINDING (Failure to determine premiums that allow for establishment of actuarial sound reserve)

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2024 testing, we continued to identify exceptions, as noted below:

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 12.23% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was $306,092.

- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2024, the Program had a fund deficit of $103.625 million. The Program does not have an actuarially sound reserve.

Department management stated the population enrolled in the non-Medicare Advantage Prescription Drug Plan in Community College Health Insurance Program represents roughly 1,350 lives (around 17%) of the overall program. This population, being so small in size, can experience significant volatility with its self-insured claims, making them less reliable. Additionally, fully insured Health Maintenance Organization product rates are negated with increases across all health insurance programs administered by the Department. While the larger programs' impact on this can reduce volatility in year over year rate changes, the rates themselves are not completely accurate in representing the underlying claims experienced by the population in a given year. Finally, the poor financial condition of the program has created significant delays in the payment of claims for some vendors.

This significant deficiency in internal control over financial and fiscal operations poses a reasonable possibility that future misstatements of the Department's financial statements or noncompliance will occur and not be prevented or detected or corrected on a timely basis.

2024-001. **FINDING** (Failure to determine premiums that allow for establishment of actuarial sound reserve) – Continued

The premiums established for the fund were not in compliance with the Act, resulting in additional costs to the State. Additionally, failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-001)

RECOMMENDATION

We recommend the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommend the Department either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department has worked with the Governor's Office of Management and Budget (GOMB) to enact legislation that will allow for increases to the contributions provided by active employees, districts, and the General Revenue Fund. Additionally, the Department worked with GOMB to provide for an additional $50M in transfers to the fund which was used to reduce the payment back log. These two remedies, based upon current projections, are expected to eliminate the back log by Fiscal Year 2032. Subsequently, revenues will be accrued to establish a sound reserve balance.