

Annual Financial Report Summary

For the Fiscal Year Ended June 30, 2024



**Teachers' Retirement System
of the State of Illinois**

Serving Those Who Serve

Our steadfast mission — to provide expert pension service to Illinois public educators as they secure their promised retirement — is the driving force behind everything we do. We are dedicated to delivering the highest level of support to those who dedicate their lives to educating future generations.

Our vision of being the trusted retirement resource for generations of members reminds us of the profound impact our efforts have on the lives of over 456,000 educators and public school personnel. Together, we are not merely administering and safeguarding retirement benefits; we are cultivating a culture of learning and support that empowers every educator and student to reach their full potential.

This report spotlights some of the TRS members who visited our offices in Lisle and Springfield this summer for retirement counseling.

TRS BOARD OF TRUSTEES AS OF DECEMBER 1, 2024



Matthew Hunt
President
Appointed
Glen Ellyn



Andrew Hirshman
Vice President
Elected
Oak Park



Dr. Tony Sanders
Ex officio
Elgin



Marsha Byas
Elected
Marion



David Miller
Appointed
Lynwood



Beth Anderson
Elected
Kankakee



Michael Goetz
Appointed
Springfield



Fred Peronto
Elected
Elmhurst



Kevin (Duffy) Blackburn
Appointed
Joliet



Maria "Mia" Jazo-Harris
Appointed
Bloomington



Larry Pfeiffer
Elected
Carlinville



Joseph Blomquist
Elected
St. Charles



Maureen Mena
Appointed
Bolingbrook



Doug Strand
Elected
East Moline

TRS ORGANIZATION EXECUTIVE CABINET AS OF DECEMBER 1, 2024



Stan Rupnik, CFA
Executive Director &
Chief Investment
Officer



Sally Antonacci
Executive Officer



Janelle Gurnsey
Director of
Public Relations



Deron Bertolo
Chief Financial
Officer



Michelle Kissel
Director of
Human Resources



Lori Dour
Chief Benefits
Officer



**Gloria Lasley,
MBA, CISSP, PMP**
Chief Operating
Officer



Cynthia Fain
Senior Legal
Counsel



Emily Peterson
General Counsel



John Gerding
Director of
Information
Technology



**Stacy Smith,
CPA, CIDA**
Director of Internal
Audit and Risk



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

2815 W. Washington St. | P.O. Box 19253 | Springfield, IL 62794-9253

877-927-5877 (877-9-ASK-TRS) | TTD: 800-526-0844 (or 711) | FAX: 217-753-0964

members@trsil.org | <https://www.trsil.org>

R. Stanley Rupnik, Executive Director & Chief Investment Officer

December 17, 2024

Dear TRS Members:

We are pleased to present the *Annual Financial Report Summary* for the Teachers' Retirement System of the State of Illinois (TRS) for the fiscal year ended June 30, 2024. This report provides critical details regarding the on-going efforts of the System's trustees and staff to fulfill the TRS mission of delivering expert pension service to Illinois public educators as they earn their promised retirement security.

Significant events in fiscal year 2024

- TRS reported a notable increase in its funded status for the year ending June 30, 2024, marking the fourth consecutive year of improvement. The funded ratio, calculated using the actuarial value of assets, has risen to 45.8%, up from 44.8% the previous year.
- The TRS investment portfolio returned 8.8% net of fees, for the fiscal year ended June 30, 2024. Total investment assets increased approximately \$4.9 billion during the year.
- The consistency and commitment to support our pension system remains a priority for **Governor JB Pritzker** and the General Assembly. For two consecutive years, TRS received funding above the certified minimum requirements, reinforcing the State's commitment to fulfilling pension promises to retired teachers and other public employees. These additional contributions in fiscal year 2022 and fiscal year 2023 — \$172 million and \$230 million respectively — positioned TRS for greater financial stability, demonstrating strong support for our educators' retirement security.
- As of June 30, 2024, 5,683 members from 982 eligible employers have enrolled in the TRS Supplemental Saving Plan, deferring a total of \$22.81 million into their accounts.
- TRS is leading cross-divisional efforts to modernize our pension administration system (PAS) to better serve our members and fulfill our mission.
- TRS continues to strengthen its ongoing commitment to diversity in the management of its investment portfolio. Over the past five years, the assets managed by Minority and Women Business Enterprises (MWBE) within the TRS portfolio have grown significantly, rising from \$11.7 billion to \$21.2 billion. As of the end of fiscal year 2024, approximately 29.8% of invested and committed capital are managed by 41 MWBE firms, totaling \$21.2 billion.

The TRS Board of Trustees and staff remain vigilant in their efforts to improve the retirement system's funded status for current and future members. TRS continues to invest prudently and in a disciplined manner for the benefit of TRS membership and for the long-term success of the retirement system. The TRS board and staff believe the overall investment strategy remains sound and aligns with their specific objectives and principle.

The information in this report was compiled by TRS staff under the guidance of the TRS Board of Trustees and the executive director, and it remains the responsibility of TRS management. Our goal is to provide complete and reliable information that supports management decisions, demonstrates TRS's compliance with legal requirements, and ensures responsible stewardship of the assets contributed by members, their employers and the State of Illinois.

We would like to take this opportunity to extend our gratitude to our dedicated staff, professional consultants and others who have worked tirelessly to ensure the successful operation of TRS.

R. Stanley Rupnik
Executive Director and Chief Investment Officer

Deron Bertolo
Chief Financial Officer

FINANCIAL HIGHLIGHTS

- The fiduciary net position of TRS at June 30, 2024 was \$71.4 billion.
- During fiscal year 2024, the fiduciary net position of TRS increased \$4.9 billion.
- Defined benefit contributions from members, employers and the State of Illinois were \$7.5 billion, an increase of \$216.1 million or 3.0% for fiscal year 2024.
- Deferred compensation contributions from employers and members were \$15.5 million, an increase of \$8.8 million for fiscal year 2024.
- Total net investment gain was \$5.8 billion, compared to a \$4.4 billion gain in FY23, an increase of 30.1%.
- Defined benefits and refunds paid to members and annuitants were \$8.3 billion, an increase of \$293.1 million or 3.7%.
- The actuarial accrued liability was \$154.3 billion at June 30, 2024.
- The unfunded actuarial accrued liability was \$83.6 billion at June 30, 2024. The funded ratio was 45.8% at June 30, 2024. The unfunded liability and funded ratio are calculated using a smoothed value of assets, as required under Public Act 96-0043.
- The total pension liability (TPL) was \$157.3 billion at June 30, 2024.
- The net pension liability (NPL) was \$85.9 billion at June 30, 2024. The plan fiduciary net position, as a percentage of total pension liability, was 45.4%.

Condensed Comparative Statements of Fiduciary Net Position as of June 30

	2024	Percentage Change	2023
Cash	\$30,612,216	82.6%	\$16,768,742
Receivables and prepaid expenses	2,326,392,969	(2.3)	2,381,586,920
Investments	71,173,673,106	7.4	66,266,731,645
Invested securities lending collateral	47,886,000	(97.4)	1,874,005,888
Capital assets	6,972,221	(29.9)	9,947,467
Total assets	73,585,536,512	4.3	70,549,040,662
Total liabilities	2,165,205,467	(46.5)	4,047,392,761
Total fiduciary net position	<u>\$71,420,331,045</u>	7.4%	<u>\$66,501,647,901</u>

Condensed Comparative Statements of Changes in Fiduciary Net Position for the Years Ended June 30

	2024	Percentage Change	2023
Contributions	\$7,475,016,704	3.1%	\$7,250,076,955
Net investment income (loss)	5,757,906,980	30.1	4,427,042,975
Participant fee income	157,139	398.9	31,494
Total additions	13,233,080,823	13.3	11,677,151,424
Benefits and refunds	8,260,383,852	3.7	7,967,329,515
Administrative expenses	38,536,723	15.5	33,371,327
Contributions sent to third-party administrator	15,477,104	133.2	6,636,864
Total deductions	8,314,397,679	3.8	8,007,337,706
Net increase/decrease in fiduciary net position	4,918,683,144	34.0	3,669,813,718
Total fiduciary net position - beginning of year	<u>\$66,501,647,901</u>	5.8	<u>62,831,834,183</u>
Total fiduciary net position - end of year	<u>\$71,420,331,045</u>	7.4%	<u>\$66,501,647,901</u>

INVESTMENTS

As of June 30, 2024, the fair value of TRS’s investments was \$71.2 billion, an increase of \$4.9 billion from the prior year. TRS had a total fund annualized return of 9.5%, gross of fees, and 8.8%, net of fees, for the one-year period ended June 30, 2024.

Global financial markets’ results were mixed for the year ending June 30, 2024. The investment strategy employed by TRS continued to protect member assets and generated a favorable return.

TRS’s conservative strategy performed as intended during a period of economic and geopolitical instability as market volatility, inflation and interest rate concerns continued throughout the year.

Due to the under-funded status of TRS, the System’s primary objective is to protect member assets against large market downturns caused by economic unpredictability, as experienced within the year. A prudent investment strategy consists of a diversified portfolio that seeks to participate in the upside of the market but also is positioned to better protect assets in times of high market volatility.

Long-term Results

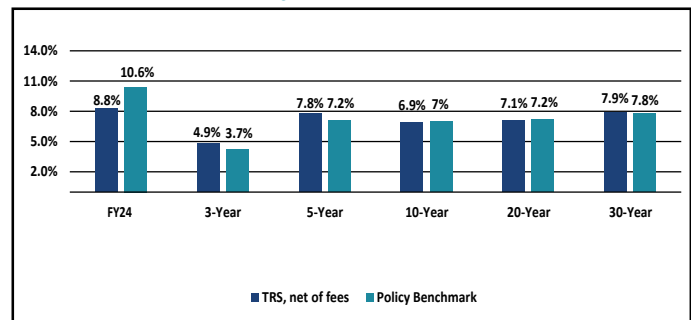
The System focuses its attention on its long-term investment rate of return. At the end of fiscal year 2024, the 30-year rate of return, net of fees, was 7.9%, which bests the System’s estimated long-term investment rate of 7.0%.

The TRS trust fund is invested under the authority of the Illinois Pension Code and follows the “prudent person rule,” which requires investments to be managed solely in the interest of fund participants and beneficiaries.

TRS Investment Performance (net of fees)

Summary Data as of June 30, 2024	
Total fund fair value	\$71.2 billion
1-year return (net of fees)	8.8%
3-year return (net of fees)	4.9%
5-year return (net of fees)	7.8%
10-year return (net of fees)	6.9%
20-year return (net of fees)	7.1%
30-year return (net of fees)	7.9%
Percent externally managed	100.0%
Number of external managers	187
Master Trustee and Custodian	State Street Bank and Trust Company
General consultant	RVK, Inc.

TRS Total Fund vs. Policy Benchmark



Paula P.

Where do/did you teach?

Plum Grove Middle School

What do you plan to do in retirement?

Relax and enjoy the pool.

What will you miss about your profession after retirement?

The children and my colleagues.

ACTUARIAL

This section discusses the System’s actuarial process, state funding requirements and funded status.

Annual Actuarial Valuation Process

The purpose of the annual actuarial valuation is to determine the funding progress of the System and to calculate the annual contribution required by the Illinois Pension Code. The valuation is prepared using a set of actuarial assumptions – demographic and economic. The demographic assumptions are the product of an experience study that is conducted every three years. The economic assumptions are reviewed annually as recommended by the state actuary. The System actuaries reconcile the differences between the assumptions and current experience to explain the difference in TRS’s valuation.

The actuarial valuation produces the accrued liability (a present value estimate of all the benefits earned by TRS members to date but not yet paid), the value of assets, and the unfunded liability (the excess of the accrued liability over the assets). The funded ratio shows the percentage of the accrued liability covered by assets.

Actuarial Valuation (\$ thousands)

	Year Ended June 30, 2024
Based on actuarial value of assets	
Total actuarial accrued liability	\$154,325,159
Less actuarial value of assets*	70,687,607
Unfunded liability	<u>\$83,637,552</u>
Funded ratio*	45.8%
Based on fair value of assets	
Total actuarial accrued liability	\$154,325,159
Less assets at fair value	71,424,802
Unfunded liability	<u>\$82,900,357</u>
Funded ratio	46.3%

* Five-year prospective smoothing began in fiscal year 2009.

Explaining the Unfunded Liability

Based on the actuarial valuation, the net increase in the unfunded liability for 2024 is \$1.7 billion. This decrease in the liability was the net effect of \$0.5 billion in employer cost in excess of contributions and \$1.2 billion cost due to experience and changes in assumptions.

Actuarial losses occurred in the difference between actual employer/state contributions and the amount that would cover the employer/state’s cost of benefits earned during the year and prevent the prior year’s unfunded liability from growing. The shortfall was

\$0.5 billion. Additionally, losses occurred under assumptions for salary increases, retirements, terminations, new entrants and rehires.

Reconciliation of Unfunded Liability

Reconciliation of Unfunded Actuarial Accrued Liability	Year Ended June 30, 2024
Unfunded liability at beginning of year	\$81,896,009,108
Additions	
Employer cost in excess of contributions	524,955,378
Experience (gain)/loss from:	
Investment (gain)/loss on actuarial value of assets*	(397,306,665)
Salaries for continuing active members	164,767,372
Retirements other than expected	54,978,894
Disabilities other than expected	(18,188,416)
Terminations other than expected	74,025,535
Mortality other than expected	(28,528,638)
Rehires	46,506,966
New entrants	966,963
Buyout experience	(133,501,723)
Other	85,229,654
Net experience gain	(151,050,059)
Changes in actuarial assumptions	1,367,637,238
Net increase in unfunded liability	<u>1,741,542,557</u>
Unfunded liability at end of year	<u>\$83,637,551,666</u>

Pension Funding Policies and Contributions

A funding policy outlines the framework for calculating the contribution rate to the System for the purpose of steadily funding future benefit payments. There are three elements that are important in this framework: actuarial cost for the total present value of future benefits, recognition of investment gains/losses and the amortization of the unfunded liability. The Illinois Pension Code sets the parameters for funding TRS, but this method is inadequate in funding the System as an actuarially-determined contribution would. The TRS Board of Trustees certifies two amounts: the state funding amount as determined by statute and an actuarially-determined contribution in accordance with generally accepted actuarial principles and standards. By certifying two funding amounts, the board serves to illustrate the gap between sound funding policy and current practice under Illinois law.



Ryan G.

Where do/did you teach?

Mattoon, CUSD #2

What do you plan to do in retirement?

Golf, fish, and hunt.

What will you miss about your profession after retirement?

Working to help students learn.

Lori G.

Where do/did you teach?

Mattoon, Lift

What do you plan to do in retirement?

Give back to the community and family time.

What will you miss about your profession after retirement?

Students and the relationships.

For fiscal year 2026, the TRS Board of Trustees certified two amounts, \$6.49 billion for the state contribution, and \$10.73 billion for the actuarially-determined contribution. Fiscal year 2026 certifications are based on the June 30, 2024 actuarial valuation. The state actuary reviewed the proposed certifications for fiscal year 2026 and determined that the System actuary, Segal, used assumptions and methods that were reasonable in calculation of the contribution.

Funding Analysis by Tier

Public Act 96-0889 established a new tier of benefits for teachers who first contributed to TRS or another reciprocal pension system on or after Jan. 1, 2011. Tier 2 teachers have later retirement dates, longer vesting requirements, salary caps for pensions lower than the Social Security wage base and lower cost of living increases after retirement that are not compounded. As a percent of total TRS active membership, Tier 2 members are expected to bypass Tier 1 members in 2026.

STATISTICAL

Member Statistics for the Fiscal Year Ended 2024			
Full and Part-time Active Members			
Average age	43	Total Tier 1 members	97,427
Average service	14	Total Tier 2 members	74,327
Average annual salary	\$85,434	Total active members	171,754
Oldest full-time teacher	85		
Retired Members			
Average age	73	Total retired members	118,637
Average service	27 years		
Average annual benefit	\$66,516		
Average years receiving benefits	14		
Oldest retired teacher	106		



Elisabete A.

Where do/did you teach?

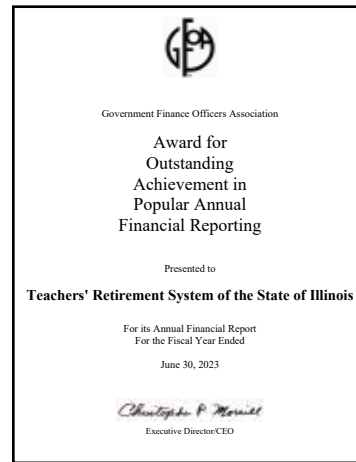
District #98 Berwyn North

What do you plan to do in retirement?

Travel, substitute teach to be with the kids.

FISCAL YEAR HIGHLIGHTS

Active contributing members	171,754
Inactive noncontributing members	151,445
Benefit recipients*	132,902
Total membership	456,101
Investment return	
Total fund investment return, net of fees	8.8%
Actuarial information	
Actuarial accrued liability (AAL)	\$154,325,159,164
Less actuarial value of assets (AVA)	70,687,607,498
Unfunded actuarial accrued liability, AVA basis (UAAL)	\$83,637,551,666
Funded ratio (AVA/AAL)	45.8%
Less fair value of assets (FVA)	71,424,801,957
Unfunded actuarial accrued liability, FVA basis (UAAL)	\$82,900,357,207
Funded ratio (FVA/AAL)	46.3%
GASB Statement No. 67 disclosures	
Total pension liability (TPL)	\$157,290,420,223
Less fiduciary net position (FNP)	71,424,713,925
Net pension liability (NPL)	\$85,865,706,298
FNP as a percentage of TPL	45.4%
Additions	
Member contributions	\$1,184,132,090
Employer contributions	132,303,300
State of Illinois contributions	6,158,581,314
Total investment income	5,757,906,980
Participant fee income	157,139
Total additions	\$13,233,080,823
Deductions	
Benefits paid	\$8,191,376,700
Refunds paid	69,007,152
Administrative expenses	38,536,723
Contributions sent to third-party administrator	15,477,104
Total deductions	\$8,314,397,679



TRS RECEIVES NATIONAL POPULAR AWARD

The Government Finance Officers Association is pleased to announce that **Teachers' Retirement System of the State of Illinois** has received GFOA's Award

for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) for its Popular Annual Financial Report for the fiscal year ended June 30, 2023.

The Award represents a significant achievement by the entity. In order to be eligible for the PAFR Award, a government must also submit its annual comprehensive financial report to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the current fiscal year. Each eligible report is reviewed by judges who evaluate the report based on the following categories: reader appeal, understandability, distribution methods, creativity and other elements.

FULL REPORT ONLINE

This is a summary of the *Annual Comprehensive Financial Report* for the fiscal year ended June 30, 2024. Read the full report at: trsil.org/financial/acfrs/fy2024.

Ralph A.

Where do/did you teach?

Mt. Pulaski High School

What do you plan to do in retirement?

Farm my farm in the daylight and serve my church more.

What will you miss about your profession after retirement?

I will definitely miss the outstanding students who I get to teach.

