



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

**TEACHERS' RETIREMENT SYSTEM OF
THE STATE OF ILLINOIS**

**Financial Audit
For the Year Ended: June 30, 2010**

Release Date: January 12, 2011

Summary of Findings:

Total this audit:	0
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This digest covers our financial audit of Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2010. A report on the results of the compliance examination covering the year ended June 30, 2010 will be issued in a separate report at a later date.

UNDERFUNDING OF THE SYSTEM

The actuarial accrued liability was valued at \$77.3 billion at June 30, 2010. The actuarial value of assets (at smoothed value) totaled approximately \$37.4 billion at June 30, 2010. The method for determining the actuarial value of the assets was changed beginning with the June 30, 2009 valuation. The method was changed from the market value to a smoothed value where the actuarial investment gains or losses for each year are recognized in equal amounts over the ensuing five-year period.

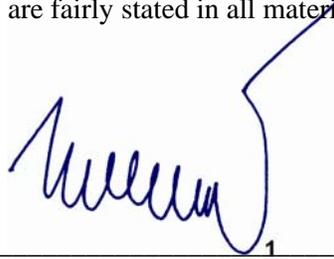
The difference between the actuarial accrued liability and the actuarial value of assets of \$39.9 billion reflects the unfunded liability of the System at June 30, 2010. The System had a funded ratio (at smoothed value) of 48.4% at June 30, 2010. When using the market value the System would have had a funded ratio of 40.5% at June 30, 2010.

LEGISLATIVE CHANGE TO PENSION CODE

Public Act 96-0889, which was signed into law April 2010, adds a new section to the Pension Code that applies different benefits to anyone first hired in a position covered by the System on or after January 1, 2011. Changes in the pension law include raising the minimum eligibility to draw a retirement benefit to age 67 with 10 years of service, initiating a cap on the salaries used to calculate retirement benefits, and limiting cost-of-living annuity adjustments to of the lesser of 3% or ½ of the annual increase in the Consumer Price Index, not compounded. The pension law changes do not apply to anyone who has System service prior to January 1, 2011.

AUDITORS' OPINION

The auditors stated the financial statements of the Teachers' Retirement System of the State of Illinois as of June 30, 2010, and for the year then ended, are fairly stated in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line. A small number "1" is written at the end of the signature.

WILLIAM G. HOLLAND
Auditor General

WGH:RPU:pp

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were BKD LLP.

{Financial data is summarized on the next page.}

TEACHERS' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For The Year Ended June 30, 2010

OPERATING STATEMENT ANALYSIS	FY 2010	FY 2009
REVENUES: Contributions - Members.....	\$ 899,401,028	\$ 876,182,122
Contributions - State of Illinois.....	2,080,729,055	1,451,591,716
Contributions - School Districts / Employers.....	171,420,549	152,328,853
Total Contributions.....	<u>\$ 3,151,550,632</u>	<u>\$ 2,480,102,691</u>
Investment Income - Increase / (Decrease) in Fair Value.....	2,999,370,225	(9,453,113,362)
Investment Income - Income From Investments.....	881,039,672	957,642,297
Investment Expense.....	(200,766,937)	(192,814,446)
Total Investment Income / (Loss).....	<u>\$ 3,679,642,960</u>	<u>\$ (8,688,285,511)</u>
Total Revenues / (Loss).....	<u>\$ 6,831,193,592</u>	<u>\$ (6,208,182,820)</u>
EXPENSES: Benefits.....	\$ 3,927,838,363	\$ 3,653,713,951
Refunds.....	60,349,779	53,709,137
Administrative Expenses.....	16,950,679	17,387,936
Total Expenses.....	<u>\$ 4,005,138,821</u>	<u>\$ 3,724,811,024</u>
Revenue Over / (Under) Expenses.....	<u>\$ 2,826,054,771</u>	<u>\$ (9,932,993,844)</u>
INVESTMENT PORTFOLIO ANALYSIS - Fair Value	June 30, 2010	June 30, 2009
Fixed Income.....	\$ 6,551,272,735	\$ 6,374,168,717
Equities.....	14,411,659,754	13,519,469,802
Real Estate.....	3,252,463,291	3,380,826,272
Short Term Investments.....	683,859,686	1,062,916,049
Private Equity.....	2,990,955,411	2,344,035,473
Real Return.....	2,295,427,875	1,531,130,405
Absolute Return.....	1,231,558,537	719,854,863
Foreign Currency.....	68,454,294	35,797,184
Derrivatives.....	(3,507,417)	(6,846,436)
Total Investment Portfolio.....	<u>\$ 31,482,144,166</u>	<u>\$ 28,961,352,329</u>
ADMINISTRATIVE EXPENSES	FY 2010	FY 2009
Personal Services.....	\$ 12,961,159	\$ 12,860,131
Profesional Services.....	998,956	1,428,771
Postage.....	442,765	430,707
Machine Repair and Rental.....	650,835	642,351
Other Contractual Services.....	739,482	830,099
Commodities.....	376,038	474,844
Occupancy Expense.....	242,712	250,955
Provisison for Depreciation.....	538,732	481,614
(Gain) on Disposal of Equipment.....	-	(11,536.00)
Total Administrative Expenses.....	<u>\$ 16,950,679</u>	<u>\$ 17,387,936</u>
SUPPLEMENTARY INFORAMTION	June 30, 2010	June 30, 2009
Benefit Recipients.....	97,754	94,424
Active Members.....	170,275	169,158
Inactive Members.....	104,222	101,606
Total.....	<u>372,251</u>	<u>365,188</u>
FUNDING PROGRESS	June 30, 2010	June 30, 2009
Actuarial Accrued Liability.....	\$ 77,293,198,000	\$ 73,027,198,000
Actuarial Value of Assets.....	37,439,092,000	38,026,044,000
Unfunded Actuarial Accrued Liability.....	<u>\$ 39,854,106,000</u>	<u>\$ 35,001,154,000</u>
Funded Ratio.....	48.4%	52.1%
EXECUTIVE DIRECTOR		
During Engagement Period: Stan Rupnik, Acting		
Currently: Stan Rupnik, Acting		