



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, 2011**

Release Date: January 11, 2012

Summary of Findings:

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

INTRODUCTION

This digest covers our financial statement audit of Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2011. A report on the results of the compliance examination covering the year ended June 30, 2011 will be issued in a separate report at a later date.

FUNDED RATIO

The actuarial accrued liability was valued at \$81.3 billion at June 30, 2011. The actuarial value of assets (at smoothed value) totaled approximately \$37.8 billion at June 30, 2011. 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 \$43.5 billion reflects the unfunded liability of the System at June 30, 2011. The System had a funded ratio (at smoothed value) of 46.5% at June 30, 2011. When using the market value the System would have had a funded ratio of 46.1% at June 30, 2011.

LEGISLATIVE CHANGE TO PENSION CODE

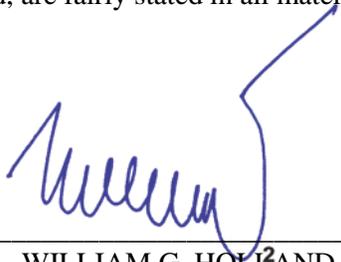
Public Act 96-0889, which was signed into law April 2010, adds a new section to the Pension Code that applies different benefits to anyone first hired in a position covered by the System on or after January 1, 2011. Changes in the pension law include raising the minimum eligibility to draw a retirement 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.

MARKET VALUE DECLINE

The System had a decline in its investment portfolio subsequent to June 30, 2011. As of October 31, 2011, the System had incurred an approximate \$2.004 billion (5.4%) decrease in its investment portfolio since June 30, 2011 due to a worldwide economic slowdown.

AUDITORS' OPINION

The auditors stated the financial statements of the Teachers' Retirement System of the State of Illinois as of June 30, 2011, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:RPU:pp

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were McGladrey & Pullen LLP.

{Financial data is summarized on the next page.}

TEACHERS' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For The Year Ended June 30, 2011

OPERATING STATEMENT ANALYSIS	FY 2011	FY 2010
REVENUES: Contributions - Members.....	\$ 909,577,109	\$ 899,401,028
Contributions - State of Illinois.....	2,170,918,489	2,080,729,055
Contributions - School Districts / Employers.....	155,110,133	171,420,549
Total Contributions.....	<u>\$ 3,235,605,731</u>	<u>\$ 3,151,550,632</u>
Investment Income - Increase in Fair Value.....	6,493,315,290	2,999,370,225
Investment Income - Income From Investments.....	959,473,813	881,039,672
Investment Expense.....	(218,249,613)	(200,766,937)
Total Investment Income.....	<u>\$ 7,234,539,490</u>	<u>\$ 3,679,642,960</u>
Total Revenues.....	<u>\$ 10,470,145,221</u>	<u>\$ 6,831,193,592</u>
EXPENSES: Benefits.....	\$ 4,228,282,978	\$ 3,927,838,363
Refunds.....	76,587,192	60,349,779
Administrative Expenses.....	17,792,071	16,950,679
Total Expenses.....	<u>\$ 4,322,662,241</u>	<u>\$ 4,005,138,821</u>
Revenue Over Expenses.....	<u>\$ 6,147,482,980</u>	<u>\$ 2,826,054,771</u>
INVESTMENT PORTFOLIO ANALYSIS - Fair Value	June 30, 2011	June 30, 2010
Fixed Income.....	\$ 7,087,432,551	\$ 6,551,272,735
Equities.....	17,395,697,752	14,411,659,754
Real Estate.....	3,991,533,162	3,252,463,291
Short Term Investments.....	1,299,196,172	683,859,686
Private Equity.....	3,615,944,356	2,990,955,411
Real Return.....	2,773,932,843	2,295,427,875
Absolute Return.....	1,485,565,992	1,231,558,537
Foreign Currency.....	89,428,959	68,454,294
Derivatives.....	9,610,104	(3,507,417)
Total Investment Portfolio.....	<u>\$ 37,748,341,891</u>	<u>\$ 31,482,144,166</u>
ADMINISTRATIVE EXPENSES	FY 2011	FY 2010
Personal Services.....	\$ 13,829,954	\$ 12,961,159
Professional Services.....	794,316	998,956
Postage.....	364,863	442,765
Machine Repair and Rental.....	648,765	650,835
Other Contractual Services.....	958,708	739,482
Commodities.....	375,310	376,038
Occupancy Expense.....	254,435	242,712
Provisison for Depreciation.....	569,222	538,732
(Gain) on Disposal of Equipment.....	(3,502)	-
Total Administrative Expenses.....	<u>\$ 17,792,071</u>	<u>\$ 16,950,679</u>
SUPPLEMENTARY INFORAMTION	June 30, 2011	June 30, 2010
Benefit Recipients.....	101,288	97,754
Active Members.....	166,013	170,275
Inactive Members.....	94,820	104,222
Total.....	<u>362,121</u>	<u>372,251</u>
FUNDING PROGRESS	June 30, 2011	June 30, 2010
Actuarial Accrued Liability.....	\$ 81,299,745,000	\$ 77,293,198,000
Actuarial Value of Assets.....	37,769,753,000	37,439,092,000
Unfunded Actuarial Accrued Liability.....	<u>\$ 43,529,992,000</u>	<u>\$ 39,854,106,000</u>
Funded Ratio.....	46.5%	48.4%
EXECUTIVE DIRECTOR		
During Engagement Period: Stan Rupnik, Acting (ending 1-27-2011), Richard W. Ingram (beginning 1-27-2011)		
Currently: Richard W. Ingram		