



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, 2012**

Release Date: January 16, 2013

Summary of Findings:

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

INTRODUCTION

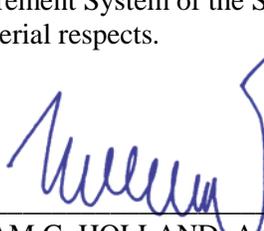
This digest covers our financial statement audit of Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2012. A report on the results of the compliance examination covering the year ended June 30, 2012 will be issued in a separate report at a later date.

FUNDED RATIO

The actuarial accrued liability was valued at \$90.0 billion at June 30, 2012. The actuarial value of assets (at smoothed value) totaled approximately \$37.9 billion at June 30, 2012. The method for determining the actuarial value of the assets was changed beginning with the June 30, 2009 valuation 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 \$52.1 billion reflects the unfunded liability of the System at June 30, 2012. The System had a funded ratio (at smoothed value) of 42.1% at June 30, 2012. When using the market value the System would have had a funded ratio of 40.6% at June 30, 2012.

AUDITORS' OPINION

The auditors stated the financial statements of the Teachers' Retirement System of the State of Illinois as of June 30, 2012, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND, Auditor General

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SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were McGladrey LLP.

{Financial data is summarized on the next page.}

TEACHERS' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For The Year Ended June 30, 2012

OPERATING STATEMENT ANALYSIS	FY 2012	FY 2011
REVENUES: Contributions - Members.....	\$ 917,661,328	\$ 909,577,109
Contributions - State of Illinois.....	2,406,364,156	2,170,918,489
Contributions - School Districts / Employers.....	154,894,946	155,110,133
Total Contributions.....	<u>\$ 3,478,920,430</u>	<u>\$ 3,235,605,731</u>
Investment Income - Increase/(Decrease) in Fair Value.....	(569,789,574)	6,493,315,290
Investment Income - Income From Investments.....	1,028,703,620	959,473,813
Investment Expense.....	(234,807,327)	(218,249,613)
Total Investment Income.....	<u>\$ 224,106,719</u>	<u>\$ 7,234,539,490</u>
Total Revenues.....	<u>\$ 3,703,027,149</u>	<u>\$ 10,470,145,221</u>
EXPENSES: Benefits.....	\$ 4,553,822,073	\$ 4,228,282,978
Refunds.....	84,635,032	76,587,192
Administrative Expenses.....	19,011,899	17,792,071
Total Expenses.....	<u>\$ 4,657,469,004</u>	<u>\$ 4,322,662,241</u>
Revenue Over/(Under) Expenses.....	<u>\$ (954,441,855)</u>	<u>\$ 6,147,482,980</u>
INVESTMENT PORTFOLIO ANALYSIS - Fair Value	June 30, 2012	June 30, 2011
Fixed Income.....	\$ 6,826,294,726	\$ 7,087,432,551
Equities.....	15,764,857,982	17,395,697,752
Real Estate.....	4,480,390,766	3,991,533,162
Short Term Investments.....	885,036,978	1,299,196,172
Private Equity.....	4,175,728,282	3,615,944,356
Real Return.....	2,582,307,633	2,773,932,843
Absolute Return.....	1,978,268,562	1,485,565,992
Foreign Currency.....	81,921,602	89,428,959
Derivatives.....	7,297,522	9,610,104
Total Investment Portfolio.....	<u>\$ 36,782,104,053</u>	<u>\$ 37,748,341,891</u>
ADMINISTRATIVE EXPENSES	FY 2012	FY 2011
Personal Services.....	\$ 14,856,497	\$ 13,829,954
Professional Services.....	1,216,461	794,316
Postage.....	292,006	364,863
Machine Repair and Rental.....	583,638	648,765
Other Contractual Services.....	878,682	955,206
Commodities.....	291,941	375,310
Occupancy Expense.....	248,570	254,435
Provisison for Depreciation.....	644,104	569,222
Total Administrative Expenses.....	<u>\$ 19,011,899</u>	<u>\$ 17,792,071</u>
SUPPLEMENTARY INFORAMTION	June 30, 2012	June 30, 2011
Benefit Recipients.....	105,447	101,288
Active Members.....	162,217	166,013
Inactive Members.....	99,052	94,820
Total.....	<u>366,716</u>	<u>362,121</u>
FUNDING PROGRESS	June 30, 2012	June 30, 2011
Actuarial Accrued Liability.....	\$ 90,024,945,000	\$ 81,299,745,000
Actuarial Value of Assets.....	37,945,397,000	37,769,753,000
Unfunded Actuarial Accrued Liability.....	<u>\$ 52,079,548,000</u>	<u>\$ 43,529,992,000</u>
Funded Ratio.....	42.1%	46.5%
EXECUTIVE DIRECTOR		
During Engagement Period: Richard W. Ingram		
Currently: Richard W. Ingram		