



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, 2013

Release Date: January 8, 2014

Summary of Findings:

Total this audit: 0

Total last audit: 0

Repeated from last audit: 0

INTRODUCTION

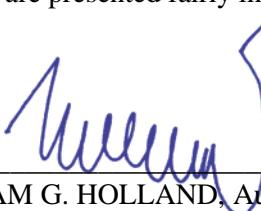
This digest covers our financial statement audit of Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2013. A report on the results of the compliance examination covering the year ended June 30, 2013 will be issued in a separate report at a later date.

FUNDED RATIO

The actuarial accrued liability was valued at \$93.9 billion at June 30, 2013. The actuarial value of assets (at smoothed value) totaled approximately \$38.2 billion at June 30, 2013. 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 \$55.7 billion reflects the unfunded liability of the System at June 30, 2013. The System had a funded ratio (at smoothed value) of 40.6% at June 30, 2013. When using the market value the System would have had a funded ratio of 42.5% at June 30, 2013.

AUDITORS' OPINION

The auditors stated the financial statements of the Teachers' Retirement System of the State of Illinois as of June 30, 2013, and for the year then ended, are presented fairly in all material respects.


WILLIAM G. HOLLAND, Auditor General

WGH:RPU

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, 2013

OPERATING STATEMENT ANALYSIS		2013	2012
Additions:			
Contributions - Members.....	\$ 921,422,657	\$ 917,661,328	
Contributions - State of Illinois.....	2,703,312,213	2,406,364,156	
Contributions - School Districts / Employers.....	157,179,243	154,894,946	
Total Contributions.....	3,781,914,113	3,478,920,430	
Investment Income - Increase/(Decrease) in Fair Value.....	3,801,020,789	(569,789,574)	
Investment Income - Income From Investments.....	1,041,120,321	1,028,703,620	
Investment Expense.....	(280,372,727)	(234,807,327)	
Total Investment Income.....	4,561,768,383	224,106,719	
Total Additions.....	8,343,682,496	3,703,027,149	
Deductions			
Benefits.....	4,893,084,234	4,553,822,073	
Refunds.....	88,397,549	84,635,032	
Administrative Expenses.....	20,257,553	19,011,899	
Total Expenses.....	5,001,739,336	4,657,469,004	
Additions Over/(Under) Deductions.....	\$ 3,341,943,160	\$ (954,441,855)	
INVESTMENT PORTFOLIO ANALYSIS - Fair Value		June 30, 2013	June 30, 2012
Fixed Income.....	\$ 6,872,432,511	\$ 6,826,294,726	
Equities.....	17,116,072,384	15,764,857,982	
Real Estate.....	4,680,490,237	4,480,390,766	
Short-term Investments.....	1,448,944,819	885,036,978	
Private Equity Investments.....	4,687,146,815	4,175,728,282	
Real Return.....	2,661,472,243	2,582,307,633	
Absolute Return.....	2,110,246,003	1,978,268,562	
Foreign Currency.....	114,363,611	81,921,602	
Derivatives.....	(9,415,670)	7,297,522	
Total Investment Portfolio.....	\$ 39,681,752,953	\$ 36,782,104,053	
ADMINISTRATIVE EXPENSES		2013	2012
Personal Services.....	\$ 15,482,674	\$ 14,856,497	
Professional Services.....	1,460,844	1,216,461	
Postage.....	253,734	292,006	
Machine Repair and Rental.....	571,212	583,638	
Other Contractual Services.....	914,800	878,682	
Commodities.....	429,789	291,941	
Occupancy Expense.....	242,689	248,570	
Depreciation.....	901,811	644,104	
Total Administrative Expenses.....	\$ 20,257,553	\$ 19,011,899	
SUPPLEMENTARY INFORMATION		June 30, 2013	June 30, 2012
Benefit Recipients.....	108,783	105,447	
Active Members.....	160,692	162,217	
Inactive Members.....	120,325	99,052	
Total.....	389,800	366,716	
FUNDING PROGRESS		June 30, 2013	June 30, 2012
Actuarial Accrued Liability.....	\$ 93,886,988,000	\$ 90,024,945,000	
Actuarial Value of Assets.....	38,155,191,000	37,945,397,000	
Unfunded Actuarial Accrued Liability.....	\$ 55,731,797,000	\$ 52,079,548,000	
Funded Ratio.....	40.6%	42.1%	
EXECUTIVE DIRECTOR			
During Engagement Period: Richard W. Ingram			
Currently: Richard W. Ingram			