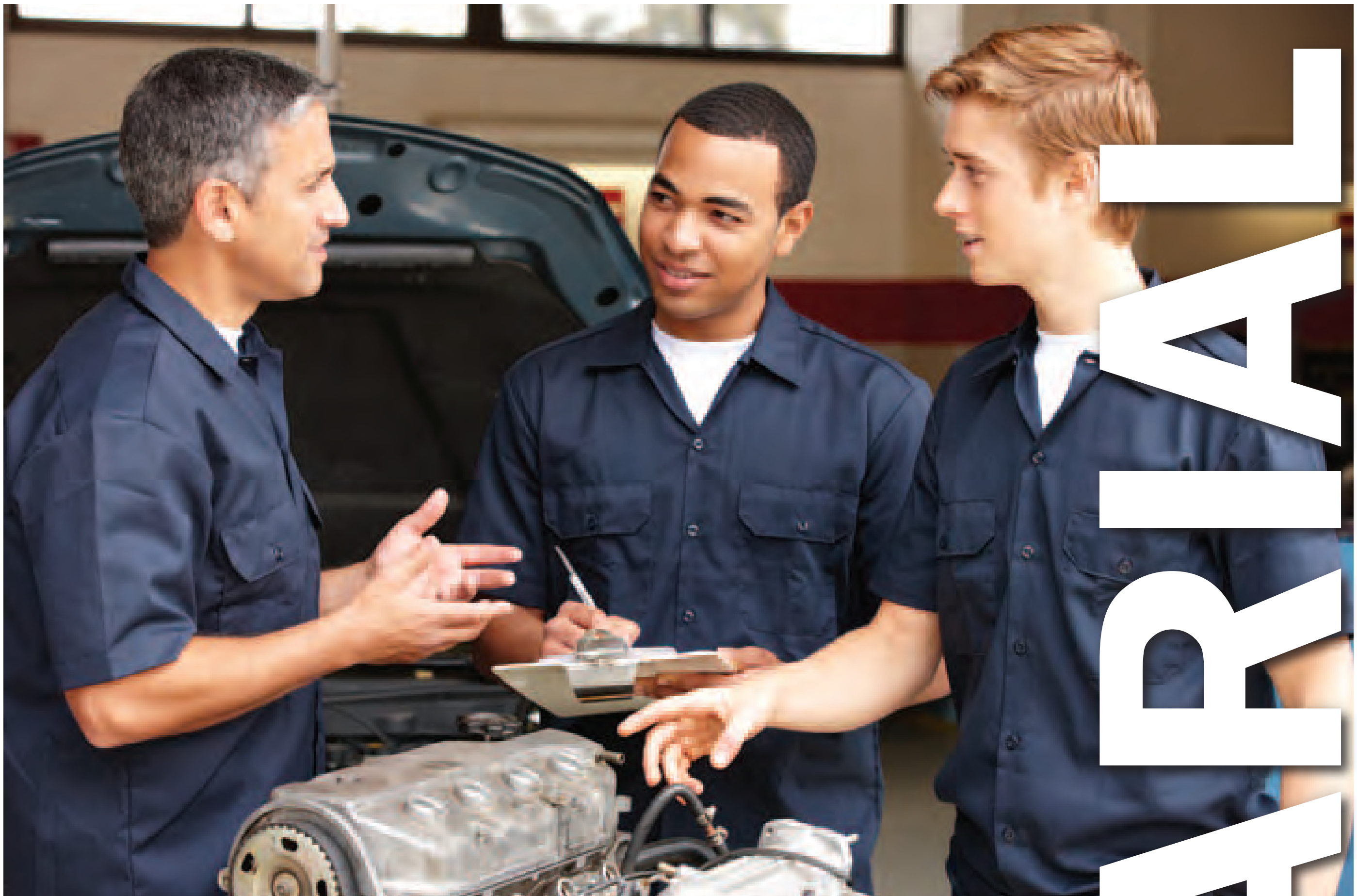

ACTUAL

December 3, 2012

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
Springfield, Illinois 62794

Subject: Pension Benefit Obligation as of June 30, 2012

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the pension benefit obligation of the System to be $90,024,945,000 as of June 30, 2012. The valuation was performed using the projected unit-credit actuarial cost method. Throughout the actuarial valuation report we reference the term Pension Benefit Obligation (PBO) when discussing the TRS actuarial accrued liability (AAL) because the TRS AAL is equivalent to the GASB Statement 5 PBO. Users of the TRS actuarial valuation report should consider the terms PBO and AAL to be equivalent and interchangeable.

The contributions to the System are based on the provisions of Public Act 94-0004, as amended by subsequent acts. The actuary and the Board are required to follow Public Act 94-0004 for purposes of developing contributions to the System. Public Act 94-0004 has resulted in contributions to the System much less than those that would be contributed under generally accepted actuarial standards. Under such standards, a funded ratio of 100% would be achieved within 30 years as opposed to the 90% funded ratio achieved by 2045 under Public Act 94-0004. In addition, under actuarial standards contributions would not be based on members not currently in the System as is done under Public Act 94-0004, particularly given the lower value of Tier II benefits in the System for members hired on or after January 1, 2011. The continued use of Public Act 94-0004 in its current form will continue the history of an inadequate funded ratio of less than 100%. In addition, the Net Pension Obligation clearly exhibits the shortfall of the Public Act 94-0004 contributions when compared to the GASB 25/27 ARC, which is generally recognized as a reasonable contribution under generally accepted actuarial standards. We have also shown a proposed contribution to the System in the Summary of Principal Results based on such standards. This contribution is based on achieving a funded ratio of 100% within 30 years. The funding method underlying this proposed contribution is the projected unit credit cost method. For ease of comparison, we have used the same actuarial cost method (projected unit credit) and asset smoothing method required under Public Act 94-0004 as amended by subsequent acts. While we prefer the use of the entry age normal cost method for public plans, the method in place is acceptable under generally accepted actuarial standards.

The actuarial valuation was based on a census of retired members as of June 30, 2012, and a census of active and inactive members as of June 30, 2011, which were submitted to us by the System. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation. In accordance with our normal procedures, we adjusted for the one-year lag in reporting of the active and terminated membership by assuming that the population was stationary with regard to age and service and by increasing reported payroll and member account balances by 4%. This increase is based on the increase in payroll from the prior year to the current year.

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Board of Trustees
Teachers' Retirement System
of the State of Illinois
December 3, 2012
Page 2

Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. The actuary has provided the Unfunded Actuarial Accrued Liability, the Annual Required Contribution per State Statute, and the GASB Statement No. 25 Annual Required Contribution that appear in this section. The actuary reviewed the remainder of the figures that appear in the Required Supplementary Information to ensure their consistency with the valuation report.

The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Actuarial Value of Assets, Reconciliation of Unfunded Liability, State Funding Amounts, Funded Ratio Test, Unfunded Liability as a Percentage of Payroll Test and Solvency Test. While the actuary did not prepare these schedules, they are in agreement with the valuation report and their accuracy has been verified. The actuary neither reviewed nor prepared any items beyond those specifically listed in this paragraph and the preceding paragraph.

At June 30, 2012 the remaining GASB amortization period is 30 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2012. On September 21, 2012, the Board approved recommendations resulting from a comprehensive review of the System's experience during the five-year period of July 1, 2006 through June 30, 2011; as a result, the actuarial assumptions used to determine the contribution were changed from last year. The investment return, inflation, salary increases, mortality and other actuarial assumptions have been revised to more closely reflect recent actual emerging experience and future expectations. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation from market value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year in equal amounts over the ensuing five-year period. The System incurred a loss of $2,910,862,678 in FY 2012. Per statutory requirement, 20% is recognized in the actuarial value of assets as of June 30, 2012, and recognition of the remaining 80%, or $2,328,690,142, will be deferred and recognized in equal amounts over the next four valuations. Depending on the whether the total net deferral is an investment gain or loss, the smoothing method will produce a contribution rate that is more or less than the rate based on the market value. As of the June 30, 2012 valuation the total net deferral is a $1,428,571,872 loss, resulting in a contribution that is lower than it would be if the assets were valued at market.

The valuation was prepared under the supervision of Larry Langer in accordance with generally accepted actuarial principles and practice. To the best of our knowledge, it is complete and accurate. Mr. Langer and Mr. Wilkinson are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Larry Langer	Paul R. Wilkinson
Principal, Consulting Actuary	Director, Consulting Actuary

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buckconsultants

Actuaries estimate the cost of benefits members and survivors will receive over their lifetimes and calculate the amount that should be set aside each year to fund them.

TRS complies with the requirements issued by the Governmental Accounting Standards Board (GASB) under Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended by GASB Statement No. 50.

ACTUARIAL ASSUMPTIONS AND METHODS

Each year the actuary reconciles the differences between major actuarial assumptions and experience to explain the change in TRS's unfunded liability. The unfunded liability is the difference between the accrued liability (the present value of benefits including the cost of annual increases) and the assets that are available to cover the liability. Many of the following assumptions were revised in the 2012 actuarial experience analysis. All assumptions were adopted in the FY12 valuation unless otherwise noted.

Investment return: 8.0 percent per annum, compounded annually. Components: inflation 3.25 percent and real return 4.75 percent.

Salary Increases: Total averages 6.0 percent per year and includes:

- inflation: 3.25 percent,
- real wage growth (productivity): 0.75 percent, and
- merit or seniority (including employment status changes of 0.25 percent): average of 2.00 percent; ranges from 6.15 percent at age 20 to 1.00 percent at age 50 and above.

Assumed increase on payroll and account balances to account for one-year data lag for reporting to actuary: 4.0 percent.

Sample annual percentage salary increases (including all components of increase):

Age	Male and Female
20	10.15%
30	7.45
40	6.25
50 and above	5.00

Inflation: 3.25 percent per annum. Implicit in investment and earnings progression assumptions.

Retirement age: Graduated rates based on age and service of active members.

Sample annual retirement rates per 100 participants:

a) For those entering service before January 1, 2011 (includes ERO retirees):

	Years of Service				
Age	5-18	19-30	31	32-33	34
54	-	6	12	38	40
55	-	10	20	38	40
60	14	27	45	45	31
65	23	33	45	45	31
70	100	100	100	100	100

(continued)

(Retirement age continued)

b) Tier II, for those entering service on or after January 1, 2011:

	Years of Service				
Age	**9-18**	**19-30**	**31**	**32-33**	**34+**
62	13	15	20	25	25
65	8	10	15	20	20
67	20	40	70	70	70
70	100	100	100	100	100

Utilization of ERO among Tier I members retiring from active service:

Years of Service on June 30 prior to Retirement	Age					
	54	**55**	**56**	**57**	**58**	**59**
19 – 30	68%	75%	66%	63%	64%	23%
31	90	79	75	71	69	27
32	49	53	45	48	46	28
33	22	25	17	15	14	13

Mortality: For active members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and three-year age setback for women. Rates for women are further adjusted, multiplying all rates by 70 percent. The sample rates reflect values as of July 1, 2012:

Age	Male	Female
25	0.029	0.011
30	0.035	0.013
40	0.061	0.031
50	0.122	0.069
55	0.183	0.116
60	0.303	0.219
65	0.531	0.395

For retirees and inactive members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and no age setback for women. Rates for women are further adjusted for ages 63-77 by 65 percent and ages 78-87 by 85 percent.

For beneficiaries, the RP-2000 blended table, projected nine years using scale AA, with a one-year age set-back for both men and women.

For the period after disability retirement, the RP-2000 Disabled Table, projected nine years using scale AA, with a one-year age setback for both men and women sed on scale AA.

Disability: Sample annual disability rates:

Age	Male	Female
25	0.029	0.045
30	0.026	0.117
40	0.051	0.162
50	0.094	0.172
55	0.111	0.197
60	0.170	0.144
65	0.510	0.287

Termination from active service:
Sample annual termination rates per 100 participants:

	Nonvested Members		Vested Members	
Age	**Male**	**Female**	**Male**	**Female**
25	7.0	7.8	6.0	9.0
30	8.6	10.6	3.7	6.0
40	11.1	10.0	1.5	2.2
50	12.0	10.0	1.4	1.4
55	16.0	15.0	4.0	3.1
60	21.0	14.0	4.0	4.0
65	21.0	40.0	4.0	4.0

Severance pay: Increases with years of service at retirement, adjusted in the following table. Not applicable to Tier II.

Percent Retiring with Severance Pay	Severance Pay as a Percent of Other Pensionable Earnings in Last Year of Service
20%	6%

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased to cover the employer cost of optional service purchased in the last two years of service. Sample purchases at retirement follow.

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.473 years
20	0.835 years
25	1.360 years
30	1.040 years
34 or more	None

Unused and uncompensated sick leave: Varies by the amount of regular service at retirement.

Sample amounts of sick leave at retirement:

Years of Service at Retirement	Sick Leave Service Credit
20	1.035 years
25	1.847 years
30	1.454 years
34	1.000 years
35 or more	none

Actuarial cost method: Projected unit credit. Gains and losses are reflected in the unfunded liability. Adopted in the FY89 valuation.

Asset valuation method: Five-year prospective asset smoothing was adopted in the FY09 valuation as required by Public Act 96-0043.

ANNUAL ACTUARIAL VALUATION

The annual actuarial valuation measures the total liability for all benefits earned to date. The accrued liability is a present value estimate of all the benefits that have been earned to date but not yet paid. The unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets on the valuation date.

The funded ratio shows the percentage of the accrued liability covered by actuarial value of assets.

Actuarial Valuation
($ thousands)

	Years Ended June 30	
	2012	**2011**
Total actuarial accrued liability	**$90,024,945**	**$81,299,745**
Less actuarial value of assets*	37,945,397	37,769,753
Unfunded liability	**$52,079,548**	**$43,529,992**
Funded ratio*	42.1%	46.5%

** Five-year prospective smoothing began in FY09.*

ANALYSIS OF FINANCIAL EXPERIENCE: RECONCILIATION OF UNFUNDED LIABILITY

The net increase in the June 30, 2012, unfunded liability of $8.6 billion was caused by a combination of factors.

The employer cost in excess of contributions is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 2012, this shortfall was $2.7 billion and in 2011 it was $1.9 billion.

The 2012 valuation reflects changes in actuarial assumptions resulting from the five-year experience review. The $4.6 billion net increase in the unfunded liability was due to three major factors: a reduction in the assumed rate of return (from 8.5 percent to 8.0 percent), a reduction in the salary increase assumption (from an average of 7.0 percent to 6.0 percent), and mortality improvements that are expected to continue over future generations. Other less significant changes were also adopted. Gains and losses during FY 12 were based on the old actuarial assumptions because they were in effect during the year.

TRS experienced actuarial gains under the salary increase assumption in both FY12 and FY11. Salary increases for continuing active members were $1.2 billion lower than expected in 2012 and $546 million lower than expected in 2011. Under the investment return assumption, losses occurred both years. In FY12, smoothed assets were assumed to earn $3.2 billion, but earnings were actually $1.4 billion. The actuarial loss due to investments was $1.8 billion in FY12, compared to a loss of $1.7 billion in FY11.

In both years, actuarial losses occurred under the mortality assumptions because fewer people died than expected. Actuarial losses were also incurred under the turnover assumption because fewer people left service than assumed. Additionally, many members repaid refunds, and the repurchased service increased the unfunded liability. Delayed reporting of retirements also increased the unfunded liability because more people were receiving benefits than expected.

Other, which is a balancing item, reflects actuarial losses in both 2012 and 2011. “Other” includes the effect of either more or fewer retirements than expected, retirements that were reported late to the actuary, and several other factors.

Reconciliation of Unfunded Liability
($ thousands)

Item	Years Ended June 30 2012	2011
Unfunded liability at beginning of year	**$43,529,992**	**$39,854,106**
Additions		
Employer cost in excess of contributions	2,710,713	1,913,647
Change in actuarial assumptions and methods	4,624,966	-
Net additions	**7,335,679**	**1,913,647**
Actuarial losses (gains) compared to assumptions		
Salary increases for continuing active members	(1,211,157)	(545,612)
Investment return	1,806,148	1,718,405
New entrant loss	14,505	21,230
Mortality other than expected	52,681	52,319
Fewer terminations than expected	29,810	50,761
Repayments of refunded member contributions[1]	30,013	30,392
Delayed reporting of retirements (effect on assets)[2]	12,666	11,222
Other	479,211	423,522
Net actuarial losses	**1,213,877**	**1,762,239**
Unfunded liability at end of year	**$52,079,548**	**$43,529,992**

1 *Includes the employer-paid portion of the benefit that was restored when members repaid previously refunded contributions.*

2 *509 retirements which occurred prior to 7/1/10 were not reported to the actuary until 6/30/11.*
547 retirements which occurred prior to 7/1/11 were not reported to the actuary until 6/30/12.

STATE FUNDING

Public Act 88-0593 was enacted in 1994 and first affected state contributions in FY96. The law established a 50-year funding plan that includes a 15-year phase-in period. By the end of the funding period in FY45, TRS will have a 90 percent funded ratio. A key feature of this act is the "continuing appropriation" language that requires state contributions to be made automatically to TRS, provided state funds are available.

Public Act 90-0582, the 2.2 legislation, was enacted in 1998 and first affected state contributions in FY99. Minimum state contribution rates were in effect through FY04.

Public Act 93-0002, the pension obligation bond (POB) legislation, was enacted in 2003 and first affected state contributions in FY05. The TRS share of the proceeds, $4.330 billion, was deposited on July 2, 2003.

The law requires a multi-step process that ensures that state contributions do not exceed certain maximums.

Public Act 94-0004 specified the actual contributions to TRS for FY06 and FY07 that were not based on actuarial calculations. State contributions from FY08 through FY12 were based on the statutory schedule, subject to the maximums contained in the POB legislation. Bonds were sold in FY10 and FY11 to cover some of the state contributions due TRS, but the debt service on those bonds does not affect future state contributions. Actuarial smoothing of assets, required by Public Act 96-0043, first affected the FY11 state contribution.

State Funding Amounts

The FY12 actuarial valuation was used to determine the required FY14 state contributions and the FY14 employer's normal cost. The FY11 actuarial valuation was used to determine the required FY13 state contributions and the FY13 employer's normal cost.

State Funding Requirements Under Current Statutory Funding Plan

	FY14*	FY13
Benefit Trust Reserve (excludes federal and school district contributions)	$3,437,478,000	$2,702,278,000
Minimum benefit reserve	1,100,000	1,200,000
Total state funding amount	**$3,438,578,000**	**$2,703,478,000**
Employer's normal cost as a percentage of active member payroll	7.89%	8.23%
State share of employer's normal cost	6.38%	6.81%

** FY14 amount is the proposed certification submitted to the state actuary, governor, and General Assembly pursuant to Public Act 97-0694. The act requires the state actuary to review the assumptions used to calculate the state contribution under the statutory funding plan. The final certification is due January 15, 2013.*

In 2012, the TRS Board of Trustees resolved to certify state funding requirements under generally accepted actuarial principles and standards. The FY14 amount was submitted in addition to the amount calculated under the current statutory funding plan; the FY13 amount is presented for comparative purposes.

State Funding Requirement Under Employer's Normal Cost Plus 30 Year Level Percent Amortization

	FY14*	FY13
Benefit Trust Reserve (excludes federal and school district contributions)	$4,379,437,000	$3,755,948,000
Minimum benefit reserve	1,100,000	1,200,000
Total state funding amount	**$4,380,537,000**	**$3,757,148,000**

** FY14 amount is an additional proposed certification submitted to the state actuary, governor, and General Assembly. It was calculated under the same actuarial assumptions as the amount under the current statutory funding plan. It was submitted to be consistent with the board's resolution to certify state funding amounts based on actuarial standards. It will be submitted with the current statutory funding plan certification that is due January 15, 2013.*

TESTS OF FINANCIAL CONDITION

The **funded ratio** shows the percentage of the accrued liability covered by actuarial value of assets.

Funded Ratio Test
($ thousands)

As of June 30	Actuarial Value of Assets**	Actuarial Accrued Liability	Funded Ratio**
2003	$23,124,823	$46,933,432	49.3%
2004	31,544,729	50,947,451	61.9
2005	34,085,218	56,075,029	60.8
2006	36,584,889	58,996,913	62.0
2007	41,909,318	65,648,395	63.8
2008	38,430,723	68,632,367	56.0
2009	38,026,044	73,027,198	52.1
2010	37,439,092	77,293,198	48.4
2011	37,769,753	81,299,745	46.5
2012	**37,945,397**	**90,024,945**	**42.1**

*** Market value through FY08. Five-year prospective smoothing began in FY09.*

The **unfunded liability as a percentage of payroll** is a standard measure of the relative size of the unfunded liability. Decreases in this percentage indicate improvements in a system's financial position.

Unfunded Liability as a Percentage of Payroll Test
($ thousands)

Year Ended June 30	Approximate Member Payroll	Unfunded Liability*	Percentage of Payroll
2003	$7,059,000	$23,808,609	337.3%
2004	7,281,000	19,402,722	266.5
2005	7,550,510	21,989,811	291.2
2006	7,765,752	22,412,024	288.6
2007	8,149,849	23,739,077	291.3
2008	8,521,717	30,201,644	354.4
2009	8,945,021	35,001,154	391.3
2010	9,251,139	39,854,106	430.8
2011	9,205,603	43,529,992	472.9
2012	**9,321,098**	**52,079,548**	**558.7**

** Market value through FY08. Five-year prospective smoothing began in FY09.*

The **solvency test** measures TRS's ability to cover different types of obligations if the plan was terminated and is hypothetical. The columns are in the order that assets would be used to cover certain types of obligations. Employee contributions would be refunded first, amounts due for current beneficiaries would be covered next, and the employer's obligation for active members would be covered last. Columns 1 and 2 should be fully covered by assets. The portion of column 3 that is covered by assets should increase over time.

Solvency Test
($ thousands)

	Aggregate Accrued Liabilities for				Percentage of Benefits Covered by Net Assets		
Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)	Actuarial Value of Assets*	(1)	(2)	(3)
2003	$5,622,026	$25,188,870	$16,122,536	$23,124,823	100%	69%	-
2004	5,853,274	28,286,916	16,807,261	31,544,729	100	91	-
2005	5,925,696	32,861,473	17,287,860	34,085,218	100	86	-
2006	6,303,750	35,315,529	17,377,634	36,584,889	100	86	-
2007	6,500,318	39,785,368	19,362,709	41,909,318	100	89	-
2008	6,931,518	41,849,964	19,850,885	38,430,723	100	75	-
2009	7,320,600	44,495,917	21,210,681	38,026,044	100	69	-
2010	7,715,984	47,475,906	22,101,308	37,439,092	100	63	-
2011	8,048,689	50,567,881	22,683,175	37,769,753	100	59	-
2012	**8,270,073**	**58,734,636**	**23,020,236**	**37,945,397**	**100**	**51**	**-**

** Market value through FY08. Five-year prospective smoothing began in FY09.*

OTHER INFORMATION

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended June 30	Number at Beginning of Year	Number Added to Rolls	Number Removed from Rolls	Number at End of Year	End-of-Year Annual Allowances		Average Annual Allowance	
					Amount	% Increase	Amount	% Increase
2003*	67,949	9,404	3,922	73,431	$2,181,186,831	17.8%	$29,704	9.0%
2004	73,431	6,016	2,542	76,905	2,432,132,334	11.5	31,625	6.5
2005	76,905	7,897	2,227	82,575	2,806,341,054	15.4	33,985	7.5
2006	82,575	5,147	2,619	85,103	3,018,848,450	7.6	35,473	4.4
2007	85,103	6,473	2,340	89,236	3,344,714,652	10.8	37,482	5.7
2008	89,236	4,912	2,686	91,462	3,551,117,836	6.2	38,826	3.6
2009	91,462	5,520	2,558	94,424	3,815,292,869	7.4	40,406	4.1
2010	94,424	5,711	2,381	97,754	4,109,018,971	7.7	42,034	4.0
2011	97,754	6,377	2,843	101,288	4,418,500,521	7.5	43,623	3.8
2012	**101,288**	**6,943**	**2,784**	**105,447**	**4,781,692,373**	**8.2%**	**45,347**	**4.0**

**In the year ended June 30, 2003, statistical programs were revised and improved. This resulted in a much larger number reported as added to the rolls.*

	Amount Added to Rolls**		
	Annual Benefit Increases	New Benefit Recipients	Amount Removed from Rolls
2007	$81,629,966	$295,571,869	$51,335,633
2008	93,731,561	174,119,867	61,448,244
2009	108,144,294	219,175,023	63,144,284
2010	114,879,927	247,234,501	68,388,326
2011	125,124,423	263,213,399	78,856,272
2012	**135,604,876**	**311,161,467**	**83,574,491**

***Amounts added to and removed from rolls are available beginning with the year ended June 30, 2007.*

Average Annual Salary for Active Members by Years of Service

Years of Service*		2012	2011	2010	2009
under 5	**Number**	**25,733**	**27,960**	**33,487**	**37,293**
	Average salary	$46,222	$47,292	$46,324	$45,464
5-9	**Number**	**35,071**	**34,626**	**34,529**	**33,494**
	Average salary	$57,741	$57,416	$57,105	$55,945
10-14	**Number**	**28,105**	**26,865**	**25,051**	**23,133**
	Average salary	$68,751	$67,691	$66,788	$65,168
15-19	**Number**	**18,610**	**17,935**	**17,790**	**17,417**
	Average salary	$78,328	$77,268	$76,001	$73,770
20-24	**Number**	**11,834**	**11,682**	**11,391**	**11,084**
	Average salary	$84,904	$83,563	$82,184	$79,805
25-29	**Number**	**7,940**	**7,834**	**7,786**	**7,790**
	Average salary	$89,986	$88,416	$86,566	$84,282
30-34	**Number**	**4,826**	**5,839**	**6,554**	**6,858**
	Average salary	$94,665	$93,299	$91,077	$87,973
35 +	**Number**	**994**	**1,179**	**1,251**	**1,265**
	Average salary	$98,140	$98,678	$95,486	$90,698
	Total number	**133,113**	**133,920**	**137,839**	**138,334**
	Average salary	$66,696	$66,044	$64,385	$62,319
	% Change average salary	**1.0%**	**2.6%**	**3.3%**	**3.4%**
	Total payroll full & part-time	**$8,878,104,648**	**$8,844,612,480**	**$8,874,727,268**	**$8,620,836,546**

Annual salaries are computed using full- and part-time salary rates only; substitute and hourly employee salaries are omitted.

Total payroll shown will be lower than payroll figures used elsewhere in this report.

** From FY03-FY08, years of service increments were as follows: 0-5, 6-10, 11-15, 16-20, 21-25, 26-30, 31-35, and 35+. However, figures for those years are not restated because the differences would be minor.*

	2008	2007	2006	2005	2004	2003
	42,725	**41,244**	**40,930**	**39,728**	**36,951**	**38,074**
	$44,916	$43,446	$42,404	$41,444	$37,633	$37,960
	31,959	**30,520**	**28,847**	**26,557**	**26,027**	**25,020**
	$55,436	$53,062	$51,314	$49,536	$45,568	$46,740
	21,395	**20,469**	**20,222**	**20,295**	**18,307**	**17,334**
	$64,705	$62,447	$60,476	$58,195	$52,771	$53,931
	14,753	**14,422**	**14,086**	**13,429**	**13,358**	**12,860**
	$71,802	$69,368	$67,343	$65,276	$59,820	$60,788
	10,447	**9,814**	**9,619**	**9,431**	**10,868**	**11,152**
	$78,080	$74,894	$72,531	$70,278	$64,881	$65,427
	8,654	**9,484**	**10,349**	**10,667**	**12,488**	**12,429**
	$82,013	$78,831	$76,616	$74,127	$69,276	$70,066
	5,763	**5,301**	**6,134**	**5,900**	**9,186**	**7,107**
	$85,738	$82,508	$83,165	$79,236	$75,643	$76,676
	790	**694**	**785**	**744**	**1,162**	**804**
	$88,478	$84,065	$84,524	$81,497	$77,805	$78,091
	136,486	**131,948**	**130,972**	**126,751**	**128,347**	**124,780**
	$60,254	$58,116	$56,916	$55,237	$52,181	$52,408
	3.7%	**2.1%**	**3.0%**	**5.9%**	**(0.4%)**	**3.0%**
	$8,223,827,444	**$7,668,289,968**	**$7,454,402,352**	**$7,001,344,987**	**$6,697,274,807**	**$6,539,470,240**

Active Members by Age and Years of Service as of June 30, 2012

Age		Subs	Under 5	5-9	10-14	15-19
			Years of Service			
20-24	**Number**	**3,234**	**3,150**	**2**	**-**	**-**
	Average Salary	$4,742	$39,228	$39,880	-	-
25-29	**Number**	**4,730**	**11,754**	**6,585**	**-**	**-**
	Average Salary	$5,079	$44,938	$52,982	-	-
30-34	**Number**	**2,652**	**4,262**	**13,555**	**4,728**	**-**
	Average Salary	$4,527	$48,452	$57,592	$65,808	-
35-39	**Number**	**2,513**	**2,084**	**4,979**	**10,115**	**2,477**
	Average Salary	$4,432	$49,522	$59,907	$69,205	$77,442
40-44	**Number**	**3,845**	**1,823**	**3,480**	**4,683**	**7,016**
	Average Salary	$4,479	$49,141	$59,301	$70,372	$79,289
45-49	**Number**	**3,356**	**1,229**	**2,553**	**2,718**	**2,942**
	Average Salary	$4,583	$49,692	$58,864	$69,236	$79,448
50-54	**Number**	**3,048**	**750**	**2,067**	**2,639**	**2,383**
	Average Salary	$4,674	$50,870	$59,298	$67,871	$76,554
55-59	**Number**	**2,660**	**442**	**1,217**	**2,094**	**2,409**
	Average Salary	$4,806	$57,119	$61,941	$68,680	$76,791
60-64	**Number**	**1,872**	**205**	**538**	**951**	**1,160**
	Average Salary	$4,549	$58,685	$67,054	$71,402	$78,297
65-69	**Number**	**850**	**23**	**88**	**162**	**203**
	Average Salary	$4,227	$63,056	$69,770	$70,969	$79,372
70-74	**Number**	**204**	**6**	**6**	**12**	**16**
	Average Salary	$3,787	$41,841	$50,327	$67,671	$71,297
Over 74	**Number**	**140**	**5**	**1**	**3**	**4**
	Average Salary	$3,913	$35,310	$28,862	$72,248	$86,263
	Total Number	**29,104**	**25,733**	**35,071**	**28,105**	**18,610**
	Average Salary	**$4,658**	**$46,222**	**$57,741**	**$68,751**	**$78,328**

Years of Service							
20-24	25-29	30-34	35-39	40-44	45-49	50+	Full and Part-time Member Totals
-	-	-	-	-	-	-	3,152
-	-	-	-	-	-	-	$39,228
-	-	-	-	-	-	-	18,339
-	-	-	-	-	-	-	$47,826
-	-	-	-	-	-	-	22,545
-	-	-	-	-	-	-	$57,587
-	-	-	-	-	-	-	19,655
-	-	-	-	-	-	-	$65,801
1,863	-	-	-	-	-	-	18,865
$84,178	-	-	-	-	-	-	$70,958
4,130	1,503	-	-	-	-	-	15,075
$86,426	$90,195	-	-	-	-	-	$74,678
2,343	3,455	1,579	-	-	-	-	15,216
$83,790	$89,846	$93,367	-	-	-	-	$77,315
2,127	1,930	2,674	414	-	-	-	13,307
$83,742	$89,635	$95,341	$97,197	-	-	-	$80,839
1,185	900	506	381	83	-	-	5,909
$84,738	$90,470	$95,831	$98,742	$95,397	-	-	$81,689
174	138	56	29	50	13	-	936
$86,961	$93,098	$90,309	$99,275	$100,556	$96,924	-	$82,695
12	11	9	5	5	6	-	88
$84,037	$92,213	$85,095	$87,820	$113,237	$110,336	-	$79,111
-	3	2	1	1	3	3	26
-	$75,129	$86,571	$96,362	$97,139	$102,374	$145,869	$80,922
11,834	**7,940**	**4,826**	**830**	**139**	**22**	**3**	**133,113**
$84,904	**$89,986**	**$94,665**	**$97,922**	**$97,907**	**$101,325**	**$145,869**	**$66,696**

	Average Age	Average Years of Service	Number
Full and part-time members	42	12	133,113
Substitutes	42	3	29,104
All	**42**	**10**	**162,217**

PLAN SUMMARY

Administration

TRS was created and is governed by Article 16 of the Illinois Pension Code, contained in the Illinois Compiled Statutes (ILCS). A 13-member Board of Trustees is authorized to carry out duties granted to it under the article.

Membership

Membership is mandatory for all full-time, part-time, and substitute public school personnel employed outside the city of Chicago in positions requiring certification. Persons employed at certain state agencies are also members.

Contributions

During FY12, members contributed 9.4 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 percent for post-retirement increases, 0.4 percent for the Early Retirement Option, and 1.0 percent for death benefits. Active members do not contribute to Social Security for TRS-covered employment; however, members hired after March 31, 1986, are required to contribute to Medicare. In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan. For FY12, the member contribution was 0.88 percent of pay.

Service Credit

A member is granted a maximum of one year of service credit for 170 paid days per school year, defined by statute as July 1 through June 30. Optional service credit is available for periods of public school teaching in other states or under the authority of the United States government, substitute or part-time teaching prior to July 1, 1990, leaves of absence, involuntary layoffs, military service, and gaps in teaching due to pregnancy or adoption prior to July 1, 1983. Up to two years of unused, uncompensated sick leave that has been certified by former employers may also be added as service credit at retirement.

Refunds

After a four-month waiting period from the date last taught, a member ceasing TRS-covered employment may withdraw all contributions, except the 1 percent death benefit. When accepting a refund, the member forfeits all service credit and benefit rights. Credit can be re-established if the member returns to a TRS-covered position for one year or to a reciprocal system for two years and repays the refund with interest. A member receiving disability benefits is not eligible for a refund.

Retirement Benefits

The following vesting schedule applies to all members hired before January 1, 2011.

Years of Service	Age
5	62
10	60
20	55 (discounted)
35	55 (nondiscounted)

To be eligible to receive a monthly retirement annuity, a member must terminate active service and meet specific age and service requirements. If a member retires at an age less than 60 with fewer than 35 years of service and does not elect the Early Retirement Option (discussed under "Early Retirement"), the benefit will be reduced by 6 percent for each year the member is under age 60.

A member with fewer than five years of creditable service who taught after July 1, 1947, is eligible to receive a single-sum retirement benefit at age 65.

Most members retire under a retirement benefit formula. This retirement annuity is determined by two factors: average salary and years of creditable service. Average salary is the average of the creditable earnings in the highest four consecutive years within the last 10 years of creditable service. Years of service determine the percentage of the final average salary to which members are entitled. Members with contributing service before July 1, 2005, can retire under a money purchase style "actuarial" benefit instead of a retirement benefit formula. By law, the higher of the formula benefit or the actuarial benefit is paid. The maximum formula benefit is 75 percent of the final average salary; there is no maximum for the actuarial benefit.

Public Act 90-0582 improved retirement benefits for TRS members by changing the rate at which TRS benefits accrue beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. Members who retire on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat-rate 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

Public Act 91-0017 reduced the 2.2 formula upgrade cost on a sliding scale for members who have more than 34 years of service credit. The legislation also made a technical correction in the benefit accrual rate for members who do not upgrade their pre-July 1998 service.

Years of service earned before July 1, 1998, were earned under a four-step graduated formula:

- 1.67 percent for each of years one through 10,
- 1.9 percent for each of years 11 through 20,
- 2.1 percent for each of years 21 through 30, and
- 2.3 percent for each year over 30.

The maximum annuity, 75 percent of final average salary, is achieved with 34 years under the 2.2 formula and with 38 years of service under the graduated formula. The minimum retirement benefit is $25 per month for each year of creditable service up to 30 years of service.

Early Retirement

Members who are age 55 but under age 60 who have at least 20 but fewer than 35 years of service can elect the Early Retirement Option (ERO) to avoid a discounted annuity. Both the member and employer make one-time contributions at retirement. Under the terms of the ERO program described in Public Act 94-0004, the member pays 11.5 percent for each year that his or her age is under 60 or years of service is under 35, whichever is less. The employer pays 23.5 percent for each year the member is under age 60.

An actuarial study was conducted in 2012 to review the adequacy of ERO contributions. The cost of the nonreduced benefits is not fully covered by the ERO contributions. Continuation of the ERO program beyond June 30, 2013 will depend on legislative action.

Post-Retirement Increase

Annuitants who meet certain service credit criteria receive an annual 3 percent increase in their gross annuities on the January 1 after they turn age 61 or the January 1 following the first anniversary in retirement, whichever is later.

Disability Benefits

TRS offers occupational and nonoccupational disability benefits to active members. Nonoccupational disability benefits are payable as disability benefits or as a disability retirement annuity to members who have a minimum of three years of creditable service. There is no minimum service requirement for occupational disability benefits for duty-related accidents or illnesses. Members continue to accrue service credit while they are receiving disability benefits but not while they are receiving disability retirement annuities. On January 1 following the fourth anniversary of the granting of the disability benefit, the monthly benefit is increased 7 percent. Thereafter, the benefit increases by 3 percent each January 1.

Public Act 94-0539 allows individuals who have received TRS disability benefits for one year or more to return to teaching if their medical conditions improve, allowing part-time work. It allows members on a limited basis to tutor, substitute, or teach part-time for a TRS-covered employer without loss of disability benefits as long as the combined earnings from teaching and disability benefits do not exceed 100 percent of the salary rate upon which the disability benefit was based.

Death Benefits

There are two types of death benefits: a return of the member's accumulated contributions and survivor benefits.

The return of member contributions includes the retirement contributions (6.5 percent of salary through June 30, 1998 and 7.5 percent after that date), with interest, as well as 0.5 percent paid toward annual increases in annuity, and 0.4 percent paid for the Early Retirement Option. Beneficiaries of an annuitant receive the accumulated contributions minus the amount that the member had already received as a retirement annuity.

Survivor benefits can be paid in either a lump-sum or a monthly payment. A lump-sum benefit is the only method payable to nondependent beneficiaries. A dependent beneficiary may choose either a lump-sum benefit or a monthly payment. Survivor benefit recipients who are beneficiaries of a retired member are eligible for an annual 3 percent increase effective January 1 following the granting of the survivor benefit. Survivor benefit recipients who are beneficiaries of an active or eligible inactive member are eligible for an annual 3 percent increase on January 1 following the first anniversary of their receiving the survivor benefit.

Employment-Related Felony Conviction

Any member convicted of a felony related to or in connection with teaching is not eligible for TRS benefits; however, the member may receive a refund of contributions.

Continuity of Credit within Illinois

TRS is one of 13 public retirement systems that are included in the provisions of the Illinois Retirement Systems' Reciprocal Act. This act ensures continuous pension credit for public employment in Illinois.

Conflicts

Conditions involving a claim for benefits may require further clarification. If conflicts arise between material in this summary and that of the law, the law takes precedence.