Chicago Teachers' Pension Fund

111th Comprehensive Annual Financial Report

for the year ended June 30, 2006
Chicago, Illinois

Trust

Integrity

Stability

CTPF
Chicago Teachers' Pension Fund

111th Comprehensive Annual Financial Report

for the year ended June 30, 2006
Chicago, Illinois

Public School Teachers' Pension and Retirement Fund of Chicago

CTPF
Chicago Teachers' Pension Fund

Report prepared by the staff of the Public School Teachers' Pension and Retirement Fund of Chicago

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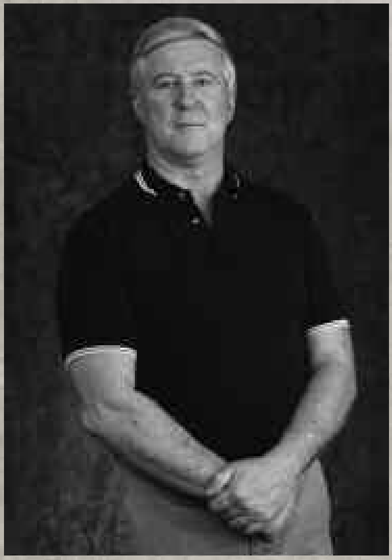
Introduction



Trust

This section provides information regarding the Chicago Teachers' Pension Fund Board of Trustees and its consultants, an organizational chart, a Certificate of Achievement, a Letter of Transmittal, and additional administrative information.

Integrity

Board of Trustees

As of June 30, 2006

Executive Staff

Consultants

LEGAL COUNSEL

Joseph Burns
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122 South Michigan Avenue, suite 1720
Chicago, Illinois 60603-6145

INVESTMENT CONSULTANTS

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Chicago, Illinois 60606

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The Townsend Group
Skylight Office Tower
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Cleveland, Ohio 44113

HEALTH INSURANCE CONSULTANT

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Chicago, Illinois 60606

BANK CUSTODIAN

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AUDITORS

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CUSTODIAN

Judith Rice
City Treasurer
121 North LaSalle Street
Chicago, Illinois 60602

CONSULTING ACTUARY

Sandor Goldstein
Goldstein & Associates
29 South LaSalle Street, suite 735
Chicago, Illinois 60603

INVESTMENT ADVISORS

Adams Street Partners, LLC
Adelante Capital Management, LLC
Ariel Capital Management, LLC
Attucks Asset Management, LLC
Blackstone Group, LP
Capri Capital Partners, LLC
CB Richard Ellis Investors, LLC
Chicago Equity Partners, LLC
Dimensional Fund Advisors
DV Realty Advisors, LLC
Fidelity Capital Management Trust Co.
Fremont Realty Capital, LP
HarbourVest Partners, LLC
Harris Investment Management, Inc.
Hispania Capital Partners
Holland Capital Management, LP
ICV Capital Partners, LLC
Intercontinental Real Estate Corporation
J. & W. Seligman & Co. Incorporated
J.P. Morgan Fleming Asset Management
Lazard Asset Management, LLC
Lehman Brothers Asset Management, LLC
LM Capital Group, LLC
Lombardia Capital Partners, LLC
Mesirow Financial, Inc.
MFS Institutional Advisors, Inc.
Morgan Stanley Investment Management
Muller and Monroe Asset Management, LLC
New Amsterdam Partners, LLC
Northern Trust Global Investments
Olympus Real Estate Partners, LLC
Palladium Equity Partners, LLC
Pantheon Ventures, Inc.
Pharos Capital Group, LLC
Progress Investment Management Company, LLC
Prudential Investment Management, Inc.
RREEF America, LLC
Smith Graham & Co. Investment Advisors, L.P.
Syncom Partners, LLC
Taplin, Canida & Habacht, Inc.
UBS Global Asset Management
Urdang Investment Management, Inc.
Waddell & Reed Asset Management Group
Walton Street Capital, LLC
Western Asset Management, Co.
Zenna Financial Services, LLC
Zevenbergen Capital Investments, LLC

Board of Trustees

Executive Director
Kevin B. Huber

Chief Financial Officer/COO
Patricia A. Hambrick

Benefits
Denise Valentovich
Edgar Samayoa

Office Services
Frances Radencic

Member Services
Marianne Schury

Accounting
Sandra Shelby

Service Wage and Audit
Corrine Diaz

MIS
Robin Lynch

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public School Teachers' Pension and Retirement Fund of Chicago, Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Chicago Teachers' Pension Fund
203 N LaSalle Street, suite 2600
Chicago, IL 60601-1210

Letter of Transmittal

December 1, 2006
The Pension Board of Trustees and Fund Members
Public School Teachers' Pension & Retirement Fund of Chicago
203 North LaSalle Street, suite 2600
Chicago, Illinois 60601

Dear Pension Board of Trustees, Contributors, Pensioners, and Members of the Public:

This is the 111th Comprehensive Annual Report of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) that covers the fiscal year ending June 30, 2006. Illinois statutes provide for a Board of Trustees to be responsible for the administration of the Fund. An important aspect of the administration is the presentation of a detailed annual report of system finances and operations. This publication is intended for all parties-at-interest as well as for the public at large.

The financial statements and their content are the responsibility of the Fund's management. This report provides a review of the financial, actuarial, and operational conditions of the Fund. It contains comparative financial statements which were subject to an independent audit conducted by Illinois licensed certified public accountants, an actuarial valuation prepared by the Fund's consulting actuary, a description of benefits as specified in Illinois law, and other relevant information.

The Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, death, and health benefits for certain certified teachers and other employees of the Chicago Public Schools and approved City of Chicago charter schools. It is administered in accordance with Chapter 40, Act 5, Articles 1, 17, and 20 of the Illinois Compiled Statutes. The report consists of five sections.

1. The Introductory Section contains this letter of transmittal and administrative and organizational information.

2. The Financial Section contains the report of the independent public accountants, management's discussion and analysis of the financial statements, the financial statements of the Fund, and selected required supplemental financial information.

3. The Investment Section contains a synopsis of the Fund's investment authority, summary tables of investment data, and a digest of the current year's investment activity and performance.

4. The Actuarial Section contains a report of the Consulting Actuary, a summary of the major actuarial assumptions, active member data, and other data.

5. The Statistical Section contains relevant pensioner data and historical revenue sources and uses data.

Overview

The Fund's membership decreased slightly to just over 59,000 members as of June 30, 2006. The 111th year of continuous operations resulted in continued improvement for the Fund. The June 30, 2006, value of net assets held in trust for pension and health benefits amounted to $11.43 billion, a 5.16% increase over the $10.87 billion of the previous year. The actuarial value of assets, calculated on a 4-year smoothed market value basis and used in the determination of the funding ratio, amounted to $10.95 billion. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $14.04 billion yields a 78.0% actuarial funding ratio, a 1.3% decrease from the prior year funding ratio of 79.0%.

The Financial Statements in this report were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. The specific accounting treatment of transactions is described in the Summary of Accounting Policies in the Notes to the Financial Statements. We encourage readers to consider additional financial information in this introductory section, and in the overview and analysis sections of management's discussion and analysis of the financial report.

Investment Authority and Performance

The Trustees' investment authority is found in the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 17. A discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is provided in the Investment Section of this report.

As of June 30, 2006, investments at fair market value totaled $11.53 billion. This compares favorably with $10.98 billion as of June 30, 2005. The Fund's investment performance rate of return for the year ending June 30, 2006, was 10.7%, and exceeded the actuarially projected return of 8%. The 10-year rate of return posted by the Fund for the period ending June 30, 2006, was 9.2%, which also exceeds the actuarial assumption of 8% and reflects a 5% decrease from the previous year's 9.7%. Refer to the Investment Section of this report for more detailed performance information.

The Board of Trustees, along with professional staff, consultants, and multiple investment managers, maintains an asset allocation program designed to obtain the highest expected return on investments consistent with a level of risk appropriate for a large public employee retirement system. The Trustees continue to monitor and adjust the strategic asset allocation among investment types and manager styles. Opportunities to improve the financial strength of the Fund will continue to be explored in accordance with high standards long in effect. Refer to the Manager Analysis and Broker Commission Reports in the Investment Section of this report for information regarding investment professionals who provide services to the Fund.

Accounting System and Internal Controls

This report was prepared to conform to the principles of governmental accounting and reporting as pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accrual basis of accounting was used to record the assets, liabilities, revenues and expenses of the Fund. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

In developing the Fund's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Administrative staff direct constant effort toward improving the level of internal accounting control to ensure the members of the Fund a financially sound retirement system.

Economic Review and Outlook

The economy and its stabilization continues to be relevant to the Fund and its overall performance. The 12-month period ended June 30, 2006, reflects a return to a slower growth rate. Rising prices, a contracting housing market, and a sag in leading economic indicators signaled moderation in the economy at the end of the fiscal year. Economic growth expanded with an annualized GDP growth rate projected at 2.5% at June 2006. The unemployment rate fell to a five-year low of 4.6% despite weaker than expected employment growth at June 30, 2006. The underlying rate of inflation rose to 4.3% due primarily to increasing energy prices. The Federal Reserve Board continued its policy of measured interest rate increases in order to control inflation, and raised the short-term interest rate 2.00% over the 12 months ended June 2006. At June 30, 2006, the Federal funds rate was 5.25%, its highest level since 2001.

Funding Goals

The funding policy of the Fund provides for employer contributions which, when added to contributions received from employee members and earnings on investments, will be sufficient to meet the actuarially determined obligations of the Fund.

On an annual basis, an actuarial valuation is performed in order to determine the amount of required contributions on behalf of the Fund. The Illinois Compiled Statutes (Public Act 89-15) provide for an actuarially determined funding plan intended to maintain the assets of the Fund at a level equal to 90% of the liabilities of the Fund.

The Chicago Board of Education (employer) is required by law to make contributions to the Fund only to the extent that the Fund's actuarially determined funding level drops below 90% by the end of the fiscal year. The employer is then required to make contributions to the Fund in order to ensure the actuarial value of assets is 90% of the actuarial value of liabilities. In years where the funding ratio exceeds 90%, no employer contribution is required.

Based upon the actuarial projection and funding rate of 85.8% at June 30, 2004, the employer and state were required to make additional contributions in the amount $36.2 million in fiscal year 2006.

Major Initiatives

The Fund and its Trustees continued to work to enhance the Fund's investment program, strengthen the Fund's benefits, improve office operations, and safeguard the assets of the Fund.

Investments

The Fund's rate of return for the year ended June 30, 2006, was 10.7%, due to consistent performance of the portfolio. The Fund maintained a diversified portfolio consisting of equities (domestic and international), fixed income, real estate, and private equity and performed well in comparison to its peers. The Fund continued to attempt to maximize investment performance while maintaining acceptable levels of risk. The Board reviewed its target allocations, and made several changes in the allocation policy. The Fund increased its target allocations in international equity by 9.5%, and decreased its allocations in large, mid and small cap equity by a total of 4.5%. The Fund also decreased its target allocation in fixed income by 5%.

During the year, the Board performed due diligence over its investment managers in order to monitor performance and compliance. The Fund implemented its formal manager performance review process in order to monitor managers in all asset classes whose performance was suspect. As of June 30, 2006, the Fund hired six managers (four private equity and two real estate).

The Fund continued to concentrate on increasing allocations to minority and women owned money managers. There was continued emphasis placed by the Board on monitoring and enforcing its minority brokerage policy. The Fund directed $2,471,911 of commissions to qualified minority and women brokers. The Board initiated a process for the graduation of minority firms from the Manager of Managers structure and established direct investment relationships with graduated funds.

Legislative

There were significant legislative developments in 2006 that impacted the Fund. Pension legislation that passed during the year and was signed into law by the Governor included the following:

- Passage of an Early Retirement Option enabling members to retire without a discounted pension.
- Passage of legislation granting an option to contribute to Medicare for Chicago Public School teachers employed prior to 1986.

Major legislative proposals that the Trustees continue to pursue include:

- providing an automatic annual increase of 3% beginning one year following retirement
- increasing the maximum pension percentage to 80%
- providing an ad-hoc increase for those on pension prior to 1980
- making all income pensionable, and
- providing a permanent 75% health-insurance rebate.

The Trustees and Fund administrators will continue to work diligently to represent the interests of the members through further accomplishment of the Trustees' legislative agenda. The Board, in conjunction with the Fund's consultants, continues to work in Springfield toward maintaining the financial stability of the Fund and improving benefits for the members.

Operations

Fund management continued to focus on strengthening operations, improving internal controls, modernizing key processes of the Fund, and emphasizing customer service for members. The Board continued to support numerous technology projects in fiscal year 2006.

- The Fund implemented a new benefit payment database in August 2005 and continues to enhance the functionality of that system.
- The Fund developed a Field Services Unit for the purpose of providing timely and relevant pension fund and retirement information to members during their active teaching careers.
- The Fund revised all written communications to members and continues to work on the design of a paperless workflow.

The Board has supported the administrative staff and is committed to moving into an automated work environment and organizational structure that will continue the Fund's long history of superior customer service. Detailed discussion regarding all of the Fund's financial operations is found in the Management's Discussion and Analysis section of the financial report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Public School Teachers' Pension and Retirement Fund of Chicago for its comprehensive annual financial report for the period ended June 30, 2005. This was the 16th consecutive year that the Fund has received this prestigious award. In order to be awarded a Certificate of Achievement, the Fund must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Concluding Comments

In October 2005, new teacher trustees Mary Hanson and Lois Nelson were elected to two-year terms, replacing Patricia A. Knazze and Rose Mary Finnegan. John F. O'Brill was elected to a three-year term as teacher trustee, replacing Earnestine C. Murphy, and incumbent Maria J. Rodriguez was re-elected to a three-year term as teacher trustee. Retiree trustee Vaughn J. Barber was elected to a two-year term, replacing Carole Nolan, and incumbent retiree trustees Walter E. Pilditch and James F. Ward, were re-elected to two-year terms. In January 2006 the Board of Trustees selected James A. Cosme to fill the administrator trustee position created by the retirement of Terri Katsulis.

In the election of officers, John F. O'Brill was elected president, Lois Nelson, vice president, Mary Hanson, recording secretary, and Maria J. Rodriguez, financial secretary. Chairs of standing committees included John F. O'Brill, Investments; Linda C. Porter, Pension Laws and Rules; Maria J. Rodriguez, Finance and Audit; and James F. Ward, Claims and Service. We would like to take this opportunity to thank Trustees Finnegan, Knazze, Katsulis, Murphy, and Nolan for their service to the Fund.

This annual report of the Public School Teachers' Pension and Retirement Fund of Chicago was prepared through the combined efforts of the Pension Board of Trustees, the Fund's actuary, certified public accountants, and administrative staff. We want to express our gratitude and appreciation for the diligence of all contributors in the preparation of this publication.

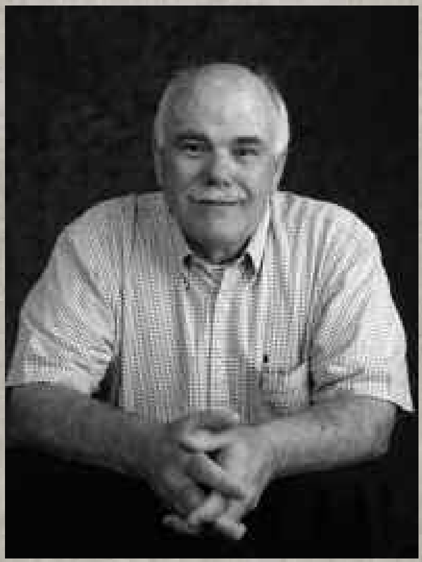
Kevin B. Huber
Executive Director

Patricia A. Hambrick
Chief Financial Officer

Financials

Stability

This section contains the report of the independent public accountants, the financial statements of the Fund and their analysis, and supplemental financial information.



Trust

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CHICAGO, ILLINOIS 60631
AREA CODE 312 263.2700

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public School Teachers' Pension and
Retirement Fund of Chicago
Chicago, Illinois

We have audited the accompanying statement of plan net assets of Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2006, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's 2005 financial statements and, in our report dated November 16, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2006, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the schedules of funding progress and contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative and miscellaneous expenses, cash receipts and disbursements, manager fees, and consultant payments are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bansley and Kiener, L.L.P.

Certified Public Accountants

November 21, 2006

Management's Discussion and Analysis

Management is pleased to provide this overview and analysis of the financial activities of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) for the year ended June 30, 2006. This information is intended to supplement the financial statements which begin on page 22 of this report. We encourage readers to consider additional information and data in the Fund's *2006 Comprehensive Annual Financial Report.*

Annual Financial Review

The Fund returned 10.7% for the year ended June 30, 2006, well above the actuarial projected return of 8%. It is important to remember that the Fund is a long-term investor and results are more significant over longer periods. Diversification of investments among U.S. stocks, real estate, fixed income, and international investments provides risk adjusted returns while allowing the Fund to "ride out" short-term fluctuations in individual asset classes. The Fund reported a favorable investment gain in 2005 and a substantial investment gain in 2004. The Fund's compound rate of return over the past 10 years was 9.2% which exceeded the actuarial assumption of 8%.

The Fund's consulting actuary has certified the total actuarial liability of the Fund to be $14.0 billion as of June 30, 2006. This represents an increase in the total actuarial liability of approximately $739.8 million compared to the valuation of $13.3 billion as of June 30, 2005. The unfunded actuarial liability increased from approximately $2.8 billion to $3.1 billion during the year. Refer to the Actuarial Section of the report for more valuation and funding information.

Financial Highlights

- Investment returns remained stable in comparison to the previous year. The investment rate of return for fiscal year 2006 was 10.7% following fiscal year 2005's return of 10.8% and fiscal year 2004's return of 15%. Five and 10-year returns were 7.2 % and 9.2%, respectively.
- Total plan net assets increased in value during the fiscal year to $11.43 billion at June 30, 2006, from $10.87 billion at June 30, 2005.
- Total benefit payments exceeded $800 million for the first time. The Fund paid members more than $751.8 million in service retirement, disability and survivor benefits, and an additional $58.3 million for health care benefits.
- Total additions to plan net assets were $1.4 billion. The net investment gain of $1.1 billion was more than 3.9 times member and employer contributions totaling $281.2 million.
- Benefit payments, member refunds, and administrative expenses totaled $818.4 million for the 2006 fiscal year, a 10.4% increase over fiscal 2005.
- The funded ratio for pension benefits declined to 78% as of June 30, 2006, from 79% at the end of the previous year.

Overview of the Financial Statements of the Fund

The two basic financial statements of the Fund are the *Statement of Plan Net Assets* and the *Statement of Changes in Plan Net Assets.* Statements are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items. The statements are prepared in conformity with accounting principles generally accepted in the United States.

The *Statement of Plan Net Assets* is a measure of the Fund's assets and liabilities at the close of the fiscal year. Total assets less liabilities equal net assets held in trust for future benefits.

The *Statement of Changes in Plan Net Assets* shows revenues (additions) and expenses (deductions) for the fiscal year. The net increase (or decrease) is the change in net assets available for benefits since the end of the previous fiscal year.

For financial reporting purposes, the Fund's assets are divided into two primary funds: the Pension Fund (a defined benefit plan) and the Health Insurance Fund (a post employment health care plan). The Pension Fund includes member contributions and investment earnings for participants. The Fund pays service retirement benefits using a fixed formula based on years of service and salary, subject to certain age requirements. In addition to service retirement, participants are eligible for disability and survivor benefits. The Health Insurance Fund consists of assets set aside to subsidize health care premiums for members receiving pension benefits.

The *Notes to Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies along with plan membership and benefits. Supplementary disclosures of selected financial data are included in the notes.

In addition to the basic financial statements and footnotes, a *Schedule of Funding Progress,* a *Schedule of Employer Contributions* and *Notes to the Trend Data* are included as required supplementary information. These schedules emphasize the long-term nature of pension plans and show progress of the Fund in accumulating sufficient assets to pay benefits when due.

The *Schedule of Funding Progress* shows actuarial trend information for the past six years. It includes the ratio of valuation assets to the actuarial accrued liability (funded ratio). The funded ratio increases or decreases over time based upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. This schedule also shows the unfunded actuarial accrued liability as a percentage of member payroll. This schedule shows the relationship between the funding status of the plan and the growth of payroll.

The *Schedule of Employer Contributions* shows the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed.

The *Notes to the Trend Data* provide the actuarial method and assumptions used to determine the data in the *Schedule of Funding Progress* and the *Schedule of Employer Contributions.*

A *Schedule of Administrative Expenses* and a *Schedule of Investment Expenses* are included to show detail of the administrative and investment costs to operate the Fund.

Investment Performance

For fiscal year 2006, total investments returned 10.7%. The U.S. and international stock portfolios generated positive returns. The Fund's portfolio of U.S. stocks reported an 11.7% return and international stocks reported a 23.9% return. Real estate generated a positive return of 21.3% while fixed income realized a .9% loss.

1-Year Returns (2006)

Asset Category	Fund Return	Index Name	Index Return
Total Fund	10.7%	Fund Benchmark Index	9.5%
Domestic Equity	11.7%	Russell 3000 Index	9.6%
International Equity	23.9%	MSCI AC World Free Ex US	28.4%
Fixed Income	-0.9%	LB Aggregate Index	-0.8%
Real Estate (Public and Private)	21.3%	Stylized Real Estate Index*	18.8%

5-Year Returns (2001-2006)

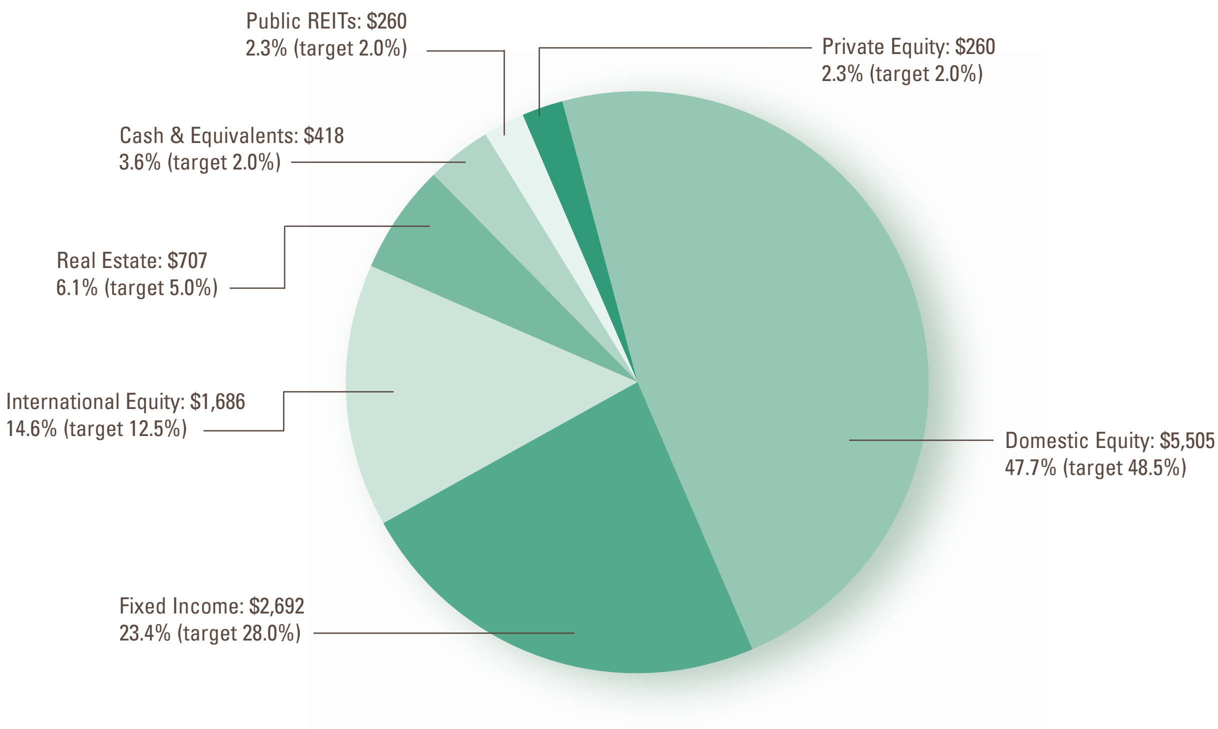
Asset Category	Fund Return	Index Name	Index Return
Total Fund	7.2%	Fund Benchmark Index	6.2%
Domestic Equity	5.7%	Russell 3000 Index	3.5%
International Equity	12.1%	MSCI AC World Free Ex US	11.9%
Fixed Income	5.1%	LB Aggregate Index	5.0%
Real Estate (Public and Private)	15.0%	Stylized Real Estate Index*	14.4%

Investment performance returns are calculated using a time-weighted rate of return, annualized on a fiscal year basis from July 1-June 30.

**The stylized index is a combination of the NCREIF property index for private real estate and NAREIT index for public real estate weighted in proportion to the public and private components of the Fund's portfolio.*

Asset Allocation as of June 30, 2006

IN MILLIONS OF DOLLARS



Note: percentage indicates actual category weight as a percentage of the entire portfolio.

Financial Statement Analysis

Plan Net Assets

The value of plan net assets increased $560.9 million (5.2%) during the fiscal year. The increase was the result of a $545 million increase (5.0%) in cash and investments which was due to appreciation of investment holdings.

As of June 30, 2006, total receivables, without regard to amounts due from brokers, increased by more than $4.2 million from 2005. The change in receivables is the net result of increases in receivables due to the Early Retirement Option made available during the year, and a decrease in deferred contributions receivable, at year end. Due from brokers (the proceeds from investment sales) increased $9.8 million due to timing of investment sales at year end.

Refunds payable increased $5.7 million in 2006. This increase is due to the accrual of 2.2 refunds payable to teachers that have accumulated 30 years of services. Due to brokers (the cash due for investment purchases) decreased $13.8 million due to the timing of investment purchases at year end.

Below is a summary of the plan net assets at June 30, 2006 and 2005 highlighting the financial statement items with significant fluctuations.

(IN MILLIONS)	FY 2006	FY 2005
Cash and Cash Equivalents	$ 418.3	$ 391.2
Due from Brokers	148.9	139.1
Receivables	90.8	86.6
Investments (fair value)	11,108.9	10,591.1
Security Lending Collateral and Other Assets	1,972.2	1,789.5
Capital Assets	4.6	0.7
Total Assets	13,743.7	12,998.2
Benefits and Refunds Payable	15.5	10.2
Accounts and Administrative Payable	20.3	14.0
Security Lending Collateral	1,972.2	1,785.4
Due to Brokers	307.2	321.0
Total Liabilities	2,315.2	2,130.6
Net Assets	11,428.5	10,867.6
Change in Net Assets	$ 560.9	$ 1,053.9

Additions to Plan Assets

Additions to plan assets that are needed to finance statutory benefit obligations come from public sources such as state and federal appropriations, employer and employee contributions, net earnings on investments, and miscellaneous sources. For the year ending June 30, 2006, these additions totaled $1.4 billion representing a 7.2% increase from 2005 additions of $1.3 billion. Intergovernmental and employer contributions increased by $7.7 million in fiscal year 2006 and included the employer's portion of the early retirement option cost. Employee contributions decreased due to a decrease in the number of active teachers and the normalization in deferred contributions as compared to the previous year. Minimum funding requirement represents the additional state and employer contributions required by state law when the funding level drops below 90%. Based upon the actuarial projection at June 30, 2004, the employer and state were required to make additional contributions for the first time in fiscal year 2006 in the amount of $36.2 million. Net investment income increased due to the unrealized appreciation of the Fund's investment portfolio. The Fund's portfolio gained 10.7% for the year ended June 30, 2006, versus 10.8% for the year ended June 30, 2005.

(IN MILLIONS)	FY 2006	FY 2005
Intergovernmental and Employer contributions	$ 81.6	$ 73.9
Employee contributions	163.4	175.7
Minimum funding requirement	36.2	–
Net investment income	1,097.9	1,036.9
Miscellaneous	0.1	0.6
Total additions	$ 1,379.2	$ 1,287.1

Deductions from Plan Assets

Deductions from plan assets represent many characteristics of an actuarially mature employee group, with modest increases in most benefit categories. Pension benefits increased as new pensioners were added to the pension payroll, with benefits based on higher salaries and an improved benefit formula. Refunds increased due to 2.2 contribution refunds payable to teachers who have reached 30 years of service. Teachers reaching 30 years of service are entitled to a refund (at retirement) of payments made to upgrade to the 2.2 formula. The health insurance rebate was disbursed at 70% of covered premiums for fiscal year 2006. In fiscal year 2005, the health insurance rebate was disbursed at 52% of covered premiums for the first month and 70% for the remaining eleven months. Total deductions from plan assets amounted to $818.4 million at June 30, 2006, compared to $741.0 million for the previous year.

(IN MILLIONS)	FY 2006	FY 2005
Pensions	$ 718.5	$ 651.8
Refunds	30.7	24.8
Death benefits	2.6	2.5
Insurance premiums	58.3	54.4
Administration	8.3	7.5
Total Deductions	$ 818.4	$ 741.0

Funding Analysis

Under the funding plan established by state statute, the employer is required to make a minimum contribution to the Fund in order to bring the total assets of the Fund up to 90% of the total actuarial liabilities by the end of fiscal year 2045. The employer is not required to make a contribution unless the Fund falls below the 90% level for a fiscal year. At such time, the minimum contribution is determined using the timeframe of that fiscal period through 2045.

Based upon the actuarial projection at June 30, 2005, it is estimated that the employer must make contributions in fiscal year 2007 of approximately $69.4 million. Based upon the actuarial projection at June 30, 2006, it is estimated that the employer must make contributions in fiscal year 2008 of approximately $120.5 million. The Fund is required to communicate to the employer the actual contribution required for fiscal year 2008 by February 28, 2007. State law also requires additional state and employer contributions to provide for benefit increases when the funding level drops below 90%. Accordingly, the State of Illinois is required to remit $10.2 million and the primary employer of the Fund is required to remit $10.9 million during the fiscal year ending June 30, 2008.

Although the Fund reported investment gains in 2006 and 2005, the funded ratio for pension benefits declined from 79% in 2005 to 78% in 2006. The decline in the funded ratio is due to higher salaries and the actuarial smoothing over a four year period of losses incurred during fiscal year 2003. Employer contributions are expected to increase, due to required minimum employer contributions, and a slight increase in operational and benefits costs is expected. The rate of return for the periods ending June 30, 2006 and 2007 is projected at 8%. As a result, the funded ratio is expected to increase to 78.9% in both fiscal year 2007 and fiscal year 2008. The funded ratio of the plan has ranged from 78% to 100.8% since 1996.

As previously mentioned, the *Schedule of Employer Contributions* shows the amount of required contributions in accordance with GASB Statement No. 25. As exhibited in the schedule, the employer is not making required contributions sufficient to meet the increasing liability of the Fund.

Requests for Information

Questions about any information provided in this report should be addressed to:

Public School Teachers' Pension and Retirement Fund of Chicago
ATTN: Executive Director
203 North LaSalle Street, suite 2600
Chicago, Illinois 60601

Statement of Plan Net Assets

June 30, 2006, with comparative totals for 2005

	Pension Fund	Health Insurance Fund	Total 2006	Total 2005
Assets				
Cash and cash equivalents	$ 371,752,529	$ 46,517,457	$ 418,269,986	$ 391,242,445
Receivables:			–	
Intergovernmental	14,854,607	–	14,854,607	6,535,623
Employee	31,738,843	–	31,738,843	36,580,306
Accrued investment income	39,091,469	–	39,091,469	38,359,549
Due from brokers	148,894,426	–	148,894,426	139,112,316
Participating teachers' accounts for contributions	3,754,353	–	3,754,353	3,450,948
Other receivables	1,317,210	–	1,317,210	1,647,627
	239,650,908	–	239,650,908	225,686,369
Investments, at fair value:				
Fixed income	2,691,741,585	–	2,691,741,585	2,739,290,003
Equity	7,710,157,169	–	7,710,157,169	7,253,215,858
Real estate	706,998,185	–	706,998,185	598,579,471
	11,108,896,939	–	11,108,896,939	10,591,085,332
Securities lending collateral	1,972,243,566	–	1,972,243,566	1,785,429,586
Prepaid expenses	2,113	–	2,113	4,107,764
Capital assets, net of accumulated depreciation	4,620,173	–	4,620,173	651,638
Total assets	**13,697,166,228**	**46,517,457**	**13,743,683,685**	**12,998,203,134**
Liabilities				
Benefits payable	1,095,511	–	1,095,511	1,466,955
Refunds payable	14,368,643	–	14,368,643	8,689,364
Accounts and administrative expenses payable	14,822,540	5,459,872	20,282,412	13,985,259
Securities lending collateral	1,972,243,566	–	1,972,243,566	1,785,429,586
Due to brokers	307,175,069	–	307,175,069	321,013,875
Total liabilities	**2,309,705,329**	**5,459,872**	**2,315,165,201**	**2,130,585,039**
Net assets held in trust for benefits (an unaudited schedule of funding progress is presented on page 33)	**$ 11,387,460,899**	**$ 41,057,585**	**$ 11,428,518,484**	**$ 10,867,618,095**

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For fiscal year ended June 30, 2006, with comparative totals for 2005

	Pension Fund	Health Insurance Fund	Total 2006	Total 2005
Additions:				
Contributions:				
Intergovernmental, net	$ 16,562,706	$ 65,000,000	$ 81,562,706	$ 73,917,464
Employee contributions	163,419,386	–	163,419,386	175,706,081
Minimum funding requirement	36,227,000	–	36,227,000	–
	216,209,092	65,000,000	281,209,092	249,623,545
Investment income:				
Net appreciation in fair value	804,849,270	–	804,849,270	774,358,259
Interest	172,958,641	4,071,093	177,029,734	163,217,690
Dividends	142,577,238	–	142,577,238	126,998,253
Miscellaneous	63,009	–	63,009	218,150
Securities lending	7,437,548	–	7,437,548	4,132,370
Less investment expense:				
Investment advisory and custodial fees	(32,791,552)	–	(32,791,552)	(30,897,126)
Securities lending expense	(1,221,869)	–	(1,221,869)	(1,129,255)
	1,093,872,285	4,071,093	1,097,943,378	1,036,898,341
Miscellaneous	139,509	–	139,509	561,154
Total additions	**1,310,220,886**	**69,071,093**	**1,379,291,979**	**1,287,083,040**
Deductions:				
Pension benefits	718,487,994	–	718,487,994	651,767,312
Refunds	24,283,009	–	24,283,009	24,169,382
2.2 contribution refunds	6,402,290	–	6,402,290	689,313
Refund of insurance premiums	–	58,279,900	58,279,900	54,410,887
Death benefits	2,618,057	–	2,618,057	2,505,871
	751,791,350	58,279,900	810,071,250	733,542,765
Administrative and miscellaneous expenses	8,320,340	–	8,320,340	7,477,671
Total deductions	**760,111,690**	**58,279,900**	**818,391,590**	**741,020,436**
Net increase before transfer	550,109,196	10,791,193	560,900,389	546,062,604
Transfer from Health Insurance Fund	59,496,735	(59,496,735)	–	
Net assets held in trust for benefits:				
Beginning of period	10,777,854,968	89,763,127	10,867,618,095	10,321,555,491
End of period	**$ 11,387,460,899**	**$ 41,057,585**	**$ 11,428,518,484**	**$ 10,867,618,095**

See accompanying notes to financial statements.

(1) Description of Pension and Health Insurance Plan

Pension Plan

The Public School Teachers' Pension and Retirement Fund of Chicago (Fund) is the administrator of a cost sharing multiple employer defined benefit public employee retirement system. The state legislature established the Fund in 1895 to provide retirement, survivor, and disability benefits for certain certified teachers and employees of the Chicago Public and Charter Schools as well as Fund employees. The Fund is administered in accordance with Illinois Compiled Statutes (ILCS) Chapter 40, Act 5, Article 17. The Fund is governed by a 12-member Board of Trustees (six elected by the teacher contributors, three elected by the annuitants, one elected by the principal and administrator contributors, and two appointed by the primary employer, the Chicago Board of Education). The Board of Trustees is authorized by state law to make investments, pay benefits, hire staff and consultants, and carry out all necessary functions in compliance with the Illinois Pension Code. As of June 30, 2006 and 2005, the Fund membership consisted of the following:

	2006	2005
Retirees and beneficiaries currently receiving benefits	22,105	20,954
Terminated members entitled to benefits but not yet receiving them	2,408	2,059
Current members:		
Vested	21,157	21,855
Non-vested	13,525	15,666
	59,195	60,534

A member with at least 20 years of service and who has attained 55 years of age is entitled to a pension. A member with at least five but less than 20 years of service is entitled to a pension on attainment of age 62. In the case of retirement prior to age 60 with less than 35 years of service, the retirement pension is reduced one-half of 1% for each month that the member is under age 60.

A retirement pension is determined by either (1) applying specified percentages which vary with years of service to the average of the 4 highest years of salary earned or (2) applying a flat 2.2% to the average of the 4 highest years of salary earned for each year of service. Public Act 90-852 increased the retirement annuity formula to 2.2% of final average salary for each year of service earned after June 30, 1998. Employees may upgrade service to the 2.2 formula for years prior to July 1, 1998, by making certain additional contributions to the Fund. Beginning July 1, 1998, employee contributions increased from 8% to 9% of salary to account for the increased benefit. Annuitants who retired after 1959 receive an annual 3% increase in the retirement pension beginning January 1 following the member's 61st birthday or the first anniversary of retirement, whichever is later.

A survivor pension is payable upon the death of a contributor or retired member of the Fund. The benefit is the greater of 50% of earned pension or an amount based on the average of the 4 highest years of salary in the last 10 years of service or on the average salary for the total service, if less than 4 years, with certain qualifications. A 3% automatic annual increase is paid on survivor pension benefits. A single-sum death benefit is also payable on the death of a contributor or retired member of the Fund, with certain qualifications.

A disability pension is payable in the event of total or permanent disability with certain qualifications and service requirements. A duty disability benefit, equal to 75% of final salary, is provided upon the total incapacity for further teaching as a result of an injury sustained while in teaching service. A non-duty disability is payable after ten or more years of service and is determined by either (1) applying specified percentages which vary with years of service to the average salary earned or (2) applying a flat 2.2% to the average salary earned for each year of service. A 3% automatic annual increase is paid on disability pensions after the first anniversary of the pension or the pensioner's 61st birthday, whichever is later.

Health Insurance Plan

The Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in a health insurance program and premium rebate sponsored by the Fund, provided the Fund is the member's final pension system prior to retirement. The purpose of the program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Fund's providers or other outside providers. Each year, the Board of Trustees establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 70% of the individual member's cost for fiscal year 2006. The rebate percentage was 52% of the individual member's cost for the first month in fiscal year 2005 and 70% for the remaining eleven months in fiscal year 2005. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65,000,000 plus any previous year amounts authorized but not yet expended. The Fund has total discretion over the program, and no employee or employer contributions are made for the subsidy.

(2) Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), a financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the Fund has no component units and is not a component unit of any other entity.

Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting, following standards promulgated by GASB. Employee and employer contributions are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized as deductions when due and payable, in accordance with the terms of the plan.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and uninvested funds held by the Fund investment managers. Short-term investments consist of investments which mature within six months of the date acquired by the Fund.

Deposit and Investment Disclosures

During the year ended June 30, 2005, the Fund adopted Government Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. As a result, the Fund has addressed certain deposit and investment risk disclosures. Investments are governed by Chapter 40, Act 5, Article 17 of the Illinois Compiled Statutes. These statutes authorize the Fund to invest in accordance with the prudent person rule, which states that fiduciaries will exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity with such matters would use in the conduct of an enterprise of a like character with like aims. Plan investments are reported at fair value. Fair value for equities is determined by using the closing price listed on the national securities exchanges as of June 30. Fair value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. Fair value for real estate investments is determined by appraisals.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed by the straight-line method based upon estimated useful lives of 50 years for building and improvements and 3 to 5 years for furniture and equipment. During fiscal year 2006, the Fund's new computer system, Pension Gold, was implemented and the depreciation was computed at 10 years using the straight-line method.

Administrative Expenses

Administrative expenses are budgeted and approved by the Fund's Board of Trustees. Funding for these expenses is included in the employer contributions as determined by the annual actuarial valuation.

(3) Receivables

As of June 30, 2006 and 2005, intergovernmental receivables include contributions due from the Board of Education and appropriations due from the State of Illinois as follows:

	2006	2005
Board of Education —		
Early retirement program	$ 7,034,359	$ –
Deficiencies	1,165,231	1,165,231
State of Illinois appropriations	6,655,017	5,370,392
	$ 14,854,607	$ 6,535,623

The Board of Education passed a resolution to offer an early retirement program for fiscal year 2006. The Early Retirement Program receivable represents the Board of Education's portion of the early retirement costs.

Employee receivables include the employees' portion of the early retirement costs, retirement contributions deducted from employee's compensation by the employer during the year to be remitted to the Fund, and contributions to be made by employees to upgrade to the 2.2 pension formula. The Employer owed $30,746,510 and $35,764,132, on behalf of the employees, at June 30, 2006 and 2005, respectively. Employees owed the Fund $992,333 and $816,174 for the 2.2 formula upgrade at June 30, 2006 and 2005, respectively.

(4) Deposits and Investments

At June 30, 2006, the bank balance and carrying amount of the Fund's deposits amounted to $420,338,013 and $418,269,986, respectively. At June 30, 2005, the bank balance and carrying amount of the Fund's deposits amounted to $393,372,655 and $391,242,445, respectively.

The deposits of the Fund are insured or collateralized by securities recorded in the Fund's name and held by the Fund's agent, its master custodian (Northern Trust Bank). The amount of the Fund's bank balance deposits that were exposed to custodial credit risk was $28,658,435 and $19,245,995 at June 30, 2006 and 2005, respectively. The deposits exposed to credit risk are uninsured and uncollateralized and the Fund does not have a deposit policy relating to custodial risk. The following table presents a summarization of the fair values of Fund investments at June 30, 2006 and 2005. All categorized investments are insured or registered and are held by the Fund's master custodian, in the Fund's name. Investments in commingled funds are not categorized because the relationship between the Fund and the investment agent is a direct contractual relationship, and a transferable instrument that evidences ownership or creditorship does not support the investments.

	FAIR VALUE	
	June 30, 2006	June 30, 2005
CATEGORIZED:		
Long-term investments:		
Fixed income securities:		
Government	$ 843,098,239	$ 791,414,460
Corporate	693,452,044	723,965,687
Other miscellaneous	272,848,142	188,055,320
Total fixed income securities	1,809,398,425	1,703,435,467
Equity securities	6,395,398,945	6,354,965,930
Total long-term investments	**8,204,797,370**	**8,058,401,397**
NON-CATEGORIZED:		
Real estate	706,998,185	598,579,471
Private equity	259,562,522	194,107,731
Securities lending:		
Investments held by master trustee under securities loans	1,937,538,862	1,739,996,733
Securities lending cash collateral investment pool	1,972,243,566	1,785,429,586
TOTAL INVESTMENTS	**$ 13,081,140,505**	**$ 12,376,514,918**

Ownership of Greater than 5% of Net Assets Available for Benefits

There are no significant investments in any organization that represent 5% or more of net assets available for benefits.

Derivatives

The Fund periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed-upon price. The Fund's use of these securities is limited to small positions in the Fund's international equity and commingled mini-cap domestic equity portfolios established for hedging or risk reduction, not for speculative purposes.

As of June 30, 2006 and 2005, the Fund held forward currency contracts representing agreements to buy or sell U.S. dollars, Japanese yen, U.K. pounds sterling, Euros, and Switzerland francs upon established future dates for agreed-upon prices. These forward currency contracts held by the Fund allow it to lock in future foreign exchange rates, thereby reducing risk stemming from currency fluctuations. As of June 30, 2006 and 2005, the fair values of the obligations under the purchase side of these forward contracts amounted to $78,056,942 and $32,894,835, respectively, and the fair values of the obligations under the sale side of these forward contracts amounted to $78,657,796 and $32,859,303, respectively. As of June 30, 2006, the Fund held 31,726,141 units (2.4%) of four commingled equity trust funds. The total obligation to purchase stocks under the futures contracts held by these commingled funds represented less than 1% of the commingled funds' total assets. As of June 30, 2005, the Fund held 25,865,943 units (5.4%) of five commingled equity trust funds. The total obligation to purchase stocks under the futures contracts held by these commingled funds represented less than 1% of the commingled funds' total assets. The futures contracts held allow the commingled fund to maintain exposure to the market without incurring the transaction costs involved in immediate reinvestment of dividend payments. Since these futures positions are covered by the cash received through dividend payments on stocks held in the commingled funds, this does not represent a leveraged or speculative position. Rather, in order to reduce the risk of being out of the market, the investment manager has chosen to use futures contracts as a low-cost substitute for direct ownership of the underlying securities.

Securities Lending

Fund policies permit the Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Northern Trust Company, the Fund's master custodian, lends securities of the type on loan at year-end for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' fair value, and international securities for collateral worth at least 105%. Securities lent at year end for cash collateral are presented as not categorized in the preceding summarization of investment fair values; securities lent for securities collateral are classified according to the risk categorization of the collateral received. At year-end, the Fund has no credit risk exposure to borrowers because the amount the Fund owes to the borrowers exceeds the amounts the borrowers owe to the Fund. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 72 days.

The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities without borrower default.

Loans outstanding as of	June 30, 2006	June 30, 2005
Fair value of securities loaned for cash collateral	$ 1,937,538,862	$ 1,739,996,733
Fair value of securities loaned for non-cash collateral	340,752,747	233,746,029
Total fair value of securities loaned	2,278,291,609	1,973,742,762
Fair value of cash collateral from borrowers	1,972,243,566	1,785,429,586
Fair value of non-cash collateral from borrowers	351,085,690	240,515,054
Total fair value of collateral from borrowers	$ 2,323,329,256	$ 2,025,944,640

Foreign Currency Risk

The Fund's exposure to foreign currency risk at June 30, 2006, was as follows:

Currency	Fair Value	%
Australian Dollar	$ 18,258,784	1.18%
Canadian Dollar	28,586	0.00%
Swiss Franc	173,510,586	11.21%
Euro	592,673,083	38.27%
British Pound Sterling	366,139,464	23.64%
Hong Kong Dollar	19,344,787	1.25%
Indonesian Rupiah	3,106,562	0.20%
Japanese Yen	336,393,489	21.72%
Norwegian Krone	5,260,169	0.34%
New Zealand Dollar	586,500	0.04%
Swedish Krona	18,601,828	1.20%
Singapore Dollar	11,553,044	0.75%
Thai Baht	3,050,455	0.20%
Total	**$ 1,548,507,337**	**100.00%**

All foreign currency-denominated investments are in equities and foreign cash. The Fund does not have a formal policy relating to foreign currency risk.

Interest Rate Risk

As of June 30, 2006, the Fund had the following investments and maturities:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Asset Backed Securities	$ 81,319,349	0.43
Commercial Mortgage-Backed	191,528,792	2.42
Corporate Bonds	796,665,014	2.75
Government Agencies	423,960,765	0.92
Government Bonds	772,442,414	2.46
Government Mortgage Backed Securities	413,500,616	1.67
Municipal/Provincial Bonds	12,324,635	0.07
Total	**$ 2,691,741,585**	**10.72**

The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Credit Risk

The following table presents the Plan's ratings as of June 30, 2006

S&P Credit Ratings	Asset Backed	Commercial Mortgage Backed	Corporate Bonds	Government Agencies	Government Bonds	Government Mortgage Backed	Municipal Prov. Bonds
AAA	$ 75,211,401	$ 164,862,802	$ 38,656,443	$ 361,527,296	$ 623,533,739	$ 30,860	$ —
AA	—	231,726	85,724,786	3,197,347	11,214,594	—	7,909,976
A	2,912,336	—	341,672,590	3,343,437	6,236,236	—	3,440,038
BBB	535,900	—	220,267,831	—	17,767,637	—	—
BB	581,217	—	18,943,760	—	—	—	—
B	1,022,802	—	16,067,297	—	—	—	—
CCC	243,482	—	—	—	—	—	—
NR	812,211	26,434,264	75,332,307	6,592,138	23,061,407	130,142	974,621
U.S. Government Agency	—	—	—	49,300,547	90,628,801	413,339,614	—
Total Debt Securities	**$ 81,319,349**	**$ 191,528,792**	**$ 796,665,014**	**$ 423,960,765**	**$ 772,442,414**	**$413,500,616**	**$12,324,635**

(5) Contributions and Reserves

The funding policy of the Fund provides for employer contributions which, when added to contributions received from employee members and earnings on investments, will be sufficient to meet the actuarially determined obligations of the Fund. On an annual basis, an actuarial valuation is performed in order to determine the amount of required contributions on behalf of the Fund. The Illinois Compiled Statutes (Public Act 89-15) provide for an actuarially determined funding plan intended to maintain the assets of the Fund at a level equal to 90% of the liabilities of the Fund. The Chicago Board of Education (employer) is required by law to make contributions to the Fund only to the extent that the Fund's actuarially determined funding level drops below 90% by the end of the fiscal year. The employer is then required to make contributions to the Fund in order to ensure the actuarial value of assets is 90% of the actuarial value of liabilities. In years where the funding rate exceeds 90%, no employer contribution is required. Based upon the actuarial projection at June 30, 2004, the employer and state were required to make contributions for the first time in the amount of $36.2 million in fiscal year 2006.

Member Contributions

Member contributions, established by the Illinois Compiled Statutes, are 9% of the full salary rate, of which 1% applies to survivor's and children's pension benefits. Fund employees also participate as members in the Fund and are included in the total current members. Contributions made by the Fund for Fund employees total $197,705, $201,944 and $192,005 for the years ended June 30, 2006, 2005, and 2004 respectively, which is 100% of the employee contributions required to be made by the Fund.

Other Contributions

The State of Illinois makes an annual contribution to the Fund to supplement any employer contribution. This contribution is considered an intergovernmental contribution. Federal funds are actuarially based amounts contributed to the Fund for the accruing pension cost of teachers whose salaries are paid from special trusts or federal funds.

Early Retirement Program

Optional Program — Eligible Chicago teachers age 55 to 60 may retire without discount if the Board of Education passes a resolution for the early retirement without discount program in accordance with the Illinois Compiled Statutes. A contributor is eligible if they:

- have at least 20 but less than 34 years of service or 33.95 years of service upgraded to 2.2; and
- retire within 6 months of the last day of teaching service (or payroll period) for which pension contributions were made.

The contributor and the Board of Education must each make a one-time contribution to the Fund. The employee contribution equals 7% of the member's last full-time salary rate multiplied by (1) the number of years the member is under 60, or (2) the number of years the member's creditable service is less than 34, whichever is less. The employer contribution equals 20% of such salary multiplied by the number of years used in the employee contribution calculation. The number of teachers who may retire under this election may be limited by the Board of Education.

During the year ended June 30, 2006, the Board of Education passed an Early Retirement Option resolution and is required to contribute $7,034,359 for this optional retirement program. Accordingly, a receivable for this amount is reflected in the financial statements.

(6) Insurance Coverage

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund has minimized the risk of loss through private insurance carriers with deductibles for coverage ranging up to $1,000 per occurrence. The amount of settlements has not exceeded insurance coverage in any of the previous four fiscal years.

(7) Litigation

There are two pending lawsuits in which the Fund is involved. Management believes that the potential claims against the Fund would not materially affect the financial statements of the Fund. As a result of litigation that ended during fiscal year 2006, the Fund was directed to transfer funds of $62,203,687 that had been previously allocated to its health insurance fund account into its pension fund account. The net transfer of $59,496,735 shown in the financial statements reflects other adjustments including allowable earned interest since 2003 and did not materially affect the financial statements.

(8) Health Insurance Rollforward

In accordance with Illinois Compiled Statutes (ILCS) Article 40, Chapter 5, Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65,000,000 plus any previous year amounts authorized but not yet expended including any interest earned on the unspent balances. Of the net assets available for benefits in the health insurance fund, previous year amounts authorized but not yet expended at June 30, 2006 and 2005, are $41,057,585 and $31,630,533 respectively.

Health Insurance Rollforward continued from page 31

Year Ended June 30, 2005	
Amount available for expenditure at July 1, 2004	$ 21,041,420
Add statutory annual limit	65,000,000
Less FY 2005 expenditures	(54,410,887)
Amount available for expenditure at June 30, 2005	**$ 31,630,533**

Year Ended June 30, 2006	
Amount available for expenditure at July 1, 2005	$ 31,630,533
Add statutory annual limit	65,000,000
Add cumulative interest since 2003	2,420,040
Add other adjustments	286,912
Less FY 2006 expenditures	(58,279,900)
Amount available for expenditure at June 30, 2006	**$ 41,057,585**

(9) Operating Leases

The Fund has a lease agreement in place for its former office space. The lease expires November 30, 2007. The minimum future rental lease payments through November 30, 2007, are $562,279. During fiscal year 2006, the Fund agreed to sub-lease its former office space. The Fund expects to receive $370,250 from the sub-lease during the term of the lease.

During fiscal year 2005, the Fund negotiated a lease agreement for a new office location. This lease provides that the lessee pay its proportionate share of the operating costs plus a base rental amount. Included in this lease are provisions for 32 monthly periods of "free rent." In conformity with accounting requirements, the Fund will recognize office rent expense on a straight-line basis over the 16-year lease term. As an inducement, the lessor agreed to provide the Fund an allowance of $1,971,610 to be used for leasehold improvements, fixed asset purchases, or monthly rental payments. If the allowance is used for leasehold improvements or fixed asset purchases, the Fund must submit the paid invoices to the lessor for reimbursement. If the Fund chooses to use the allowance for a monthly rental payment, the Fund must inform the lessor of this intent. The minimum future rental lease payments through April 30, 2021, are $7,118,015.

Minimum future rental payments under all non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2006, for each of the next 5 years and thereafter is as follows:

Year Ended June 30,	Amount
2007	$ 404,949
2008	385,177
2009	462,017
2010	474,675
2011	487,333
Thereafter	5,466,143
Total minimum future rental payments	**$ 7,680,294**

Rent paid was $394,096 in 2006 and $385,042 in 2005. The Fund received $71,250 from the sub-lease during fiscal year 2006.

Schedule of Funding Progress (Unaudited)

June 30, 2006 (in thousands, except for percentages)

Schedule 1

Valuation date	Net assets available for benefits (A)	Unfunded (assets in excess of) Actuarial accrued liability (AAL)	Actuarial accrued liability (UAAL)	AAL funding ratio	Annual covered payroll	UAAL as a percent of annual covered payroll
June 30, 2001	$ 10,387,569	$ 10,392,704	$ 5,135	99.95%	$ 1,690,264	0.30%
June 30, 2002	10,619,061	11,025,482	406,421	96.31	1,759,046	23.10
June 30, 2003	10,494,755	11,411,528	916,773	91.97	1,706,205	53.73
June 30, 2004	10,392,193	12,105,680	1,713,487	85.85	1,767,631	96.94
June 30, 2005	10,506,471	13,295,876	2,789,405	79.02	1,968,612	141.69
June 30, 2006	10,947,998	14,035,627	3,087,629	78.00	1,944,358	158.80

(A) The actuarial value of assets available for benefits was determined by adjusting the value of assets at cost by the average excess of the market value of assets over assets at cost as of the last four fiscal periods.

Schedule of Contributions (Unaudited)

June 30, 2006

Schedule 2

Period ended	Employer Contributions			Employee Contributions			Total Contributions as a % of annual Required contributions
	Annual required	Employer	% of annual required	Annual required	Employee	% of annual required	
June 30, 2001	$ 188,922,506	$ 77,065,122	40.79%	$ 148,662,908	$ 149,094,964	100.29%	66.99%
June 30, 2002	178,954,824	77,679,068	43.41	152,123,775	145,498,027	95.64	67.41
June 30, 2003	160,195,509	78,747,983	49.16	158,314,127	159,931,110	101.02	74.93
June 30, 2004	202,971,485	78,127,273	38.49	153,558,523	169,598,212	110.45	69.48
June 30, 2005	258,883,211	73,917,464	28.55	159,086,818	175,706,081	110.45	59.72
June 30, 2006	328,365,821	81,562,706	24.84	195,447,256	163,419,386	83.61	46.77

Notes to Trend Data (Unaudited)

June 30, 2006

Schedule 3

Valuation Date	June 30, 2006
Actuarial cost method	Projected unit credit
Amortization method	30 year level percent of payroll amortization of the unfunded liability
Amortization approach	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market value
Actuarial Assumptions:	
Investment rate of return	8.0% per year
Projected salary increases*	Rate of increase varying by age. In terms of the impact on liabilities and costs, the assumed rates of increase are equivalent to an average salary increase of 4.6% per year.
Inflation rate	3% per year
Post-retirement benefit increase	3% per year

** Includes inflation at cost-of-living adjustments*

Administrative and Miscellaneous Expenses

Years ended June 30, 2006 and 2005

Schedule 4

	2006	2005
Salaries	$ 3,617,543	$ 3,553,707
Accrued leave	248,583	166,936
Actuary fees	47,500	51,500
Auditing	37,500	36,000
Conferences, seminars, and membership dues	22,910	15,126
Data processing	–	39,619
Depreciation	537,593	275,371
Document imaging	25,534	13,748
Election expense	220,041	81,070
Employees' health insurance	633,916	931,993
Consulting	59,000	47,200
Health insurance consulting	84,323	58,250
Insurance premium	40,918	38,193
Legal fees	189,927	339,599
Legislative expense	100,724	97,179
Maintenance of equipment, systems, software, and support	310,030	273,776
Medical fees	64,075	16,311
Office forms and supplies	64,169	52,888
Office rent and utilities	832,832	775,086
Postage	287,649	168,753
Printing and binding	177,775	153,823
Temporary staffing	382,668	119,447
Trustee conferences, seminars, and meetings	88,786	112,448
Legacy fund disbursements	–	9,664
Tuition and training	19,179	4,198
Studies and evaluation	13,701	13,840
Miscellaneous	213,464	31,946
Total	**$ 8,320,340**	**$ 7,477,671**

Schedule of Cash Receipts and Disbursements

Years ended June 30, 2006 and 2005

Schedule 5

	2006	2005
Cash and cash equivalents at beginning of period	$ 391,242,445	$ 400,286,249
Add receipts:		
Member contributions	167,957,444	159,934,343
Public revenues	109,470,722	82,525,481
Interest and dividends	326,375,609	294,811,133
Miscellaneous	469,926	67,562
Total cash receipts	**604,273,701**	**537,338,519**
Less disbursements:		
Benefit payments	721,477,495	654,164,332
Contribution refunds	18,603,730	25,937,408
2.2 contribution refunds	6,402,290	689,313
Refund of insurance premiums	52,820,028	48,805,852
Investment and administrative expenses	41,359,364	46,762,387
Net investment purchases (sales)	(263,416,747)	(229,976,969)
Total cash disbursements	**577,246,160**	**546,382,323**
Net increase (decrease) in cash and cash equivalents	27,027,541	(9,043,804)
Cash and cash equivalents at end of period	**$ 418,269,986**	**$ 391,242,445**

Summary Schedule of Manager Fees

Years ended June 30, 2006 and 2005

Schedule 6

	2006	2005
Adams Street Partners, LLC	$ 922,610	867,238
Adelante Capital Management, LLC	23,695	–
Ariel Capital Management, LLC	669,443	803,564
Attucks Asset Management, LLC	783,062	681,738
Blackstone Group, LP	12,291	46,502
Capri Capital Advisors Partners, LLC	194,787	222,516
CB Richard Ellis Investors, LLC	285,314	315,000
Chicago Equity Partners, LLC	533,991	572,363
Dimensional Fund Advisors	549,922	546,354
DV Urban Realty Partners Realty Advisors, LLC	78,125	–
Fidelity Capital Management Trust Co.	1,090,398	1,198,093
Fremont Realty Capital, LP	450,000	377,668
HarbourVest Partners, LLC	1,000,000	999,995
Harris Investment Management, Inc.	778,785	736,328
Hispania Capital Partners	316,825	305,099
Holland Capital Management, LP	476,956	467,807
ICV Capital Partners, LLC	140,342	–
Intercontinental Real Estate Corp.	437,500	436,301
J. & W. Seligman & Co. Incorporated	1,125,150	1,129,983
J.P. Morgan Fleming Asset Management	1,679,265	1,391,776
Lazard Asset Management, LLC	792,313	662,461
Lehman Brothers Asset Management, LLC	229,420	237,286
LM Capital Group, LLC	138,044	38,770
Lombardia Capital Partners, LLC	226,066	–
MDL Capital Management, Inc.	–	146,189
Mesirow Financial, Inc.	1,011,622	777,023
MFS Institutional Advisors	1,786,910	1,545,845
Morgan Stanley Investment Management, LP	3,668,475	3,433,000
Muller and Monroe Asset Management, LLC	250,000	145,833
New Amsterdam Partners, LLC	671,216	614,960

Continued on page 38

Summary Schedule of Manager Fees (Continued)

Years ended June 30, 2006 and 2005

Schedule 6 Continued

	2006	2005
Northern Trust Global Investments	1,445,510	1,310,257
Olympus Real Estate Corp.	188,954	301,796
Palladium Equity Partners, LLC	255,299	–
Pantheon Ventures, Inc.	624,296	620,442
Pharos Capital Partners	234,597	–
Prudential Investment Management, Inc.	1,701,087	1,238,995
Progress Investment Management	773,898	666,191
RREEF America REIT, Inc.	8,890	795,884
Smith Graham & Co. Investment Advisors, L.P.	157,339	161,492
Taplin, Canida & Habacht, Inc.	200,362	77,667
UBS Global Asset Management	2,511,534	2,272,442
Urdang Investment Management, Inc.	574,070	528,624
Valenzuela Capital	–	146,984
Waddell & Reed Asset Management Co.	604,940	570,624
Walton Street Real Estate, LP	623,435	510,332
Western Asset Management, Co.	902,056	914,346
Zenna Financial Services, LLC	15,988	3,748
Zevenbergen Capital Inc.	237,289	201,853
Total manager fees	31,382,071	29,021,369
Mercer - general investment consultant	380,000	249,995
Northern Trust - master custodian	477,066	631,003
The Townsend Group - real estate consultant	120,000	120,000
Total consultant fees	977,066	1,000,998
Fees for foreign exchange and real estate	432,415	874,759
Total	**$ 32,791,552**	**$ 30,897,126**

Summary Schedule of Consultant Payments

Years ended June 30, 2006 and 2005

Schedule 7

	2006	2005
Anselmo & Associates	$ 57,556	$ 54,816
Bansley and Kiener, L.L.P.	37,500	36,000
Bradley Consulting Group, Inc.	562,910	756,418
Bogfire Inc.	19,030	–
Cahill Printing Co.	115,925	113,471
Chicago Press Corporation	105,000	66,559
Computronics	–	13,344
Corig Elan	–	36,131
Data Consultants	27,326	127,191
Data Summary, Inc.	240	19,520
Diamond Graphics	21,080	–
The Direct Response Resource	–	25,583
E. M. Barnes & Associates	43,168	41,113
Election Services Corporation	270,075	66,497
Goldstein & Associates	47,680	52,220
Michelle Holleman	18,695	–
Jacobs, Burns, Orlove, Stanton & Hernandez	114,601	139,487
Kirkland & Ellis, LLP	73,000	176,486
Levi, Ray & Shoup, Inc.	573,812	374,135
Microsystems	25,534	–
National Data Service of Chicago	233,464	–
The Segal Company	84,323	61,411
Total	**$ 2,430,919**	**$ 2,160,382**

Investments

Trust

This section includes a synopsis of the Fund's investment authority, summary tables of investment data, and a digest of the current year's investment activity and performance.

Integrity

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675
(312) 630-6000

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Public School Teachers' Pension and Retirement Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period July 1, 2005 through June 30, 2006.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the Master Custody Agreement among the Board of Trustees of the Fund, The City Treasurer of the City of Chicago, and The Northern Trust Company dated October 25th, 1989 as amended (the "Custody Agreement"), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Account by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in the Account in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Lend Securities in the Account pursuant to a Securities Lending Agreement entered into by and between the Board of Trustees, the City Treasurer of the City of Chicago, and The Northern Trust Company.
6. Invest cash balances held from time to time in the individual investment management accounts of the Account in short term-cash equivalent securities.
7. Facilitate the exercising of rights of ownership, including but not limited to, proxy voting, stock subscriptions and conversion rights as directed by the Fund or its appointed investment managers.
8. Hold securities in the Account in the name of the Fund or nominee form or other means as provided in the Custody Agreement.
9. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
10. Employ agents to the extent provided in the Custody Agreement.
11. Provide disbursement services.
12. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: Kathryn M. Stevenson

Kathryn M. Stevenson, Senior Vice President

MERCER
Investment Consulting

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Chicago, IL 60606-7500
312 902 7500 Fax 312 902 7626
www.mercerIC.com

November 30, 2006

Board of Trustees
Public School Teachers' Pension and Retirement Fund of Chicago
203 North LaSalle, Suite 2600
Chicago, IL 60601-1210

Dear Trustees:

Mercer Investment Consulting is pleased to present the Public School Teachers' Pension and Retirement Fund ("Fund") results for the fiscal year ended June 30, 2006.

As of June 30, 2006, the Fund's market value totaled $11.24 billion, an approximate $540 million increase since June 30, 2005, due primarily to positive investment performance. During the past twelve month period:

- Domestic equity markets produced positive results. The S&P 500 Index, an index of domestic large capitalization stocks, returned 8.6% during the one year period while smaller stocks, as measured by the Russell 2000 Index, rose 14.6%.
- Developed international equity markets outperformed their domestic equity counterparts during the one year period, gaining 27.1% as measured by the MSCI EAFE (Europe, Australasia, Far East) Index. Emerging markets were also very strong, advancing 35.9%, as measured by the MSCI Emerging Markets Index.
- During the year, bond yields remained relatively flat with the yield curve shifting upwards at all maturities. The Fed continued to tighten, increasing the short-term rate to 5.25% from the 3.25% level of the previous year. Investment grade securities posted disappointing results during the year with -0.8% return.

Within this environment, the Fund returned 10.7% during the 12 month period ending June 30, 2006. This compared favorably to the benchmark return of 9.5%. The Fund outperformed the benchmark index over the one, three and five year time periods. Relative to the Fund's peer group, performance was slightly behind the median during the shorter periods (one and three year) and ahead of the peer group for the five year period.

The Fund's domestic equity managers returned a collective 11.7% during the year ending June 30, leading the 9.6% Russell 3000 Index return. The domestic equity allocation benefited from the large capitalization equity component, as the managers in this asset class outperformed their peers and the Index return.

The Fund's international equity allocation produced the best absolute performance, an impressive 23.9% return, but trailed its benchmark index. Absolute performance was improved by the portfolio's value tilt, as value stocks outperformed growth stocks globally. Long-term international equity results have been strong.

Given the rising interest rate environment, the fixed income portfolio produced flat results, -0.9%, in line with benchmarks. Over longer periods, the fixed income portfolio has matched its benchmarks.

The Public School Teachers' Pension & Retirement Fund of Chicago maintains an appropriately diversified strategy, designed to maximize return with an acceptable risk level. Mercer supports the Fund's ongoing efforts to enhance investment results and its continued due diligence activities.

All performance returns for the Public School Teachers' Pension & Retirement Fund of Chicago presented in this report have been calculated by Mercer Investment Consulting based upon a Modified Dietz methodology.

Sincerely,

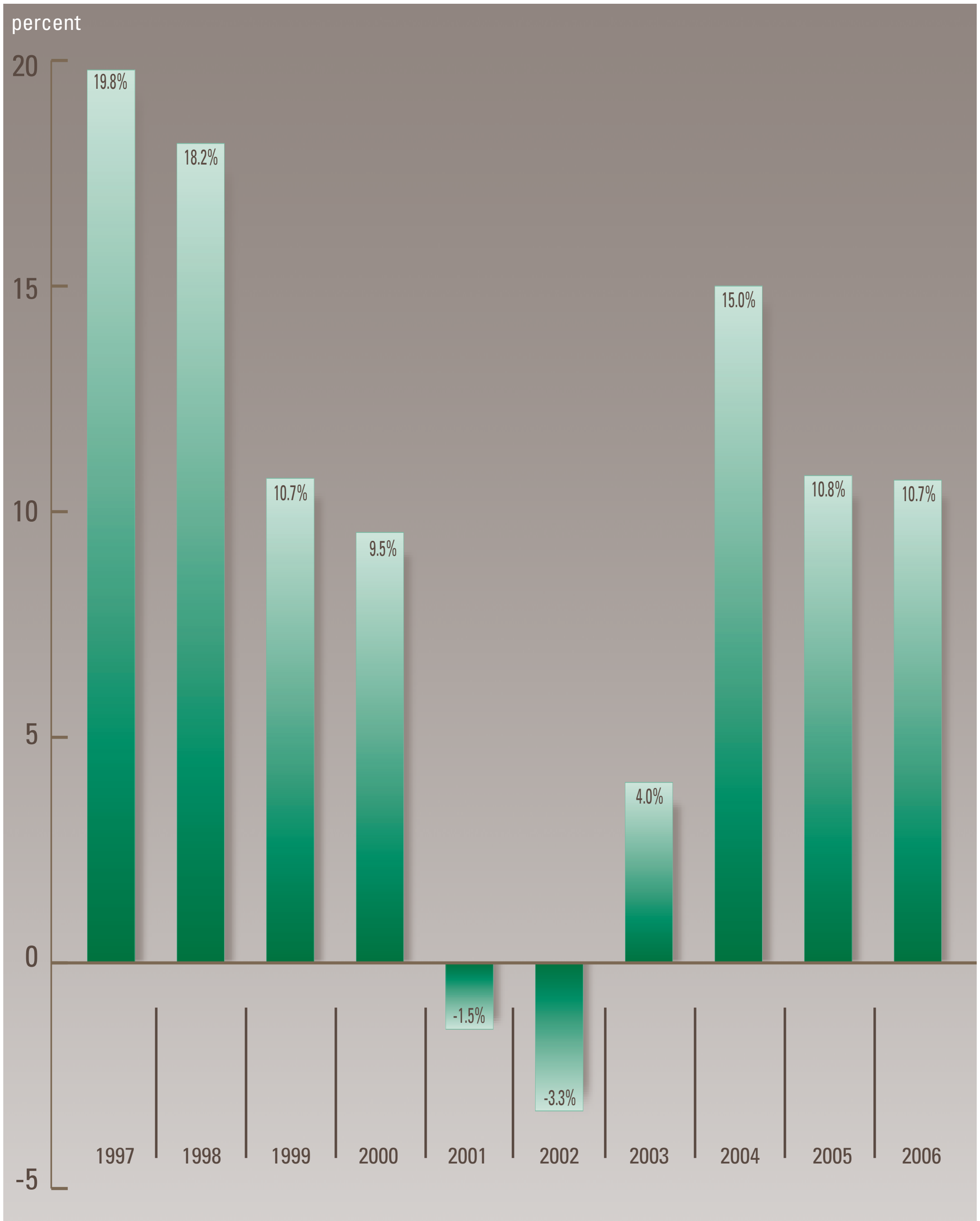
Brad A. Blalock, CFA
Principal

Kristin R. Finney-Cooke

MMC Marsh & McLennan Companies

Total Annual Fund Rate of Return*

as of June 30, 1997-2006



*Time-weighted rate of return

Schedule of Investment Results

	For the Year Ended June 30,					Annualized Returns		
	2002	2003	2004	2005	2006	3 Years	5 Years	10 Years
Total Fund	(3.3)%	4.0%	15.0%	10.8%	10.7%	12.1%	7.2%	9.2%
Large Cap Equity	(16.6)	(0.7)	18.5	8.9	9.8	12.3	3.2	9.1
Russell 1000 Index	(17.9)	1.0	19.5	7.9	9.1	12.0	3.1	8.6
S&P 500	(18.0)	0.3	19.1	6.3	8.6	11.2	2.5	8.3
Mid Cap Equity	(5.7)	(1.1)	28.6	14.3	12.6	18.3	9.1	n/a
S&P Mid Cap	(4.7)	(0.7)	28.0	14.0	13.0	18.1	9.3	n/a
Small Cap Equity	(2.1)	1.4	35.7	10.0	12.9	19.0	10.8	11.4
Russell 2000	(8.6)	(1.7)	33.4	9.4	14.6	18.7	8.5	9.0
International Equity	(1.5)	(2.7)	30.3	14.5	23.9	22.7	12.1	10.1
MSCI ACWI ex US	(8.2)	(4.2)	32.5	16.9	28.4	25.8	11.9	7.2
Fixed Income	8.2	11.2	0.2	7.3	(0.9)	2.2	5.1	6.3
Lehman Brothers Aggregate	8.6	10.4	0.3	6.8	(0.8)	2.1	5.0	6.2
REITs	14.6	3.7	25.8	37.7	23.3	28.8	20.5	19.5
NAREIT	16.2	4.0	27.1	32.7	19.1	26.1	19.4	15.1
Real Estate	5.1	7.2	12.0	17.5	20.6	16.6	12.3	13.0
NCREIF (NPI)	5.6	7.6	10.8	18.0	18.7	15.8	12.0	12.4
Private Equity*	(20.7)%	(8.8)%	6.3%	17.6%	27.2%	17.1%	3.3%	n/a

** Private Equity returns may not be entirely reflective of the actual performance due to the continual draw down of funds.*

Note: returns are calculated based upon a time-weighted rate of return.

Investment Portfolio Summary

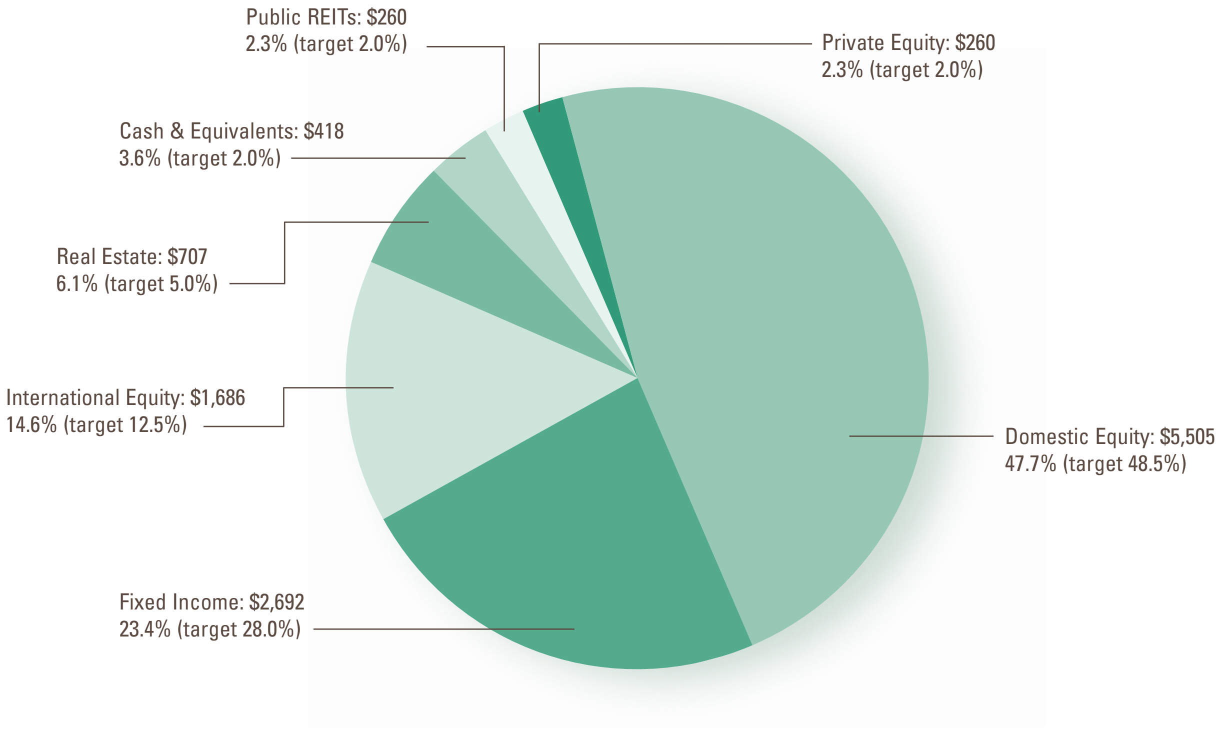
IN MILLIONS OF DOLLARS

	June 30, 2005 Fair Value	Purchases	Sales	Adjustments	June 30, 2006 Fair Value	Percent of Total
Fixed Income						
Government	$ 1,709.7	$ 4,390.3	$ 4,401.7	$ (76.1)	$ 1,622.2	14.1%
Corporate	841.5	249.8	225.7	(68.9)	796.7	6.9
Miscellaneous	188.1	234.8	143.0	(7.1)	272.8	2.4
Total Fixed Income	2,739.3	4,874.9	4,770.4	(152.1)	2,691.7	23.4
Equity						
Stocks	6,829.7	3,742.2	4,159.8	778.6	7,190.7	62.3
Private Equity	194.1	55.2	24.3	34.6	259.6	2.3
Public REITs	229.4	138.5	147.6	39.5	259.8	2.3
Total Equity	7,253.2	3,935.9	4,331.7	852.7	7,710.1	66.9
Real Estate	598.6	90.1	54.2	72.5	707.0	6.1
Cash & Equivalents	391.2	27.1 *			418.3	3.6
Total Portfolio	**$ 10,982.3**	**$ 8,928.0**	**$ 9,156.3**	**$ 773.1**	**$ 11,527.1**	**100.0%**

**Net of cash receipts and disbursements for year ending 6/30/06*

Asset Allocation as of June 30, 2006

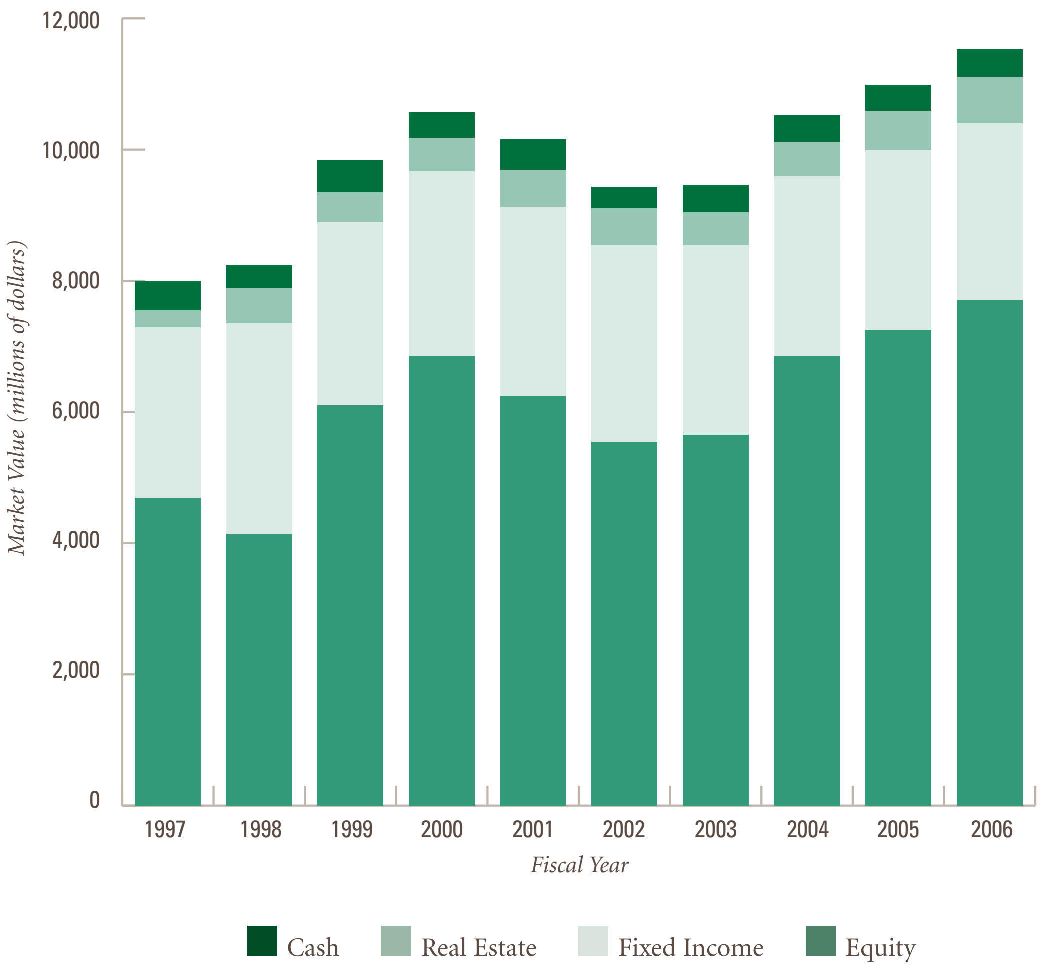
IN MILLIONS OF DOLLARS



Note: percentage indicates actual category weight as a percentage of the entire portfolio.

Historical Asset Allocation

	2002		2003		2004		2005		2006	
	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy
Equity:										
Domestic	44.9%	48.5%	46.0%	48.5%	50.1%	48.5%	49.3%	48.5%	47.7%	48.5%
International	10.6	12.5	10.0	12.5	11.8	12.5	12.8	12.5	14.6	12.5
Public REITs	2.5	2.0	2.6	2.0	1.8	2.0	2.1	2.0	2.3	2.0
Private Equity	0.9	2.0	1.2	2.0	1.4	2.0	1.8	2.0	2.3	2.0
Total Equity	58.9	65.0	59.8	65.0	65.1	65.0	66.0	65.0	66.9	65.0
Fixed Income	31.7	28.0	30.5	28.0	26.0	28.0	24.9	28.0	23.4	28.0
Real Estate	5.9	5.0	5.3	5.0	5.1	5.0	5.5	5.0	6.1	5.0
Cash & Equiv.	3.5	2.0	4.4	2.0	3.8	2.0	3.6	2.0	3.6	2.0
Total Portfolio	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**



Domestic Equity Summary

as of June 30, 2006

Economic Sector Holdings

S&P Economic Sector	Number of Shares	Market Value	Percent of Total	S&P 500 Index Allocation
Financials	28,967,181	$ 1,170,442,475	21.2%	21.4%
Information Technology	42,293,637	826,266,070	15.0	14.8
Industrials	20,401,994	790,590,307	14.3	11.7
Consumer Discretionary	24,382,280	650,656,568	11.8	10.2
Health Care	20,737,490	650,233,381	11.8	12.3
Energy	10,335,109	532,769,586	9.7	10.2
Consumer Staples	8,812,878	378,198,597	6.9	9.6
Utilities	5,611,260	185,594,116	3.4	3.4
Materials	5,087,050	180,316,922	3.3	3.1
Telecommunication Services	6,051,257	136,191,435	2.5	3.3
Miscellaneous	3,266,140	3,264,112	0.1	0.0
Total Domestic Equity	**175,946,276**	**$ 5,504,523,569**	**100.0%**	**100.0%**

Top 10 Domestic Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Exxon Mobil Corp.	1,727,350	$ 105,972,923	1.93%
General Electric Co.	2,856,063	94,135,831	1.71
Citigroup, Inc.	1,475,928	71,198,776	1.29
Microsoft Corp.	2,674,424	62,314,076	1.13
Bank of America Corp.	1,283,895	61,755,350	1.12
Johnson & Johnson	1,006,457	60,306,874	1.10
ConocoPhillips Co.	674,041	44,169,907	0.80
Prudential Financial, Inc.	558,030	43,358,931	0.79
American International Group, Inc.	727,620	42,965,965	0.78
AT&T, Inc.	1,511,211	41,798,016	0.76
Total Top 10 Domestic Equity	**14,495,019**	**627,976,649**	**11.41**
Total Domestic Equity		**$ 5,504,523,569**	**100.00%**

A complete list of the portfolio holdings is available at the pension fund office.

International Equity Summary

as of June 30, 2006

Country Holdings

Country	Number of Shares	Market Value	Percent of Total	MSCI ACWI ex US Index Allocation
Europe				
United Kingdom	67,412,281	$ 415,524,965	24.6%	19.4%
France	4,365,378	247,862,269	14.7	7.9
Switzerland	1,702,724	170,453,248	10.1	5.5
Germany	1,453,297	104,594,321	6.2	5.6
Netherlands	2,078,199	64,160,152	3.8	2.6
Italy	5,546,938	61,498,950	3.6	3.0
Spain	2,115,414	46,230,917	2.7	3.1
Sweden	2,768,327	21,036,351	1.2	1.9
Other	4,453,064	79,111,356	4.8	9.0
Total Europe	**91,895,622**	**1,210,472,529**	**71.7**	**58.0**
Asia/Pacific Basin				
Japan	17,008,985	306,842,604	18.2	19.7
South Korea	367,408	41,856,390	2.5	2.4
Australia	3,079,000	20,272,802	1.2	4.2
Singapore	5,268,884	11,843,644	0.7	0.7
Other	28,685,128	35,002,413	2.1	5.8
Total Asia/Pacific Basin	**54,409,405**	**415,817,853**	**24.7**	**32.8**
Americas				
Brazil	26,968,207	18,229,362	1.1	1.5
Mexico	918,161	11,253,044	0.7	0.8
Bermuda	2,649,800	9,802,583	0.6	0.0
Other	4,166,796	20,648,826	1.2	6.9
Total Americas	**34,702,964**	**59,933,815**	**3.6**	**9.2**
Total International Equity	**181,007,991**	**$ 1,686,224,197**	**100.0%**	**100.0%**

Top 10 International Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Total SA (France)	673,608	$ 44,314,344	2.63%
Nestle SA (Switzerland)	136,224	42,702,054	2.53
Reckitt Benckiser (United Kingdom)	964,419	36,031,568	2.14
Samsung Electronics, LTD (South Korea)	90,367	30,174,356	1.79
Sanofi-Aventis SA (France)	302,548	29,516,886	1.75
UBS AG (Switzerland)	258,640	28,292,049	1.68
Imperial Tobacco Group (United Kingdom)	902,193	27,849,784	1.65
Banco Bilbao Viscaya Argentaria (Spain)	1,275,551	26,226,213	1.56
BNP PARIBAS (France)	228,565	21,875,261	1.30
AXA (France)	825,542	21,861,090	1.30
Total Top 10 International Equity	**5,657,657**	**308,843,605**	**18.32**
Total International Equity		**$ 1,686,224,197**	**100.00%**

A complete list of the portfolio holdings is available at the pension fund office.

Fixed Income Summary
as of June 30, 2006

Fixed Income Holdings

Asset Category	Par Value	Market Value	Percent of Total	Lehman Aggregate Index Allocation
Corporate Bonds	$ 746,579,060	$ 794,748,199	29.5%	19.5%
Government Bonds	772,844,000	784,297,335	29.1	25.0
Mortgage Backed	559,622,761	542,780,414	20.2	34.8
Government Agencies	431,190,000	425,857,861	15.8	11.3
Asset Backed Securities	83,526,039	81,319,349	3.0	1.2
Commercial Mortgage Backed	63,950,673	62,248,994	2.3	4.4
Other	129,163,335	489,433	0.1	3.8
Total Fixed Income	**$ 2,786,875,868**	**$ 2,691,741,585**	**100.0%**	**100.0%**

Real Estate Summary
as of June 30, 2006

Real Estate Holdings

Description	Number of Shares	Market Value	Percent of Total
JP Morgan Strategic Property Fund	119,983	$ 178,192,972	25.2%
UBS Real Estate Separate Account	108,463,842	165,873,249	23.5
Prudential Real Estate Separate Account I	4,443	136,374,524	19.3
Prudential Real Estate Separate Account II	3,250	60,695,498	8.6
Walton Street Real Estate Fund IV	33,921,136	48,085,077	6.8
CB Richard Ellis Strategic Partners III	27,079,620	31,146,787	4.4
Intercontinental Real Estate Investment Fund III	26,779,397	27,110,964	3.8
Walton Street Real Estate Fund III	10,026,969	12,664,832	1.8
Walton Street Real Estate Fund II	10,463,619	11,724,765	1.7
Capital Associates Apartment Fund	7,462,444	10,356,116	1.5
Olympus Real Estate Fund II	16,115,142	10,128,071	1.4
Capri Select Income II	6,456,000	6,376,260	0.9
Fremont Strategic Property Partners II	6,535,990	6,048,372	0.8
Walton Street Real Estate Fund I	2,372,241	839,845	0.1
RREEF America REIT I	773,536	722,125	0.1
Blackstone Real Estate Partners II	820,125	549,238	0.1
Morgan Stanley Office Opportunity Fund C	340,851	109,490	0.0
Total Real Estate	**257,738,588**	**$ 706,998,185**	**100.0%**

A complete list of the portfolio holdings is available at the pension fund office.

Public REITs Summary

as of June 30, 2006

Public REITs Holdings

Property Type	Number of Shares	Market Value	Percent of Total	NAREIT Property Index Allocation
Multifamily	979,977	$ 58,523,330	22.5%	15.1%
Office	1,122,400	54,955,607	21.2	16.9
Regional Malls	566,897	35,717,648	13.8	11.5
Hotel	1,014,314	28,710,434	11.1	7.0
Shopping Centers	439,780	24,445,493	9.4	10.6
Industrial	336,080	17,068,574	6.6	5.5
Diversified	236,910	14,762,423	5.7	6.6
Self Storage	201,799	9,407,756	3.6	4.2
Mixed Use–Office/Industrial	179,672	6,614,111	2.5	2.8
Health Care	249,865	4,400,993	1.7	4.3
Manufactured Homes	56,908	2,451,508	0.9	0.5
Other	87,340	1,912,746	0.7	10.4
Specialty	22,010	876,259	0.3	4.6
Total Public REITs	**5,493,952**	**$ 259,846,882**	**100.0%**	**100.0%**

Top 10 Public REITs Holdings

Description	Number of Shares	Market Value	Percent of Total
Simon Property Group, Inc.	246,089	$ 20,410,622	7.85%
AvalonBay Communities, Inc.	134,858	14,917,992	5.74
Boston Properties, Inc.	151,280	13,675,712	5.26
Vornado Realty Trust	119,150	11,623,083	4.47
Equity Residential Properties Trust	235,270	10,523,627	4.05
ProLogis	196,510	10,242,101	3.94
Host Hotels and Resorts, Inc.	460,932	10,080,583	3.88
Starwood Hotels and Resorts Worldwide, Inc.	162,956	9,832,765	3.78
Essex Property Trust, Inc.	81,533	9,103,975	3.50
Equity Office Properties Trust	226,270	8,261,118	3.18
Total Top 10 Public REITs	**2,014,848**	**118,671,578**	**45.67**
Total Public REITs		**$ 259,846,882**	**100.00%**

A complete list of the portfolio holdings is available at the pension fund office.

Private Equity Summary

as of June 30, 2006

Private Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
HarbourVest Partners VI - Buyout Partnership Fund	30,736,548	$ 49,585,363	19.1%
Mesirow Partnership Fund II	20,022,457	26,614,126	10.2
Mesirow Partnership Fund I	22,071,811	24,336,294	9.4
HarbourVest Partners VI - Partnership Fund	21,066,532	22,594,671	8.7
Pantheon USA Fund IV	17,929,929	22,545,610	8.7
Pantheon USA Fund III	26,950,035	17,534,848	6.8
Brinson Partnership - 2002 Primary Fund	9,930,430	14,199,223	5.5
Pantheon Europe Fund II	4,138,623	12,253,583	4.7
Brinson Partnership - 2001 Primary Fund	9,043,282	10,697,823	4.1
Brinson Partnership - 2003 Primary Fund	8,126,444	9,723,275	3.7
Brinson Partnership - 2000 Primary Fund	5,715,159	6,266,002	2.4
Brinson Partnership - 2004 Primary Fund	4,565,212	5,089,344	2.0
Brinson Partnership - 2002 Non-US Primary Fund	2,785,982	4,295,464	1.6
Brinson Partnership - 1998 Primary Fund	4,283,774	3,810,690	1.5
Mesirow Capital Partners VIII	3,313,272	3,353,492	1.3
Brinson Partnership - 2004 Non-US Primary Fund	2,823,288	3,287,393	1.3
Brinson Partnership - 1999 Primary Fund	3,103,571	2,621,590	1.0
Illinois Private Equity Fund of Funds	3,256,182	2,450,598	0.9
Brinson Partnership - 2002 Secondary Fund	1,738,157	2,226,845	0.9
Brinson Partnership - 2003 Non-US Primary Fund	1,340,087	2,169,994	0.8
Pharos Capital Partners II-A	2,287,500	2,080,375	0.8
Mesirow Capital Partners IX	2,000,000	2,000,684	0.8
Brinson Partnership - 2001 Non-US Primary Fund	977,051	1,536,884	0.6
Brinson Partnership - 2003 Secondary Fund	614,380	1,213,968	0.5
Palladium Equity Partners III	945,443	1,112,455	0.4
Adams Street Partnership - 2005 US Fund	1,083,012	1,070,957	0.4
Hispania Private Equity	1,255,294	962,885	0.4
Brinson Partnership - 2004 Non-US Secondary Fund	511,073	807,389	0.3
Brinson Partnership - 2002 Non-US Secondary Fund	529,078	780,816	0.3
ICV Partners II	852,021	702,971	0.3
Adams Street Partnership - 2005 Non-US Fund	551,056	556,133	0.2
Brinson Partnership - 1996 Fund	648,748	486,731	0.2
Brinson Partnership - 2003 Non-US Secondary Fund	224,437	319,368	0.1
Brinson Partnership - 1997 Primary Fund	293,205	174,009	0.1
DV Urban Realty Partners I	131,659	60,256	0.0
Brinson Partnership - 1998 Secondary Fund	20,979	40,412	0.0
Total Private Equity	**215,865,712**	**$ 259,562,521**	**100.0%**

A complete list of the portfolio holdings is available at the pension fund office.

Manager Analysis

Asset Category	Market Value 6/30/2006	Percentage of Portfolio	FY 2006 Manager Fees
Equity			
Domestic Equity			
Ariel Capital Management	$ 186,388,423	1.6%	$ 669,443
Attucks Asset Management	115,362,784	1.0	783,062
Chicago Equity Partners	201,384,827	1.7	533,991
Dimensional Fund Advisors	95,944,112	0.8	549,922
Fidelity Capital Management Trust Co.	269,606,338	2.3	1,090,398
Harris Investment Management	403,320,106	3.5	778,785
Holland Capital Management	123,083,440	1.1	476,956
J. & W. Seligman & Co.	273,620,799	2.4	1,125,150
Lombardia Capital Partners	47,994,002	0.4	226,066
New Amsterdam Partners	255,981,257	2.2	671,216
Northern Trust Global Investments	2,560,878,137	22.2	1,297,417
Progress Investment Management	117,475,545	1.0	773,898
UBS Global Asset Management	328,297,291	2.8	870,107
Waddell & Reed Asset Management Group	411,683,349	3.6	604,940
Zenna Financial Services	53,684,287	0.5	15,988
Zevenbergen Capital Investments	58,408,503	0.5	237,289
Other Holdings	1,410,369	0.0	0
Total	**5,504,523,569**	**47.8**	**10,704,628**
International Equity			
Lazard Asset Management	463,408,629	4.0	792,313
MFS Institutional Advisors	522,043,606	4.5	1,786,910
Morgan Stanley Investment Management	700,771,962	6.1	2,877,093
Total	**1,686,224,197**	**14.6**	**5,456,316**
Public REITs			
Adelante Capital Management	51,338,676	0.4	23,695
Morgan Stanley Investment Management	105,176,197	0.9	779,386
Urdang Investment Management	103,332,009	0.9	574,070
Total	**259,846,882**	**2.3**	**1,353,456**
Private Equity			
Adams Street Partners	71,374,310	0.6	922,610
HarbourVest Partners	72,180,034	0.6	1,000,000
Hispania Capital Partners	962,885	0.0	316,825
ICV Capital Partners	702,971	0.0	140,342
Mesirow Financial	56,304,596	0.5	1,011,622
Muller and Monroe Asset Management	2,450,598	0.0	250,000
Palladium Equity Partners	1,112,455	0.0	255,299
Pantheon Ventures	52,334,041	0.5	624,296
Pharos Capital Group	2,080,375	0.0	234,597
Other Holdings	60,256	0.0	0
Total	**259,562,521**	**2.3**	**4,755,591**
Total Equity	**$ 7,710,157,169**	**66.9%**	**$ 22,293,686**

Continued on page 55

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ASSET CATEGORY	MARKET VALUE 6/30/2006	PERCENTAGE OF PORTFOLIO	FY 2006 MANAGER FEES
FIXED INCOME			
Lehman Brothers Asset Management	$ 429,086,237	3.7%	$ 229,420
LM Capital Group	58,319,861	0.5	138,044
Northern Trust Global Investments	1,399,833,605	12.1	148,093
Smith Graham & Co.			
Investment Advisors, L.P.	59,709,204	0.5	157,339
Taplin, Canida & Habacht, Inc.	117,229,669	1.0	200,362
Western Asset Management	627,561,198	5.4	902,056
Other Holdings	1,811	0.0	0
Total	**2,691,741,585**	**23.4**	**1,775,314**
REAL ESTATE			
Blackstone Group	549,238	0.0	12,291
Capri Capital Partners	16,732,376	0.1	194,787
CB Richard Ellis Investors	31,146,787	0.3	285,314
Fremont Realty Capital	6,048,372	0.1	450,000
Intercontinental Real Estate Corp.	27,110,964	0.2	437,500
J.P. Morgan Fleming Asset Management	178,192,972	1.5	1,679,265
Morgan Stanley Investment Management	109,490	0.0	11,996
Olympus Real Estate Partners	10,128,071	0.1	188,954
Prudential Investment Management	197,070,022	1.7	1,701,087
RREEF America	722,125	0.0	8,890
UBS Global Asset Management	165,873,249	1.4	1,641,427
Walton Street Capital	73,314,519	0.6	623,435
Other Holdings	0	0.0	78,125
Total	**706,998,185**	**6.1**	**7,313,071**
CASH & EQUIVALENTS			
Northern Trust	418,269,986	3.6	0
GRAND TOTAL	**$ 11,527,166,925**	**100.0%**	**$ 31,382,071**

Broker Commission Report

Domestic Agency Trades for the Year Ended June 30, 2006

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Gardner Rich & Co.	9,658,051	$ 378,475	$ 0.039
Loop Capital Markets, LLC	8,082,151	312,206	0.039
Cabrera Capital Markets, Inc.	4,037,281	167,204	0.041
Jackson Securities (Berean Capital)	3,627,948	152,187	0.042
M. Ramsey King Securities, Inc.	3,613,405	148,663	0.041
Melvin Securities, LLC	2,796,895	125,754	0.045
Morgan Stanley & Co.	3,048,267	111,253	0.036
Investment Technology Group, Inc.	6,360,747	108,860	0.017
Liquidnet, Inc.	3,408,929	92,390	0.027
RBC Capital Markets	2,014,263	90,222	0.045
Lehman Brothers Inc.	1,827,600	83,370	0.046
Cheevers & Co., Inc.	2,105,363	83,203	0.040
Merrill Lynch & Co., Inc	1,815,558	80,255	0.044
Bank of New York, Inc.	1,525,509	76,197	0.050
The Williams Capital Group, L.P.	1,782,269	74,216	0.042
Pacific American Securities, LLC	1,799,163	72,851	0.040
Bear, Stearns & Co. Inc.	1,710,208	71,456	0.042
SBK-Brooks Investment Corp.	1,729,433	68,679	0.040
Nutmeg Securities, Ltd.	1,428,035	67,509	0.047
M. R. Beal & Company	1,429,148	63,486	0.044
Credit Suisse First Boston	1,648,759	62,705	0.038
Pryor Doley Securities	1,784,441	61,501	0.034
Capital Management Group	1,214,758	57,931	0.048
Instinet Corp.	2,712,247	49,872	0.018
Jones & Associates, Inc	1,241,108	49,730	0.040
Goldman Sachs & Co.	1,596,482	49,253	0.031
Jefferies & Company	998,633	46,809	0.047
J.P. Morgan Securities, Inc.	975,228	45,559	0.047
Deutsche Bank	995,490	42,046	0.042
Morgan Keegan & Co.	877,295	41,443	0.047
Wachovia Capital Markets, LLC	832,228	41,115	0.049
Prudential Securities, Inc.	848,042	40,208	0.047
SG Cowen Securities Corp.	1,259,789	37,922	0.030
Bank of America Securities LLC	947,846	34,063	0.036
UBS Securities	688,212	33,118	0.048
Citigroup Capital Markets	1,089,791	32,824	0.030
Weeden & Co.	691,656	31,561	0.046
Capital Institutional Services, Inc.	621,812	29,406	0.047
Acento Securities, LLC	826,365	28,453	0.034
Others (150 Brokers)	18,556,888	715,619	0.039
Total	**104,207,293**	**$ 3,959,574**	**$ 0.038**

Broker Commission Report

International Agency Trades for the Year Ended June 30, 2006

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Credit Suisse First Boston	8,355,565	$ 166,429	$ 0.020
Cabrera Capital Markets, Inc.	9,271,416	146,017	0.016
Goldman Sachs & Co.	18,564,661	144,889	0.008
J.P. Morgan Securities, Inc.	6,720,969	120,208	0.018
Deutsche Bank	4,811,612	104,665	0.022
Merrill Lynch & Co., Inc.	6,134,241	102,753	0.017
Gardner Rich & Co.	5,486,622	81,939	0.015
Melvin Securities, LLC	4,018,862	78,621	0.020
Citigroup Capital Markets	3,566,529	75,574	0.021
Sanford C. Bernstein & Co., LLC	2,373,203	72,595	0.031
Morgan Stanley & Co.	1,660,740	72,469	0.044
Loop Capital Markets, LLC	2,648,448	62,682	0.024
Credit Lyonnaise Securities	2,953,634	59,467	0.020
Jackson Securities (Berean Capital)	2,024,656	57,253	0.028
Nomura Securities International, Inc.	1,093,858	44,628	0.041
Exane, Inc.	503,056	43,223	0.086
Redburn Partners, LLP	1,861,492	31,556	0.017
Cazenove & Co. Ltd.	2,168,449	30,054	0.014
The Williams Capital Group, L.P.	1,757,486	29,043	0.017
UBS Securities	901,006	28,089	0.031
BOE Securities, Inc.	911,156	26,426	0.029
M. Ramsey King Securities, Inc.	1,354,898	23,913	0.018
Dresdner Kleinwort Benson	563,571	22,209	0.039
Credit Agricole Indo	498,421	21,200	0.043
Execution Ltd.	2,087,058	19,167	0.009
Lehman Brothers, Inc.	804,630	18,511	0.023
Fox-Pitt Kelton, Inc.	494,086	17,844	0.036
Collins Stewart	941,558	17,842	0.019
HSBC Securities Program	520,505	17,547	0.034
Macquire Equities	1,130,200	17,542	0.016
Henderson Crosswaithe	752,218	16,889	0.022
Daiwa Securities	220,901	16,471	0.075
Bear, Stearns & Co. Inc.	463,007	14,160	0.031
Nikko Salomon	230,749	13,524	0.059
Instinet Corp.	1,575,302	12,186	0.008
ABN Amro	1,662,317	9,633	0.006
Mizuho Financial Group	158,168	9,548	0.060
ABG Securities	426,060	6,614	0.016
Pereire Tod Ltd.	160,473	5,845	0.036
Others (33 Brokers)	5,160,042	63,221	0.012
Total	**106,991,825**	**$ 1,922,446**	**$ 0.018**

Directed Brokerage Program

for the Year Ended June 30, 2006

Domestic Local Minority and Women Owned Brokers

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Gardner Rich & Co.	9,658,051	$ 378,475	$ 0.039
Loop Capital Markets, LLC	8,082,151	312,206	0.039
Cabrera Capital Markets, Inc.	4,037,281	167,204	0.041
Jackson Securities (Berean Capital)	3,627,948	152,187	0.042
M. Ramsey King Securities, Inc.	3,613,405	148,663	0.041
Melvin Securities, LLC	2,796,895	125,754	0.045
Cheevers & Co., Inc.	2,105,363	83,203	0.040
The Williams Capital Group, L.P.	1,782,269	74,216	0.042
Pacific American Securities, LLC	1,799,163	72,851	0.040
SBK-Brooks Investment Corp.	1,729,433	68,679	0.040
Nutmeg Securities, Ltd.	1,428,035	67,509	0.047
M. R. Beal & Company	1,429,148	63,486	0.044
Pryor Doley Securities	1,784,441	61,501	0.034
Capital Management Group	1,214,758	57,931	0.048
Acento Securities, LLC	826,365	28,453	0.034
Benchmark Financial Services	690,619	22,886	0.033
Siebert Capital Markets	392,111	17,706	0.045
Guzman & Company	748,430	17,508	0.023
Magna Securities Corp.	346,433	14,890	0.043
Podesta & Co.	270,512	8,680	0.032
Samuel A. Ramirez & Company, Inc.	303,972	7,050	0.023
BOE Securities, Inc.	142,473	5,870	0.041
Divine Capital Markets LLC	161,400	5,779	0.036
Lambright Financial Solutions, LLC	12,911	646	0.050
Total Directed Domestic Brokerage	**48,983,567**	**1,963,333**	**0.040**
Total Domestic Brokerage	**104,207,293**	**$ 3,959,574**	**$ 0.038**

Directed Brokerage Program

FOR THE YEAR ENDED JUNE 30, 2006

International Local Minority and Women Owned Brokers

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Cabrera Capital Markets, Inc.	9,271,416	$ 146,017	$ 0.016
Gardner Rich & Co.	5,486,622	81,939	0.015
Melvin Securities, LLC	4,018,862	78,621	0.020
Loop Capital Markets, LLC	2,648,448	62,682	0.024
Jackson Securities (Berean Capital)	2,024,656	57,253	0.028
The Williams Capital Group, L.P.	1,757,486	29,043	0.017
BOE Securities, Inc.	911,156	26,426	0.029
M. Ramsey King Securities, Inc.	1,354,898	23,913	0.018
Divine Capital Markets LLC	912,978	2,684	0.003
Total Directed International Brokerage	**28,386,522**	**508,578**	**0.018**
Total International Brokerage	**106,991,825**	**$ 1,922,446**	**$ 0.018**

SECTION 5/17-146. To Make Investments

To make investments. To invest the monies of the Fund, subject to the requirements and restrictions set forth in this Article and in Sections 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114 and 1-115. No bank or savings and loan association shall receive investment funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of the Public Funds Investment Act. Those requirements shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time.

The Board of Trustees shall have the authority to enter into any agreements and to execute any documents that it determines to be necessary to complete any investment transaction.

All investments shall be clearly held and accounted for to indicate ownership by the Fund. The Board of Trustees may direct the registration of securities or the holding of interests in real property in the name of the Fund or in the name of a nominee created for the express purpose of registering securities or holding interests in real property by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois. The Board of Trustees may hold title to interests in real property in the name of the Fund or in the name of a title holding corporation created for the express purpose of holding title to interests in real property.

Investments shall be carried at cost or at a value determined in accordance with generally accepted accounting principles and accounting procedures approved by the Board of Trustees.

The value of investments held by the Fund in one or more commingled investment accounts shall be determined in accordance with generally accepted accounting principles.

The Board of Trustees of any Fund established under this Article may not transfer its investment authority, nor transfer the assets of the Fund to any other person or entity for the purpose of consolidating or merging its assets and management with any other pension fund or public investment authority, unless the Board of Trustees resolution authorizing such transfer is submitted for approval to the contributors and pensioners of the Fund at elections held not less than 30 days after the adoption of such resolution by the Board of Trustees, and such resolution is approved by a majority of the votes cast on the question in both the contributors election and the pensioners election. The election procedures and qualifications governing the election of trustees shall govern the submission of resolutions for approval under this paragraph, insofar as they may be made applicable.

SECTION 5/17-146.2. To Lend Securities

To lend securities. The Board of Trustees may lend securities owned by the Fund to a borrower upon such written terms and conditions as may be mutually agreed. The agreement shall provide that during the period of the loan the Fund (or the custodian of the Fund, or agent thereof, as applicable) shall retain the right to receive or collect from the borrower all dividends, interest and distributions to which the Fund would have otherwise been entitled.

The borrower shall deposit with the Fund collateral for the loan equal to the market value of the securities at the time the loan is made, and shall increase the amount of collateral if the Board of Trustees requests an additional amount because of subsequent increased market value of the securities. The Board of Trustees may accept from the borrower cash collateral or collateral consisting of assets described in Section 1-113 of this Act. To the extent that the Fund participates in a securities lending program established and maintained by (1) a national or State bank which is authorized to do business in the State of Illinois, or (2) an investment manager, the Board of Trustees may accept collateral consisting of an undivided interest in a pool of commingled collateral that has been established by the bank or investment manager for the purpose of pooling collateral received for the loans of securities owned by substantially all of the participants in such bank's or investment manager's securities lending program. Nothing in Sections 1-109, 1-110 or 1-113 of this Act shall be construed to prohibit the Fund's lending of securities in accordance with this Section.

SECTION 5/17-147. Custody of Fund-Bonds-Legal Proceedings

Custody of Fund-Bonds-Legal proceedings. The city treasurer, *ex-officio,* shall be the custodian of the Fund, and shall secure and safely keep it, subject to the control and direction of the Board of Trustees. He shall keep his books and accounts concerning the Fund in the manner prescribed by the Board of Trustees. The books and accounts shall always be subject to the inspection of the Board of Trustees or any member thereof. The city treasurer shall be liable on his official bond for the proper performance of his duties and the conservation of the Fund.

Payments from the Fund shall be made upon warrants signed by the president and the secretary of the Board of Education, the president of the Board of Trustees, and countersigned by the executive director or by such person as the Board of Trustees may designate from time to time by appropriate resolution.

Neither the treasurer nor any other officer having the custody of the Fund is entitled to retain any interest accruing thereon, but such interest shall accrue and inure to the benefit of such Fund, become a part thereof, subject to the purposes of this Article.

Any legal proceedings necessary for the enforcement of the provisions of this Article shall be brought by and in the name of the Board of Trustees of the Fund.

Actuarial

Stability

This section includes the actuarial report and summarizes actuarial liability and unfunded actuarial liability. Schedules of data summarizing information about members and beneficiaries, actuarial assumptions, and a glossary of terms are also included.

Trust

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

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PHONE (312) 726-5877 FAX (312) 726-4323

December 8, 2006

Board of Trustees
Public School Teachers' Pension and Retirement Fund of Chicago
203 N. LaSalle Street, Suite 2600
Chicago, Illinois 60601

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago (the Fund) as of June 30, 2006. The purpose of the valuation was to determine the financial condition and funding requirements of the Fund.

Since the effective date of the last actuarial valuation, there have not been any changes in benefit provisions that have had an impact on the actuarial liabilities and costs of the Fund.

Under the funding plan established by Public Act 89-15, the minimum contribution to the Fund by the Board of Education shall be an amount determined by the Fund to be sufficient to bring the total assets of the Fund up to 90% of the total actuarial liabilities by the end of fiscal year 2045. The required Board of Education contribution is to be calculated as a level percent of payroll over the years through 2045. For fiscal years 1999 through 2010, the Board of Education's contribution, as a percentage of the applicable payroll, is to be increased in equal annual increments so that by Fiscal Year 2011, the Board of Education is contributing at the required rate.

Public Act 90-548, signed into law on December 4, 1997 revised the above funding plan to provide that the Board of Education contribution shall not be in excess of the amounted needed to maintain the ratio of assets to total actuarial liability at the 90% level.

Based on the results of the June 30, 2006 actuarial valuation and the funding plan established by Public Act 89-15 and Public Act 90-548, we have calculated the Board of Education contribution requirement for Fiscal Year 2008 to be $120,561,000.

The same actuarial assumptions were used for the June 30, 2006 actuarial valuation as had been used for the June 30, 2005 valuation. These actuarial assumptions were based on an experience analysis of the Fund over the three-year period 2000-2002 and were adopted by the board as of June 30, 2003 upon the recommendation of the actuary.

The projected unit credit actuarial cost method was used for the June 30, 2006 actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2005 valuation. This cost method was adopted as of August 31, 1991.

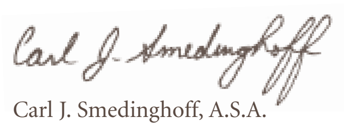
The funding plan currently in effect does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set forth for the disclosures presented in the financial section by GASB Statement No. 25.

The asset values used for the valuation were based on the asset information contained in the audited financial statements prepared by the Fund. For purposes of the actuarial valuation, a 4-year smoothed market value of assets was used to determine the actuarial value of assets. The valuation has been based on the membership data, which was supplied by the administrative staff of the Fund. We have made additional tests to ensure its accuracy.

The trend data schedules presented in the financial section of the Comprehensive Annual Financial Report (CAFR) were prepared by the staff of the Fund based on information contained in our actuarial reports. All exhibits, tables, schedules, and appendices included in the accompanying actuarial section were prepared by us based on information provided by the Fund.

In our opinion, the following valuation results fairly represent the financial condition of the Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2006.

Respectfully submitted,



Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff, A.S.A.
Associate Actuary

Actuarial Report

A. Purpose and Summary

We have carried out an actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago (the Fund) as of June 30, 2006. The purpose of the valuation was to determine the financial position and funding requirements of the Fund. This report is intended to present the results of the valuation. The results of the valuation are summarized below:

1.	Total Actuarial Liability	$ 14,035,627,452
2.	Actuarial Value of Assets	10,947,998,433
3.	Unfunded Actuarial Liability	3,087,629,019
4.	Funded Ratio	78.0%
5.	Employer's Normal Cost for FY 07 as a percent of payroll	10.05%
6.	Annual Required Contribution for FY 07 based on GASB Statement No. 25	370,210,298
7.	Board of Education Contribution Requirement For FY 08 Based on Public Act 89-15 and Public Act 90-548	$ 120,561,000

B. Data Used for the Valuation

Participant Data. The participant data required to carry out the valuation was supplied by the Fund. The membership of the Fund as of June 30, 2006, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 34,682 active contributors, 22,105 pensioners, and 2,408 vested terminated members included in the valuation. The total active payroll as of June 30, 2006, was $1,944,358,215.

Exhibit 1 Summary of Membership Data

1.	Number of Members	
	(a) Active Members	
	(i) Vested Employees	21,157
	(ii) Non-vested Employees	13,525
	Total Active Members	**34,682**
	(b) Members Receiving	
	(i) Retirement Pensions	19,217
	(ii) Disability Pensions	434
	(iii) Survivor Pensions	2,454
	Total Pensioners	**22,105**
	(c) Vested Terminated Members	2,408
	Total	**59,195**
2.	Total Annual Salaries	$ 1,944,358,215
	Average Salary	56,062
3.	Total Accumulated Contributions of Active Members	$ 1,568,239,525
4.	Annual Benefit Payments Currently Being Made	
	(a) Retirement Pensions	$ 720,384,149
	(b) Disability Pensions	11,432,890
	(c) Survivor Pensions	32,523,547
	Total Pensions	**$ 764,340,586**

Assets. In November of 1994, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 25, which establishes standards of financial reporting for governmental pension plans. The statement is effective for periods beginning after June 15, 1996. Under GASB Statement No. 25, the actuarial value of assets to be used for determining a plan's funded status and annual required contribution needs to be market related. In determining the actuarial value of assets, smoothing changes in the market value of assets over a period of three to five years is considered to be appropriate.

The asset values used for the valuation were based on the asset information contained in the audited financial statements for the year ending June 30, 2006, prepared by the Fund. The actuarial value of assets was determined by smoothing unexpected gains or losses over a period of 4 years. The resulting actuarial value of assets is $10,947,998,433. The development of this actuarial value of assets is outlined in Exhibit 2. As of June 30, 2006, the market value of the assets of the Fund amounted to $11,428,518,484.

Exhibit 2 Actuarial Value of Assets

A. Development of Investment Gain/(Loss) for Year Ending June 30, 2006

1.	Actuarial Value of Assets as of 6/30/05	$ 10,506,471,213
2.	Employer Contributions	117,929,215
3.	Employee Contributions	163,419,386
4.	Expenses	818,391,590
5.	Expected Investment Income	819,449,240
6.	Actual Investment Income	1,097,943,378
7.	Investment Gain/(Loss) (6 – 5)	$ 278,494,138

B. Development of Actuarial Value of Assets

8.	Expected Value of Assets as of June 30, 2006 (1 + 2 + 3 – 4 + 5)	$ 10,788,877,464
9.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2003	(130,684,796)
10.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2004	163,987,576
11.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2005	56,194,654
12.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2006	69,623,535
13.	Actuarial Value of Assets as of June 30, 2006 (8 + 9 + 10 + 11 + 12)	$ 10,947,998,433

C. Fund Provisions

Our valuation was based on the provisions of the Fund in effect as of June 30, 2006, as provided in Article 17 of the Illinois Pension Code. A summary of the principal provisions of the Fund on which the valuation was based is provided in Appendix 2.

D. Actuarial Assumptions and Cost Method

The actuarial assumptions used for the June 30, 2006, actuarial valuation are the same as those used for the June 30, 2005, valuation. The actuarial assumptions used for the June 30, 2006, valuation are outlined in Appendix 1. In our opinion, the actuarial assumptions used for the valuation are reasonable, in the aggregate, taking into account Fund experience and future expectations and represent our best estimate of anticipated experience.

The projected unit credit actuarial cost method was used for the June 30, 2006, actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2005, valuation.

E. Actuarial Liability

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 3. The total actuarial liability is then compared with the actuarial value of assets in order to arrive at the unfunded actuarial liability.

As of June 30, 2006, the total actuarial liability is $14,035,627,452, the actuarial value of assets is $10,947,998,433, and the unfunded liability is $3,087,629,019. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 78.0%.

Exhibit 3 Actuarial Liability as of June 30, 2006

1. Actuarial Liability for Active Members	
(a) Basic Retirement Annuity	$ 3,403,437,185
(b) Post Retirement Increase	892,233,026
(c) Lump Sum Death Benefit	10,693,375
(d) Survivor's Pension	350,850,603
(e) Disability Pension	89,262,375
(f) Withdrawal Benefit	230,876,709
Total	**$ 4,977,353,273**
2. Actuarial Liability Members Receiving Benefits	
(a) Retirement Pensions	$ 8,471,660,905
(b) Survivor Pensions	309,974,103
(c) Disability Pensions	132,677,582
Total	**$ 8,914,312,590**
3. Actuarial Liability for Inactive Members	$143,961,589
4. Total Actuarial Liability	**$ 14,035,627,452**
5. Actuarial Value of Assets	$10,947,998,433
6. Unfunded Actuarial Liability	**$ 3,087,629,019**
7. Funded Ratio	78.0%

F. Employer's Normal Cost

The employer's share of the normal cost for the year beginning July 1, 2006, is developed in Exhibit 4. The total normal cost is $358,991,405, employee contributions are estimated to be $163,544,149, resulting in the employer's share of the normal cost of $195,447,256.

Based on a payroll of $1,944,358,215 as of June 30, 2006, the employer's share of the normal cost can be expressed as 10.05% of payroll.

Exhibit 4 Employer's Normal Cost for Year Beginning July 1, 2006

	Dollar Amount	Percent of Payroll
1. Basic Retirement Pension	$ 183,643,532	9.44%
2. Post Retirement Increases	48,143,714	2.47
3. Lump Sum Death Benefits	832,029	.04
4. Survivor's Pension	20,950,254	1.08
5. Disability Benefits	7,117,954	.37
6. Withdrawal Benefits	28,352,733	1.46
7. Health Insurance Reimbursement	61,394,400	3.16
8. Administrative Expenses	8,556,789	.44
9. Total Normal Cost	**$ 358,991,405**	**18.46%**
10. Employee Contributions	163,544,149	8.41
11. Employer's Share of Normal Cost	**$ 195,447,256**	**10.05%**

Note. The above figures are based on a total active payroll of $1,944,358,215 as of June 30, 2006.

G. Board of Education Contribution Requirement for Fiscal Year 2008

Additional State Contributions. According to Section 17-127 of the Pension Code, the State shall make additional contributions of .544% of payroll to the Fund to offset a portion of the cost of benefit increases enacted under Public Act 90-582, except that no additional contributions are required if for the previous fiscal year the ratio of the Fund's assets to total actuarial liabilities was at least 90%.

Based on the June 30, 2006, actuarial valuation, the ratio of the actuarial value of assets to total actuarial liabilities, or funded ratio, amounts to 78.0%. Therefore, additional State contributions will be required for Fiscal Year 2008. Based on a projected payroll of $2,009,793,000 for Fiscal Year 2008, we have determined the additional State contributions under Section 17-127 of the Pension Code to be $10,218,000.

Additional Board of Education Contributions. According to Section 17-127.2 of the Pension Code, the Board of Education shall make additional contributions of .58% of each teacher's salary to the Fund to offset a portion of the cost of benefit increases enacted under Public Act 90-582, except that no additional contributions are required if for the previous fiscal year the ratio of the Fund's assets to total actuarial liabilities was at least 90%.

As the funded ratio as of June 30, 2006, is 78.0%, additional Board of Education contributions will be required for Fiscal Year 2008. Based on a projected payroll of $2,009,793,000 for Fiscal Year 2008, we have determined the additional Board of Education contribution under Section 17-127.2 of the Pension Code to be $10,894,000.

Board of Education Required Contribution. Under the funding plan established by Public Act 89-15, the minimum contribution to the Fund by the Board of Education shall be an amount determined by the Fund to be sufficient to bring the total assets of the Fund up to 90% of the total actuarial liabilities by the end of fiscal year 2045. The required Board of Education contribution is to be calculated as a level percent of payroll over the years through 2045. For fiscal years 2000 through 2010, the Board of Education's contribution, as a percentage of the applicable payroll, is to be increased in equal annual increments so that by Fiscal Year 2011, the Board of Education is contributing at the required rate.

Public Act 90-548, signed into law on December 4, 1997, revised the above funding plan to provide that the Board of Education contribution shall not be in excess of the amount needed to maintain the ratio of assets to total actuarial liability at the 90% level.

As of June 30, 2006, the ratio of the actuarial value of assets to the total actuarial liability is 78.0%. Using the results of the June 30, 2006 valuation as a starting point, we have projected the ratio of the actuarial value of assets to the total actuarial liability as of June 30, 2007, to be 78.9%. Thus, on the basis of the funding plan established by Public Act 89-15 as revised by Public Act 90-548, we have calculated the total employer required contribution for Fiscal Year 2008 to be $227,319,000. State appropriations are estimated to be $65,000,000. As indicated above, additional state contributions amount to $10,218,000, and additional Board of Education contributions amount to $10,894,000. Other employer contributions are estimated to be $20,646,000. Thus, based on the total employer required contribution for Fiscal Year 2008 and other sources of employer contribution, the net Board of Education contribution requirement for Fiscal Year 2008 under the funding plan specified in Section 17-129 of the Pension Code is calculated to be $120,561,000. Additional details regarding our calculations are shown below:

Board of Education Required Contribution for FY 2008

1. Total required employer contribution for FY 2008	$ 227,319,000
2. State appropriations	65,000,000
3. Additional state contributions	10,218,000
4. Additional Board of Education contribution	10,894,000
5. Other employer contributions	20,646,000
6. Board of Education required contribution (1 – 2 – 3 – 4 – 5)	$ 120,561,000

H. Annual Required Contribution for GASB Statement No. 25

GASB Statement No. 25 requires the disclosure of the annual required employer contribution (ARC), calculated in accordance with certain parameters. Based on the results of the June 30, 2006, actuarial valuation, we have therefore calculated the annual required contribution for Fiscal Year 2007. In accordance with the parameters prescribed in GASB Statement No. 25, in calculating the annual required contribution, we have used a 30-year level-percent-of-payroll amortization of the unfunded liability. On this basis, the annual required contribution for Fiscal Year 2007 has been determined to be as follows:

	Fiscal Year 2007
1. Employer's normal cost	$ 195,447,256
2. Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	174,763,042
3. Annual required contribution (1 + 2)	$ 370,210,298

The same actuarial assumptions and actuarial cost method were used to determine the annual required contribution for GASB Statement No. 25 as were used to determine funding requirements in Section G. The funding plan currently in effect does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set forth for financial statement disclosure in GASB Statement No. 25.

Additional historical trend information required under GASB Statement No. 25 is provided in a supplement to this actuarial report.

I. Reconciliation of Change in Unfunded Actuarial Liability

The net actuarial experience during the period July 1, 2005, to June 30, 2006, resulted in an increase in the Fund's unfunded actuarial liability of $298,224,026. This increase in unfunded actuarial liability is a result of several kinds of gains and losses. The financial effect of the most significant gains and losses is illustrated in Exhibit 5.

The employer contribution requirement for the year of normal cost plus interest on the unfunded actuarial liability amounted to $405,746,863. The total actual employer contribution for the year amounted to $117,929,215. Thus, the employer contribution for the year fell short of the funding requirement of normal cost plus interest on the unfunded liability by $287,817,648. Had all other aspects of the Fund's experience been in line with the actuarial assumptions, the unfunded liability would have increased by this amount.

The net rate of investment return earned by the Fund during the year, based on the actuarial value of assets, was approximately 9.6%, in comparison to the assumed rate of 8.0%. This resulted in a decrease in the unfunded liability of $159,120,969. Salary increases lower than expected resulted in a decrease in the unfunded liability of $7,751,201.

The various other aspects of the Fund's experience resulted in a net increase in the unfunded liability of $177,278,548. The aggregate financial experience of the Fund resulted in an increase in the unfunded liability of $298,224,026.

Exhibit 5 Reconciliation of Change in Unfunded Actuarial Liability Over the Period July 1, 2005, to June 30, 2006

1. Unfunded Actuarial Liability as of 07/01/05	$ 2,789,404,993
2. Employer Contribution Requirement of Normal Cost Plus Interest on Unfunded Liability for Period 07/01/05 to 06/30/06	405,746,863
3. Actual Employer Contribution for the Year	117,929,215
4. Increase in Unfunded Liability Due to Employer Contribution Being Less Than Normal Cost Plus Interest on Unfunded Liability (2 – 3)	$ 287,817,648
5. Decrease in Unfunded Liability Due to Investment Return Higher Than Assumed	159,120,969
6. Decrease in Unfunded Liability Due to Salary Increases Lower Than Assumed	7,751,201
7. Increase in Unfunded Liability Due to Other Sources	177,278,548
8. Net Increase in Unfunded Liability for the Year (4 – 5 – 6 + 7)	$ 298,224,026
9. Unfunded Actuarial Liability as of June 30, 2006 (1 + 8)	$ 3,087,629,019

Additional Actuarial Tables

Summary of Actuarial Liability and Unfunded Actuarial Liability

Fiscal Year	Total Actuarial Liability	Actuarial Value of Assets	Assets as a % of Actuarial Liability	Unfunded Actuarial Liability (UAL)	Active Member Payroll	UAL as a % of Active Member Payroll
1997	7,248,109,505	7,264,691,704	100.2%	(16,582,199)	1,362,611,111	(1.2%)
1998	8,015,603,364	7,798,404,136	97.3%	217,199,228	1,434,015,017	15.1%
1999	8,551,879,683	8,620,059,765	100.8%	(68,180,082)	1,521,181,503	(4.5%)
2000	9,940,371,587	9,612,202,813	96.7%	328,168,774	1,651,810,084	19.9%
2001	10,392,704,659	10,387,568,945	99.9%	5,135,714	1,690,264,167	.3%
2002	11,025,482,210	10,640,947,039	96.5%	384,535,171	1,759,045,853	21.9%
2003	11,411,528,364	10,494,754,698	92.0%	916,773,666	1,706,205,814	53.7%
2004	12,105,680,577	10,392,193,115	85.8%	1,713,487,462	1,767,631,306	96.9%
2005	13,295,876,206	10,506,471,213	79.0%	2,789,404,993	1,968,612,235	141.7%
2006	14,035,627,452	10,947,998,433	78.0%	3,087,629,019	1,944,358,215	158.8%

Solvency Test

	Accrued Liabilities For				Percent of Accrued Liabilities Covered by Assets		
Fiscal Year	(1) Active Members Accumulated Contributions	(2) Members Currently Receiving Benefits	(3) Active Member Employer Portion	Actuarial Value of Assets	(1)	(2)	(3)
1997	1,011,117,705	3,541,795,771	2,695,196,029	7,264,691,704	100%	100%	100%
1998	1,080,981,685	3,669,980,250	3,264,641,429	7,798,404,136	100%	100%	93%
1999	1,143,906,163	3,923,581,558	3,484,391,962	8,620,059,765	100%	100%	100%
2000	1,185,452,979	4,744,351,443	4,010,567,165	9,612,202,813	100%	100%	92%
2001	1,212,958,502	5,211,311,326	3,968,434,831	10,387,568,945	100%	100%	100%
2002	1,227,035,375	5,829,728,535	3,968,718,300	10,640,947,039	100%	100%	90%
2003	1,158,355,645	6,241,474,235	4,011,698,484	10,494,754,698	100%	100%	77%
2004	1,193,225,162	6,802,897,439	4,109,557,976	10,392,193,115	100%	100%	58%
2005	1,350,467,025	7,999,438,133	3,945,971,048	10,506,471,213	100%	100%	29%
2006	1,568,239,525	8,914,312,590	3,553,075,337	10,947,998,433	100%	100%	13%

Additional Actuarial Tables

Schedule of Actual Employer Contributions and Actuarially Determined Contribution Requirements

Fiscal Year	Active Member Payroll	Actual Employer Contribution: Dollar Amount	Actual Employer Contribution: Percent of Payroll	Actuarially Determined Contribution Requirement as a Percent of Payroll
1997	1,362,611,111	91,776,705	6.74%	15.42%
1998	1,434,015,017	75,072,817	5.24%	7.93%
1999	1,521,181,503	60,781,723	4.00%	8.25%
2000	1,651,810,084	79,729,145	4.83%	8.38%
2001	1,690,264,167	77,135,200	4.65%	11.18%
2002	1,759,045,853	77,679,068	4.42%	10.17%
2003	1,706,205,814	78,747,983	4.62%	9.39%
2004	1,767,631,306	78,127,273	4.42%	11.48%
2005	1,968,612,235	73,917,464	3.75%	13.15%
2006	1,944,358,215	117,789,706	6.06%	16.89%

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
8-31-97	33,632	1,362,611,111	40,515	4.0%
8-31-98	34,875	1,434,015,017	41,119	1.5%
6-30-99	34,720	1,521,181,503	43,813	6.5%
6-30-00	35,400	1,651,810,084	46,661	6.5%
6-30-01	37,648	1,690,264,167	44,897	(3.8%)
6-30-02	37,374	1,759,045,853	47,066	4.8%
6-30-03	36,548	1,706,205,814	46,684	(0.8%)
6-30-04	37,362	1,767,631,306	47,311	1.3%
6-30-05	37,521	1,968,612,235	52,467	10.9%
6-30-06	34,682	1,944,358,215	56,062	6.9%

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended	Added-To-Rolls		Removed-From-Rolls		Rolls-End-of-Year		Average Annual Benefit	% Increase in Average Annual Benefit
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits		
1997	690	$ 21,078,404	658	$ 11,865,685	15,831	$ 334,939,841	$ 21,157	2.6%
1998	765	26,445,632	642	12,840,824	15,954	348,544,649	21,847	3.3%
1999	888	34,999,366	552	10,960,322	16,290	372,583,693	22,872	4.7%
2000	1,045	41,279,538	647	14,920,719	16,688	398,942,512	23,906	4.5%
2001	1,332	52,778,231	722	16,693,883	17,298	435,026,860	25,149	5.2%
2002	1,279	79,552,055	710	13,059,415	17,867	501,519,500	28,070	11.6%
2003	1,363	63,184,471	665	20,222,042	18,565	544,481,929	29,328	4.5%
2004	1,336	63,484,844	635	13,595,626	19,266	594,371,147	30,851	5.2%
2005	2,631	117,025,483	943	23,137,112	20,954	688,259,518	32,846	6.5%
2006	1,788	91,991,917	637	15,910,849	22,105	764,340,586	34,578	5.3%

Appendix 1

Summary of Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions. The actuarial assumptions used for the June 30, 2006, valuation are summarized below. The assumptions were adopted as of June 30, 2003.

Mortality Rates. For males, the UP-94 Table for Males, rated down three years; for females, the UP-94 Table for Females, rated down two years. For disabled males, the UP-94 Table for Males, rated up 5 years; for disabled females, the UP-94 Table for Males without adjustment.

Termination Rates. Termination rates are based on the recent experience of the Fund. The following is a sample of the termination rates that were used:

1. Employees With 5 or Less Years of Service

Rates of Termination Per 1,000 Members

Years of Service	Under Age 60	Over Age 60
Less than 1 year	360	180
1 - 2 years	71	71
2 - 3 years	70	70
3 - 4 years	68	68
4 - 5 years	63	63

2. Employees With 5 to 10 Years of Service

Age	Rate of Termination per 1,000 Members
25	46
30	48
35	44
40	37
45	32
50	30
55	30
60	30
62 and later	0

3. Employees With 10 or More Years of Service

Age	Rate of Termination per 1,000 Members
30	24
35	25
40	19
45	12
50	10
55	10
60	10
62 and later	0

Disability Rates. Disability rates are based on the recent experience of the Fund. The following is a sample of the disability rates that were used:

Age	Disabilities per 1,000 Members
30	.7
40	1.0
50	2.0
60	2.5
62 and later	.0

Retirement Rates. Rates of retirement for each age from 55 to 75 are based on the recent experience of the Fund. The following are samples of the rates of retirement that were used:

1. Employees With Less Than 33 Years of Service

Age	Rate of Retirement per 1,000 Members
55	71
60	103
65	155
70	186
75	1,000

2. Employees With 33 or More Years of Service

Age	Rate of Retirement per 1,000 Members
55	100
60	270
65	250
70	180
75	1,000

Salary Progression. Rates of salary increase vary by age. The following is a sample of the assumed rates of salary increase:

Age	Assumed Rate of Increase
25	11.2%
30	8.9
35	7.3
40	6.2
45	5.4
50	4.7
55 and later	4.0

Based on the above salary increase assumption, the assumption regarding general increases in salaries can be considered to be 4% per year.

Interest Rate. 8.0% per year, compounded annually. Of this 8% per year assumption, 3.0% can be attributed to inflation.

Marital Status. 80% of participants were assumed to be married.

Spouse's Age. Male spouses are assumed to be 2 years older than female spouses.

Assumption Regarding Total Service Credit at Retirement. It was assumed that a teacher's total service credit at retirement would be 103.3% of the teacher's regular period of service at retirement.

Actuarial Cost Method. The projected unit credit actuarial cost method was used. Actuarial gains and losses are reflected in the unfunded actuarial liability. This actuarial cost method was adopted as of August 31, 1991.

Appendix 2

Summary of Principal Provisions

1. Eligibility for Pension. The right to a retirement pension vests (1) after 20 years of validated service, with the pension payable at age 55 or over; or (2) after 5 years validated service, with the pension payable at age 62 or over.

2. Amount of Retirement Pension. For service earned before July 1, 1998, the retirement pension is 1.67% of "final average salary" for each of the first 10 years of validated service, 1.90% for each of the next 10 years, 2.10% for each of the next 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the pension is 2.2% of "final average salary" for each year of service.

Service earned before July 1, 1998, can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary within the last four years for each year of prior service. Maximum payment is 20% of salary, but all years are upgraded. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service.

The maximum pension is 75% of final average salary.

3. Final Average Salary Defined. "Final average salary" for pension computation is the average of the highest rates of salary for any 4 consecutive years of validated service within the last 10 years of service.

4. Reduction in Pension for Early Retirement. Except for retirement after 34 years of service, the retirement pension in the case of retirement prior to age 60 is reduced 1/2 of 1% for each month that the teacher is under age 60.

5. Early Retirement Without Discount. Subject to authorization by the employer, an employee who retires on or before June 30, 2010, may elect to make a one-time contribution and thereby avoid the early retirement reduction. The exercise of this election by the employee also obligates the employer to make a one-time nonrefundable contribution.

6. Non-Duty Disability Retirement. A disability retirement pension is payable in the event of total or permanent disability for teaching service after 10 or more years of service, irrespective of age. The rate of pension is 2.2% of average salary for each year of service after June 30, 1998 and for each year of service that has been upgraded. Upon disability retirement after 20 years or more of contributing service, but under age 55, the accrued retirement pension is payable based on the rate of pension at 2.2% of average salary for each year of service.

7. Duty Disability Benefit. A duty-connected disability benefit is provided equal to 75% of final salary upon total incapacity for teaching service as a result of an injury sustained while in the performance of teaching service. The benefit is reduced by Workers' Compensation payments.

8. Post-Retirement Increases. Automatic annual increases in pension equal to 3% of the current amount of pension are provided. The increases accrue from the anniversary date of retirement or the 61st birthday, whichever is later.

9. Survivor's Pensions. Pensions are payable to survivors of teachers and pensioners under the following conditions:

Upon the death of a teacher or pensioner occurring on or after July 1, 1981, the maximum benefit is $400 per month to a spouse alone and $600 per month if there are other dependents. Payment of a survivor's pension is conditioned upon marriage having been in effect at least 1 year prior to death. On death after retirement, the total survivor's pension may not exceed retirement or disability pension paid to the deceased pensioner.

Upon the death of a teacher or pensioner occurring after December 31, 1986, the minimum total survivor's pension payable shall be 50% of the earned retirement pension of such teacher or pensioner.

If the surviving spouse is under age 50, and no unmarried minor children under age 18 survive, payment of the survivor's pension is deferred until age 50.

Survivor's pensions are subject to annual automatic increases of 3% of the current amount of pension.

10. Reversionary Pension. By accepting a reduced retirement pension, a member can provide a reversionary pension for a surviving beneficiary. If the reversionary pension was elected on or after January 1, 1984, and the beneficiary survives the date of the teacher's retirement, but does not survive the retired teacher, the teacher's pension shall be restored to the full amount of pension.

11. Refund of Contributions. Upon separation of service, a teacher is entitled to receive a refund of his total contributions and those contributions made on his behalf, without interest.

12. Death Benefits. Upon death while in service, a refund equal to the total contributions less contributions for survivor's pensions is payable without interest to a designated beneficiary or the estate of the teacher. Upon death after retirement, the death benefit consists of the excess, if any, of the total contributions over the total pension payments paid to the member or his beneficiary. In addition, the following death benefit is payable:

Death in service. The amount of the benefit is equal to the last month's salary for each year of validated service up to 6 month's salary but not exceeding $10,000.

Death while on pension. The death benefit is equal to 6 month's salary but not to exceed $10,000 less 1/5 of the death benefit for each year or part of a year that the member has been on pension, down to a minimum of $5,000.

13. Health Insurance Reimbursement. The Board may pay each recipient of a retirement, disability, or survivor's pension an amount to be determined by the Board, which shall represent partial reimbursement for the cost of the recipient's health insurance coverage, with the total amount of payment not to exceed $65,000,000, or 75% of the total cost of health insurance coverage in any year.

14. Financing. Teachers are required to contribute a total of 9% of salary consisting of 7 1/2% toward the retirement pensions, 1% toward the survivor pension, and 1/2% toward the post-retirement increment. As of September 1981, the Board of Education has been paying 7% of the required teacher contributions for Chicago Public School teachers. Charter school contributions may be contributed at various rates by the employers and teachers.

The remainder of the cost of benefits is financed by (1) contributions by the Chicago Board of Education; (2) allocations by the State of Illinois from the State Distributive Fund; and (3) investment income.

15. Retirement Systems Reciprocal Act. The Fund complies with the Retirement Systems Reciprocal Act (Chapter 40 Act 5 Article 20 of the Illinois Compiled Statutes) to provide reciprocal benefits if a member has service credit for other public employment in Illinois.

Appendix 3

Glossary of Terms Used in Report

1. Actuarial Present Value. The value of an amount or series of amounts payable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

2. Actuarial Cost Method or Funding Method. A procedure for determining the actuarial present value of pension plan benefits and for determining an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

3. Normal Cost. That portion of the present value of pension plan benefits, which is allocated to a valuation year by the actuarial cost method.

4. Actuarial Accrued Liability or Accrued Liability. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension benefits which is not provided for by future normal costs.

5. Actuarial Value of Assets. The value assigned by the actuary to the assets of the pension plan for purposes of an actuarial valuation.

6. Unfunded Actuarial Liability. The excess of the actuarial liability over the actuarial value of assets.

7. Projected Unit Credit Actuarial Cost Method. A cost method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial liability.

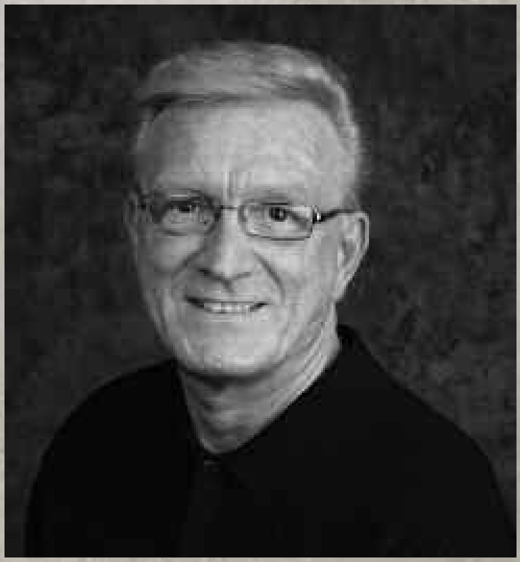
Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial liability.

8. Actuarial Assumptions. Assumptions as to future events affecting pension costs.

9. Actuarial Valuation. The determination, as of the valuation date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

10. Vested Benefits. Benefits that are not contingent on an employee's future service.

Statistical



Trust

This section includes information about the Chicago Teachers' Pension Fund revenue sources and applications. It also includes summaries of statistical information about the participating members and annuitants and the benefits paid to them.

Integrity

Statement of Changes in Plan Net Assets

For Year ended June 30, 2006, with comparative totals for 9 years

	2006	2005	2004	2003	2002
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 117,789,706	$ 73,917,464	$ 78,127,273	$ 78,747,983	$ 76,850,005
Employee contributions	163,419,386	175,706,081	169,598,212	159,931,110	145,498,027
	281,209,092	**249,623,545**	**247,725,485**	**238,679,093**	**222,348,032**
Investment income:					
Net investment income	1,097,943,378	1,036,898,341	1,478,859,791	313,502,170	(370,652,706)
Miscellaneous	139,509	561,154	86,285	35,775	829,063
Total additions	**1,379,291,979**	**1,287,083,040**	**1,726,671,561**	**552,217,038**	**(147,475,611)**
Deductions:					
Pension benefits					
Retirement	682,245,353	617,684,571	554,975,291	509,945,240	495,238,632
Survivors	25,854,248	24,520,785	22,885,524	25,730,482	23,517,998
Disability	10,388,393	9,561,956	8,649,568	8,126,443	7,571,076
Refunds					
Separation	10,633,789	16,877,637	9,565,261	7,648,527	9,036,757
Death	4,028,201	3,572,619	3,588,032	2,747,859	4,043,552
Other	16,023,309	4,408,439	10,173,428	6,954,762	29,219,867
Health Insurance Premium Rebate	58,279,900	54,410,887	53,106,379	51,395,920	44,068,275
Death benefits					
Heirs of Active Teachers	535,142	470,537	505,842	482,493	746,322
Heirs of Annuitants	2,082,915	2,035,334	2,095,323	2,339,000	2,070,000
Uncollectable Receivables	–	–	–	–	–
	810,071,250	**733,542,765**	**665,544,648**	**615,370,726**	**615,512,479**
Administrative and miscellaneous expenses	8,320,340	7,477,671	7,214,467	6,576,953	6,459,734
Total deductions	**818,391,590**	**741,020,436**	**672,759,115**	**621,947,679**	**621,972,213**
Net increase (decrease)	560,900,389	546,062,604	1,053,912,446	(69,730,641)	(769,447,824)
Net assets held in trust for benefits:					
Beginning of period, as restated	10,867,618,095	10,321,555,491	9,267,643,045	9,337,373,686	10,111,548,946
End of period	**$ 11,428,518,484**	**$ 10,867,618,095**	**$ 10,321,555,491**	**$ 9,267,643,045**	**$ 9,342,101,122**

CONTINUED FROM PAGE 82

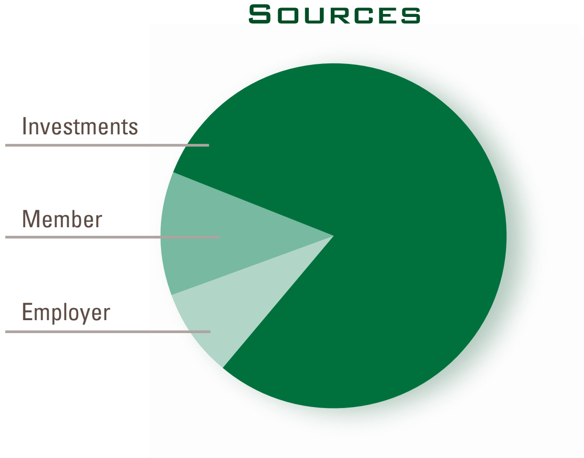
	2001	2000	1999	1998*	1997
ADDITIONS:					
Contributions:					
Intergovernmental, net (employer)	$ 77,065,122	$ 79,519,385	$ 60,201,082	$ 75,069,133	$ 91,776,705
Employee contributions	149,094,964	145,458,741	150,421,632	115,155,574	103,870,728
	226,160,086	**224,978,126**	**210,622,714**	**190,224,707**	**195,647,433**
Investment income:					
Net investment income	(191,547,390)	941,836,171	1,732,456,051	420,505,788	1,564,574,735
Miscellaneous	70,078	209,760	580,641	3,684	688,324
Total additions	**34,682,774**	**1,167,024,057**	**1,943,659,406**	**610,734,179**	**1,760,910,492**
DEDUCTIONS:					
Pension benefits					
Retirement	421,343,859	383,938,150	300,230,642	338,637,028	324,195,727
Survivors	17,759,804	16,424,100	12,695,424	14,143,840	12,883,617
Disability	6,162,211	5,732,425	4,107,184	4,205,876	3,830,135
Refunds					
Separation	7,645,767	7,607,244	5,952,734	5,732,601	5,649,447
Death	2,697,514	3,574,259	2,220,725	3,419,274	3,470,452
Other	4,644,884	3,538,496	1,552,617	2,618,705	1,553,306
Health Insurance Premium Rebate	44,088,569	26,144,939	22,013,995	24,225,631	22,796,866
Death benefits					
Heirs of Active Teachers	457,746	724,089	381,432	745,541	804,963
Heirs of Annuitants	2,853,167	2,669,708	1,855,000	2,886,964	2,364,869
Uncollectable Receivables	–	–	22,230,625	–	–
	507,653,521	**450,353,410**	**373,240,378**	**396,615,460**	**377,549,382**
Administrative and miscellaneous expenses	4,856,487	4,509,764	3,361,971	3,429,338	3,132,904
Total deductions	**512,510,008**	**454,863,174**	**376,602,349**	**400,044,798**	**380,682,286**
Net increase (decrease)	(477,827,234)	712,160,883	1,567,057,057	210,689,381	1,380,228,206
Net assets held in trust for benefits:					
Beginning of period, as restated	10,589,376,180	9,877,215,297	8,310,158,240	8,099,468,859	6,719,240,653
End of period	**$ 10,111,548,946**	**$ 10,589,376,180**	**$ 9,877,215,297**	**$ 8,310,158,240**	**$ 8,099,468,859**

** denotes the information is for year ended August 31st*

See accompanying notes to financial statements.

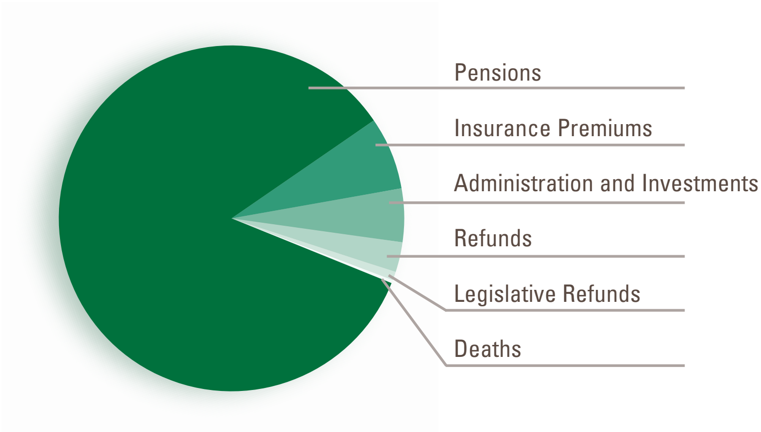
2006 Revenue–Sources and Applications

Sources



Investments	$ 1,131,956,799	80.1%
Member	163,419,386	11.6%
Employer	117,789,706	8.3%
Miscellaneous	139,509	0.0%
Total	**$ 1,413,305,400**	**100.0%**

Applications



Pensions	$ 718,487,994	84.3%
Insurance Premiums	58,279,900	6.8%
Administration and Investments	42,333,761	5.0%
Refunds	24,283,009	2.8%
Legislative Refunds	6,402,290	0.8%
Deaths	2,618,057	0.3%
Total	**$ 852,405,011**	**100.0%**

Distribution of Current Annuitants by Benefit Type

Monthly Pension Amount	Retirement		Disability		Survivor		Total	
	Males	Females	Males	Females	Males	Females	Males	Females
$ 0 - $499	481	985	3	11	190	340	674	1,336
$ 500 - $999	353	776	17	36	306	447	676	1,259
$ 1,000 - $1,499	265	761	22	47	208	273	495	1,081
$ 1,500 - $1,999	289	992	17	51	165	261	471	1,304
$ 2,000 - $2,499	338	1,103	10	52	44	114	392	1,269
$ 2,500 - $2,999	388	1,324	19	39	9	49	416	1,412
$ 3,000 - $3,499	462	1,331	13	44	6	22	481	1,397
$ 3,500 - $3,999	911	2,277	8	26	0	13	919	2,316
$ 4,000 - $4,499	1,158	2,583	2	6	0	4	1,160	2,593
$ 4,500 - $4,999	346	517	2	2	0	1	348	520
$ 5,000 - $5,499	285	280	0	2	0	0	285	282
$ 5,500 - $5,999	154	200	4	1	0	0	158	201
$ 6,000 - $6,499	117	133	0	0	1	1	118	134
$ 6,500 - $6,999	99	76	0	0	0	0	99	76
$ 7,000 - $7,499	60	64	0	0	0	0	60	64
$ 7,500 - $7,999	34	27	0	0	0	0	34	27
$ 8,000 - $8,499	19	15	0	0	0	0	19	15
$ 8,500 - $8,999	5	2	0	0	0	0	5	2
$ 9,000 +	4	3	0	0	0	0	4	3
Total	**5,768**	**13,449**	**117**	**317**	**929**	**1,525**	**6,814**	**15,291**

CONTINUED FROM PAGE 85

Annuitants

Distribution of Current Annuitants by Benefit Type

Monthly Pension Amount	Health Insurance	
	Males	Females
$0 - $499	78	266
$500 - $999	209	508
$1,000 - $1,499	185	653
$1,500 - $1,999	224	905
$2,000 - $2,499	251	972
$2,500 - $2,999	302	1,092
$3,000 - $3,499	376	1,146
$3,500 - $3,999	691	1,820
$4,000 - $4,499	825	1,873
$4,500 - $4,999	243	278
$5,000 - $5,499	213	209
$5,500 - $5,999	112	146
$6,000 - $6,499	96	96
$6,500 - $6,999	83	53
$7,000 - $7,499	50	46
$7,500 - $7,999	24	14
$8,000 - $8,499	13	7
$8,500 - $8,999	4	0
$9,000 +	5	3
Total	**3,984**	**10,087**

Represents members who have purchased insurance from the Fund's providers and reimbursed members who have purchased insurance from other outside providers.

Schedule of Average Benefit Payments

	Years Credited Service						
	0–5	5–10	10–15	15–20	20–25	25–30	30+
Fiscal Year 1997							
Average Monthly Pension	224	449	812	1,106	1,502	2,032	3,124
Average Final Average Salary	4,685	3,846	3,752	3,662	3,634	3,950	4,456
Number of Retired Members	51	45	22	15	49	56	221
Fiscal Year 1998							
Average Pension	218	511	854	1,381	1,852	2,394	3,289
Average Final Average Salary	4,843	3,896	3,950	4,365	4,514	4,663	4,774
Number of Retired Members	70	51	41	24	76	86	333
Fiscal Year 1999							
Average Monthly Pension	252	626	1,016	1,350	1,959	2,519	3,441
Average Final Average Salary	6,044	5,431	4,711	4,287	4,746	4,917	5,040
Number of Retired Members	65	64	31	31	58	81	261
Fiscal Year 2000							
Average Monthly Pension	325	758	1,119	1,676	2,158	2,823	3,581
Average Final Average Salary	6,708	5,631	5,134	5,596	5,186	5,460	5,328
Number of Retired Members	76	67	48	43	92	192	802
Fiscal Year 2001							
Average Monthly Pension	302	677	1,160	1,759	2,343	2,944	3,898
Average Final Average Salary	5,763	4,524	4,585	4,546	4,726	4,919	5,352
Number of Retired Members	76	67	55	40	108	141	597
Fiscal Year 2002							
Average Monthly Pension	323	664	1,208	1,862	2,423	3,008	4,089
Average Final Average Salary	6,230	4,459	4,618	4,753	5,037	5,255	5,983
Number of Retired Members	49	70	53	46	69	89	758
Fiscal Year 2003							
Average Monthly Pension	303	622	1,171	1,729	2,296	3,080	4,185
Average Final Average Salary	5,620	4,029	4,625	4,779	4,873	5,438	6,174
Number of Retired Members	67	67	60	52	91	108	678
Fiscal Year 2004							
Average Monthly Pension	322	654	1,331	2,059	2,314	3,238	4,475
Average Final Average Salary	5,792	5,053	4,989	5,385	4,840	5,603	6,601
Number of Retired Members	72	68	78	75	86	109	1,041
Fiscal Year 2005							
Average Monthly Pension	332	750	1,310	2,074	2,550	3,170	4,392
Average Final Average Salary	6,081	4,777	4,805	5,497	5,314	5,446	6,133
Number of Retired Members	64	63	90	90	130	97	842
Fiscal Year 2006							
Average Monthly Pension	383	807	1,395	2,067	2,659	3,425	4,609
Average Final Average Salary	6,204	5,135	5,164	5,527	5,563	5,676	6,257
Number of Retired Members	42	54	78	92	153	149	1,012

The higher final average salaries in the 0-5 years of credited service are the result of a higher concentration of members with larger salaries who have service with other reciprocal pension plans.

Participating Members

Number of Members

Fiscal Year	Male Participants	Female Participants	Total
1997	8,501	25,131	33,632
1998	8,782	26,093	34,875
1999	8,674	26,046	34,720
2000	8,638	26,762	35,400
2001	9,311	28,337	37,648
2002	9,084	28,290	37,374
2003	9,284	27,264	36,548
2004	9,478	27,884	37,362
2005	9,061	28,460	37,521
2006	8,209	26,473	34,682

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www.ctpf.org

Trust

CTPF Board of Trustees' Mission Statement

To provide, protect, and enhance the present and future economic well being of members, pensioners and beneficiaries through efficient and effective management of benefit programs, investment practices and customer service, and to commit to earning and keeping the respect and trust of the participants through quality service and by protecting retirement benefits, in compliance with applicable laws and standards.

Integrity

Stability