Chicago Teachers' Pension Fund

114th Comprehensive Annual Financial Report

For the year ended June 30, 2009 • Chicago, Illinois

Chicago Teachers' Pension Fund

Photo credits

Chicago Teachers' Pension Fund

114th Comprehensive Annual Financial Report

For the year ended June 30, 2009
Chicago, Illinois

Public School Teachers' Pension and Retirement Fund of Chicago

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

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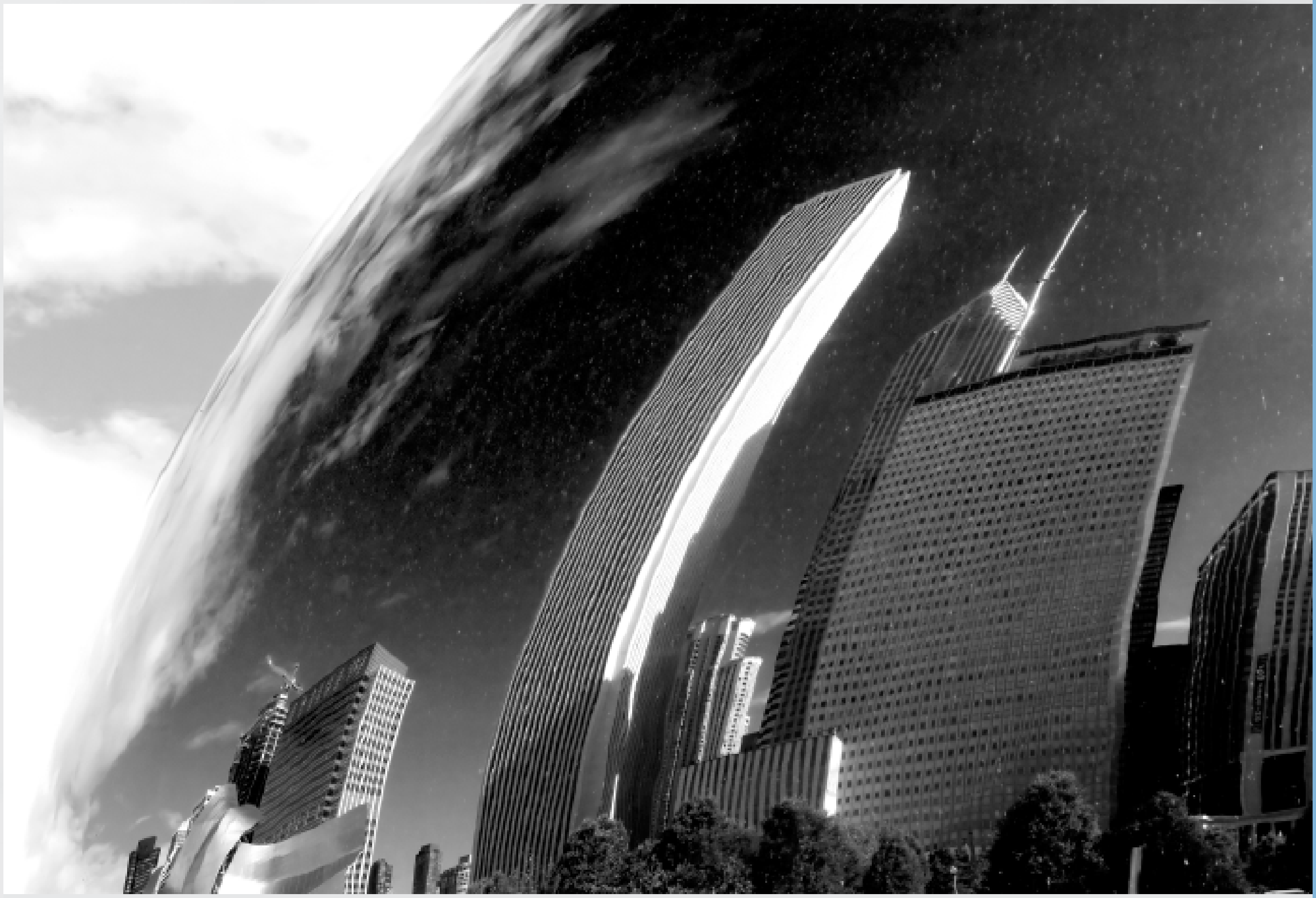


Introduction

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.

Board of Trustees

As of June 30, 2009


John F. O'Brill


Lois Nelson


Nancy Williams


Reina Otero


Alberto A. Carrero, Jr.


Peggy A. Davis


Linda S. Goff


Chris N. Kotis


Walter E. Pilditch


Mary Sharon Reilly


Maria J. Rodriguez


James F. Ward

OFFICERS

President, John F. O'Brill

Vice President, Lois Nelson

Recording Secretary, Nancy Williams

Financial Secretary, Reina Otero

MEMBERS

Representing the Contributors
Linda S. Goff
Lois Nelson
John F. O'Brill
Reina Otero
Maria J. Rodriguez
Nancy Williams

Representing the Annuitants
Walter E. Pilditch
Mary Sharon Reilly
James F. Ward

Representing the Administrators/Principals
Chris N. Kotis

Representing the Board of Education
Alberto A. Carrero, Jr.
Peggy A. Davis

Executive Staff

Executive Director,
Kevin B. Huber

Chief Financial and Legal Officer,
Patricia A. Hambrick

CONSULTANTS

As of June 30, 2009

LEGAL COUNSEL

Joseph Burns
Jacobs, Burns, Orlove, Stanton & Hernandez
122 South Michigan Avenue, suite 1720
Chicago, Illinois 60603-6145

INVESTMENT CONSULTANTS

Douglas Kryscio and Kristin R. Finney-Cooke
Mercer Investment Consulting
155 North Wacker Drive, suite 1500
Chicago, Illinois 60606

Robert Kochis
The Townsend Group
Skylight Office Tower
1660 West Second Street, suite 450
Cleveland, Ohio 44113

HEALTH INSURANCE CONSULTANT

Mitch Bramstaedt
The Segal Company
101 North Wacker Drive, suite 500
Chicago, Illinois 60606

BANK CUSTODIAN

Kathryn M. Stevenson
The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

AUDITORS

Jeffrey N. Markert
Partner
KPMG LLP
303 East Wacker Drive
Chicago, Illinois 60601

CUSTODIAN

Stephanie D. Neely
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

Acadian Asset Management, Inc.
Adams Street Partners, LLC
Adelante Capital Management, LLC
Ariel Capital Management, LLC
Attucks Asset Management, LLC
Brandywine Global Investment Management, LLC
Capri Capital Partners, LLC
CB Richard Ellis Investors, LLC
Channing Capital Management, LLC
Credo Capital Management, LLC
Dimensional Fund Advisors
DV Realty Advisors, LLC
Earnest Partners, LLC
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 Corp.
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
Lynmar Capital Group, Inc.
Macquarie Infrastructure Partners, Inc.
Merrill Lynch Asian Real Estate Fund, LP
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
Piedmont Investment Advisors, LLC
Progress Investment Management, LLC
Prudential Investment Management, Inc.
RhumbLine Advisers
RREEF America, LLC
Syncom Partners, LLC
Taplin, Canida and Habacht, Inc.
UBS Global Asset Management
United Investment Managers, Inc.
Urban America, LP
Urdang Investment Management, Inc.
Waddell & Reed Asset Management Group
Walton Street Capital, LLC
Western Asset Management Co.
William Blair & Company, LLC
Zevenbergen Capital Investments, LLC

Organizational Chart

As of June 30, 2009

Board of Trustees

Internal Auditor
Robert Jurinek

Executive Director
Kevin B. Huber

Chief Financial and Legal Officer
Patricia A. Hambrick

Benefits

Billing, Refunds, Death, Disability Supervisor
Denise Valentovich

Pensions and Estimates Supervisor
Edgar Samayoa

Communications and Office Services Manager
Frances Radencic

Member Services Manager
Sheron Banks-Fallis

Accounting Manager
Sandra Shelby

Information Technology Manager
Eric Morel

Health Benefits Manager
Mary Cavallaro

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, 2008

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

CTPF

Chicago Teachers' Pension Fund
203 North LaSalle Street, suite 2600
Chicago, IL 60601-1231

Letter of Transmittal

May 26, 2010

The Pension Board of Trustees and Fund Members
Public School Teachers' Pension and 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 114th Comprehensive Annual Report of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) that covers the fiscal year ending June 30, 2009. 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.

Overview

The Fund's membership remained constant at just over 59,000 members as of June 30, 2009. The 114th year of continuous operations ended with the Fund's operational condition remaining relatively unchanged. Conversely the Fund's financial condition was significantly impacted by negative changes in the global economy that began in the previous year. The June 30, 2009, value of net assets held in trust for pension and health benefits amounted to $8.43 billion, a 26.62% decrease from the $11.48 billion of the previous year.

The actuarial value of assets of the Pension Fund, calculated on a 4-year smoothed market value basis and used in the determination of the funding ratio, amounted to $11.5 billion. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $15.7 billion, yields a 73.3% actuarial funding ratio, a 7.3% decrease from the prior year funding ratio of 79.4%.

The actuarial value of assets of the Health Insurance Fund amounted to $49.7 million. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $2.67 billion yields a 1.9% actuarial funding ratio, and remains unchanged from the prior year.

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, 2009, investments at fair market value plus cash totaled $8.58 billion. This reflects a 26.2% decrease from the $11.63 billion value of June 30, 2008. The Fund's investment performance rate of return for the year ending June 30, 2009, was -22.4%, falling significantly short of the projected return of 8% and reflecting a 322% decrease from the -5.3% performance rate of return as of June 30, 2008. The ten-year rate of return posted by the Fund for the period ending June 30, 2009, was 2.9%, which also fell short of the actuarial assumption of 8% and reflects a 56% decrease from the previous year's ten-year average of 6.6%. Refer to the Investment Section of this report for more detailed performance information.

The Board of Trustees, along with their professional staff, consultants, and multiple investment managers, maintain 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 their 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 Report 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. Constant effort is directed by the Fund administration at improving the level of internal accounting control to ensure the members of the Fund of a financially sound retirement system.

Economic Review

The bleak economic outlook at June 30, 2008, was a precursor to both a national and global economic free fall that began during the first quarter of fiscal year 2009 and a financial collapse unlike any seen in modern history. The year began with considerable weakness in the U.S. economy, signified by rising unemployment, record-level home price declines, financial write-downs, and the failure or rescue of many well-known financial institutions which sparked the beginning of the capital markets collapse. The period saw the collapse of Lehman Brothers, the nationalization of Fannie Mac and Freddie Mac, and the effective nationalization of insurance giant AIG by an emergency $85 billion loan, as many financial institutions were on the brink of collapse.

Despite efforts to maintain the markets and economy, the downward spiral in the national and global economy continued as the second quarter of fiscal 2009 brought continued deterioration of overall market conditions, and a seismic disruption of the capital markets. As the National Bureau of Economic Research announced that the U.S. was in the midst of a recession, the rest of the world could not remain immune to what had become a global recession. During the quarter oil prices began to decline from record highs.

The U.S. Congress passed the Troubled Assets Relief Program in October, paving the way for a much-needed and well-publicized injection of capital into many struggling banks. During the quarter, Washington Mutual failed, Wells Fargo acquired Wachovia precluding that bank's failure, and Citigroup sought assistance from the U.S. government, which injected Citigroup with an additional $20 billion and guaranteed hundreds of billions of risky assets. A $17.4 billion bailout of U.S. automakers was approved in December to prevent the automakers from filing for bankruptcy. During the same month, investors learned that Bernie Madoff's Investment Securities LLC was in fact a ponzi scheme that had defrauded investors of approximately $50 billion dollars across the globe. Performance in the second quarter of fiscal 2009 continued to be bleak, as equity and other markets suffered significant losses.

The third quarter of fiscal 2009 witnessed further deterioration of market conditions as the recession continued to debilitate the U.S. economy. The U.S. financial and automotive industries teetered on the edge of collapse during the quarter despite repeated governmental intervention. Unemployment climbed higher as home prices fell even further. The Federal government took drastic steps to combat the deepening recession as the capital markets continued to contract. In February 2009 the $787 billion American Recovery and Reinvestment Act of 2009 was signed into law in an effort to stimulate the struggling US economy. Oil prices started to rebound.

The fourth quarter of fiscal 2009 witnessed some turnaround in the equity markets and major indices experienced double-digit gains. Also reflective of improving economic conditions, oil prices climbed during the quarter and the consumer confidence index rose to 49.3 from 26 at the end of the previous quarter.

Over the same period however, home prices continued to decline. The end of the fiscal year witnessed the bankruptcies of two of the United States' largest automakers. Following bankruptcy, Chrysler was acquired by the Italian automaker Fiat, while General Motors is now owned by the US government, U.A.W., its creditors and federal and provincial governments in Canada. The accelerated layoffs in the automotive industry distorted employment statistics at year end, as the national unemployment rate rose to 9.5% at the end of June 2009, from 8.5% at the end of the March 2009.

Economic Outlook

Apparent stabilization of the U.S. economy sparked investor confidence which generated strong performance in the equity markets. Reflective of improving economic conditions relative to the prior fiscal year end, oil prices and stock prices climbed after the end of fiscal 2009, while the rate of annual decline in home process also slowed.

The U.S. government rolled out the Car Allowance Rebate System, providing incentive for car buyers to purchase fuel efficient vehicles. At the end of the program, the Department of transportation reported 665,000 dealer transactions totaling approximately $2.8 billion in rebates. In addition, the U.S. government incented car purchases through year end by allowing sales tax on auto purchases to be deductible for tax purposes.

Despite positive signs, unemployment continues to move closer to 10%. Ben Bernanke, reappointed chairman of the Federal Reserve in September 2009, predicted that the worst U.S. recession since the 1930s was very likely over, but that the economy would remain weak because of elevated unemployment.

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 by the year 2045. In years where the funding ratio exceeds 90%, no employer contribution is required.

In addition, the Illinois Compiled Statutes (Public Act 90-582) provide that the Chicago Board of Education (employer) and the State of Illinois (State) are required to make additional contributions as a percentage of payroll to offset a portion of the cost of benefit increases enacted under Public Act 90-582. In years where the funding ratio exceeds 90%, no employer or state contributions are required.

Based upon the actuarial projection and funding rate of 80.4% at June 30, 2007, the employer and state made required contributions of $263,024,000 during fiscal year 2009.

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, 2009, was negative 22.4%, as performance of the portfolio mirrored the declining market and economic conditions. The Fund maintained a diversified portfolio consisting of equities (domestic and international), fixed income, real estate and private equity. The Fund continued to attempt to maximize investment performance while maintaining acceptable levels of risk.

The Board modified its target allocation policy during the year to include hedge funds as an asset class. The Board lowered its target allocation in domestic equity to 40.5%, kept target allocations in international equity at 22%, lowered its allocation in fixed income to 19.5%, and maintained its allocations in real estate at 6.5%, in private equity at 3%, in public REITs at 2.5%, in cash and cash equivalents at 2%, and in infrastructure at 2%. The Fund allocated 2% to the hedge fund asset class.

During the year, the Board performed due diligence over its investment managers in order to monitor performance and compliance. The Fund continued its formal manager performance review process in order to monitor managers in all asset classes whose performance was suspect. As of June 30, 2009, the Fund hired two domestic equity managers and two infrastructure managers, while terminating one domestic equity manager.

The Fund continued to concentrate on increasing allocations to minority and women owned money managers. Approximately 24% ($1,931,815,556) of the Fund's assets are managed by qualified minority or female owned managers. Additionally, the Fund directed $1,739,034 of commissions to qualified minority and women brokers.

Legislative

Senate Bill 96-0006 was passed and made effective during the year. The law creates reporting and procedural requirements for public pension plans and benefit funds for the purpose of providing transparency to the public in those entities that receive and use public funds in the conduct of operations. The law includes requirements for ethical training and adherence to ethical principles by Trustees and staff, public disclosure of financial information, and procedures to insure inclusion and diversity in the recruitment of investment professionals, consultants, other service providers and staff.

Major legislative proposals that the Trustees continue to pursue include:

- increasing state funding for retiree health insurance
- providing a permanent 75% health insurance rebate
- providing 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, and
- providing that all teacher income be pensionable.

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 infrastructure components of the Fund, and emphasizing customer service for our members.

- The Fund continued to work with its primary employer, Chicago Public Schools, to resolve payroll system issues that impacted pension fund data.

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, 2008. This was the 19th 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.

Concluding Comments

In the 2008 teacher trustee election John F. O'Brill and Maria Rodriguez were re-elected to three-year terms.

In the election for officers, John F. O'Brill was elected president, Reina Otero, vice president, Nancy Williams, recording secretary, and Lois Nelson, financial secretary. Chairs of standing committees included John F. O'Brill, Investments; Mary Sharon Reilly, Pension Law and Rules; Lois Nelson, Finance and Audit; and Linda Goff, Claims and Service Credits.

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 and Legal Officer


4.83
NY
-0.54
0.01
Tokyo
1.34
5.63
-6.89

Financial

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

KPMG

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Trustees
Public School Teachers' Pension and
Retirement Fund of Chicago:

We have audited the accompanying statement of plan net assets of the Public School Teachers' Pension and Retirement Fund of Chicago (the Fund) as of June 30, 2009, 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 2008 financial statements and, in our report dated September 3, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2009, and the changes in its plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(c), the financial statements include investments valued at $1,806,068,175 (21% of net assets) whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

The management's discussion and analysis, schedules of funding progress, and schedules of contributions on pages 19 through 23, 39 and 40, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 introductory section, supplementary information included in schedules 5 through 8, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in schedules 5 through 8 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. The introductory section, investment section, actuarial section, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Chicago, Illinois
May 26, 2010

Management's Discussion and Analysis (Unaudited)

June 30, 2009

Management is pleased to provide this overview and analysis of the financial activities of the Public School Teachers' Pension and Retirement Fund of Chicago (the Fund) for the year ended June 30, 2009. This information is intended to supplement the financial statements, which begin on page 24 of this report. We encourage readers to consider additional information and data in the Fund's *2009 Comprehensive Annual Financial Report*.

Annual Financial Review

The Fund maintains a highly diversified portfolio of investments for the purpose of accumulating sufficient assets to provide benefits to members and survivors. 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. However, protracted turmoil in the financial market impacted all asset classes and resulted in a negative return of 22.4% for the year ended June 30, 2009. As a result, the Fund's plan net assets decreased by $3.1 billion for fiscal year 2009. Although the fund is a long–term investor and results are more significant over longer periods, the sharp decline in value across investment classes in 2009 brought the Fund's compound rate of return over the past 10 years down to 2.9%, which is 5.1% less than the actuarial assumption of 8%.

The Fund's consulting actuary has certified the total actuarial accrued liability of the Pension Fund to be $15.7 billion as of June 30, 2009. This represents an increase in the total actuarial accrued liability of $479.5 million compared to the actuarial accrued liability of $15.2 billion as of June 30, 2008. The unfunded actuarial accrued liability increased from $3.1 billion to $4.2 billion during the year. The Fund's consulting actuary has also certified the total actuarial accrued liability of the Health Insurance Fund to be $2.7 billion as of June 30, 2009. This represents an increase in the total actuarial accrued liability of $263.2 million compared to the actuarial accrued liability of $2.4 billion as of June 30, 2008. The unfunded actuarial accrued liability increased from $2.4 billion to $2.6 billion during the year. Refer to the Actuarial Section of the report for more valuation and funding information.

Financial Highlights

- Investment returns were disappointing in comparison to previous years. The investment rate of return for fiscal year 2009 was negative 22.4% following fiscal year 2008's return of negative 5.3% and fiscal year 2007's return of 17.7%. Five- and ten-year averaged returns were 1.2% and 2.9%, respectively.
- Total plan net assets decreased during the fiscal year to $8.4 billion at June 30, 2009, from $11.5 billion at June 30, 2008.
- Total benefit payments were $1.0 billion. The Fund paid members $963.6 million in service retirement, disability and survivor benefits, and an additional $75.8 million for healthcare benefits.
- Total additions to plan net assets were a negative $2.0 billion. The net investment loss of $2.5 billion was more than 5.6 times member and employer contributions, which totaled $439.2 million.
- Benefit payments, member refunds, and administrative expenses totaled $1.0 billion for fiscal year 2009, a 4.6% increase over fiscal year 2008.
- The funded ratio for pension benefits decreased to 73.3% as of June 30, 2009, from 79.4% 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 U.S. generally accepted accounting principles.

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 postemployment healthcare plan). The Pension Fund includes member contributions and investment earnings used to pay service retirement benefits 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 healthcare 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 understanding of 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 notes, *a schedule of funding progress* and a *schedule of employer contributions* are included as required supplementary information for both the pension plan and the health insurance plan. These schedules emphasize the long-term nature of the 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 Pension Fund for the past six years and the actuarial trend information of the Health Insurance Fund for the past four 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 shows the unfunded actuarial accrued liability as a percentage of member payroll. This schedule also 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 and the percentage actually contributed.

Investment Performance

For fiscal year 2009, total investment performance resulted in a 22.4% loss as the U.S., International, and Private Equity markets generated negative returns. The Fund's portfolio of U.S. stocks experienced a 27.1% loss; International Stocks experienced a 28.9% loss and Private Equity a 24.7% loss. Real Estate generated a negative return of 35.5%, while Fixed Income realized a positive return of 4.1%.

1-Year Returns (2009)

Asset Category	Fund Return	Index Name	Index Return
Total fund	(22.4)%	Fund Benchmark Index	(19.5)%
Domestic equity	(27.1)	Russell 3000 Index	(26.6)
International equity	(28.9)	MSCI AC World Free Ex US	(30.5)
Private equity	(24.7)	Private equity	N/A
Real estate (public and private)	(35.5)	Stylized Real Estate Index*	(23.6)
Fixed Income	4.1	LB Aggregate Index	6.0

5-Year Returns (2009)

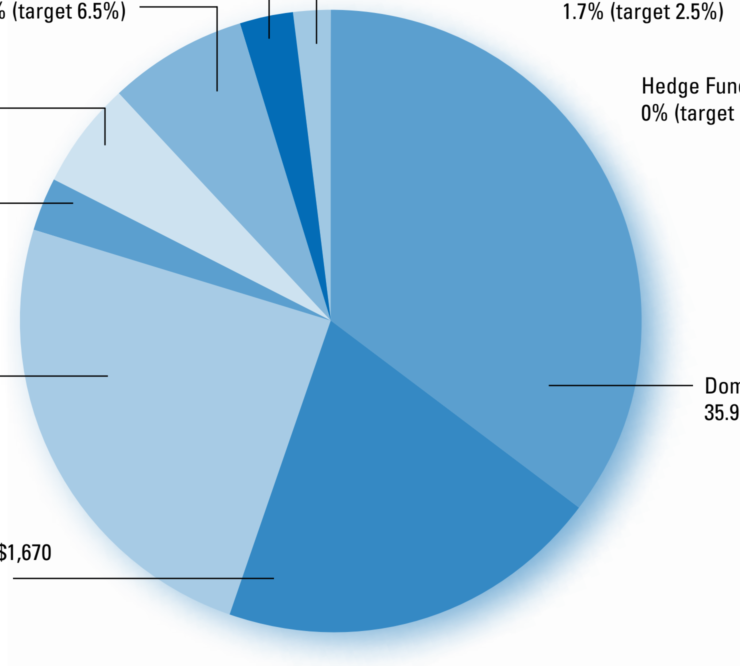
Asset Category	Fund Return	Index Name	Index Return
Total fund	1.2%	Fund Benchmark Index	1.4%
Domestic equity	(0.8)	Russell 3000 Index	(1.8)
International equity	3.2	MSCI AC World Free Ex US	4.9
Private equity	10.4	Private equity	N/A
Real estate (public and private)	2.9	Stylized Real Estate Index*	5.9
Fixed Income	4.5	LB Aggregate Index	5.0

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 Summary as of June 30, 2009

IN MILLIONS OF DOLLARS



* *Note: Percentage indicates actual category weight as a percentage of the entire portfolio. The Fund has targeted hedge funds to be 2% of the asset allocation but did not invest in hedge funds during the fiscal year.*

Financial Statement Analysis

Plan Net Assets

The plan net assets decreased $3.1 billion (26.6%) during the fiscal year. This decrease was due largely to the 22.4% decline in the value of investment holdings.

As of June 30, 2009, total receivables, excluding amounts due from brokers, decreased by $15.2 million from 2008. The change in receivables is the result of a decrease in accrued investment income along with a decrease in deferred contributions receivable from the employer, at year-end. Due from brokers (the proceeds due from investment sales) increased $34.7 million due to timing of investment sales at year-end.

Refunds payable increased $1.4 million in 2009. This increase was due to a larger year-end accrual of refund expense. The decrease in accounts and administrative expense payable of $2.6 million is the result of a decrease in the year-end accrual of manager fee expense. Included in securities lending collateral payable is $82.6 million, which represents the amount due to the Fund's custodian for losses on securities lending transactions. Due to brokers (the cash due for investment purchases) decreased by $56.2 million due to the timing of investment purchases at year-end.

Below is a summary of the plan net assets for the years ended June 30, 2009 and 2008.

(IN MILLIONS)	FISCAL YEAR 2009	FISCAL YEAR 2008
Cash and cash equivalents	$ 7.5	34.8
Receivables	94.7	109.9
Due from brokers	313.2	278.4
Investments, at fair value	8,578.0	11,618.1
Securities lending collateral and other assets	1,424.8	2,160.2
Capital assets, net	3.1	3.6
Total assets	**10,421.3**	**14,205.0**
Benefits and refunds payable	12.0	10.0
Accounts and administrative expenses payable	10.9	13.5
Securities lending collateral payable	1,507.4	2,176.5
Due to brokers	465.3	521.5
Total liabilities	**1,995.6**	**2,721.5**
Net assets held in trust for benefits	**$ 8,425.7**	**11,483.5**

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 ended June 30, 2009, additions totaled negative $2.0 billion, compared to negative $335.7 million for the year ended June 30, 2008. Intergovernmental contributions decreased by $22.5 million in fiscal year 2009 due to a decrease in federal funds received from the employer. The change in employee contributions is consistent between years with a slight increase due to higher salaries. 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, 2007, the employer and state were required to make additional contributions in fiscal year 2009 in the amount of $198.0 million. Net investment income decreased due to further unrealized depreciation of the Fund's investment portfolio. The Fund's portfolio experienced a 22.0% loss for the year ended June 30, 2009, versus a 5.3% loss for the year ended June 30, 2008. The health insurance premium refund of $15 million represents a refund from the surplus premium reserve of one of the Fund's health insurance vendors.

Below is a summary of additions to plan net assets for the years ended June 30, 2009 and 2008.

(IN MILLIONS)	FISCAL YEAR 2009	FISCAL YEAR 2008
Intergovernmental, net	$ 65.0	87.6
Employee contributions	176.2	172.5
Minimum funding requirement (employer)	198.0	141.7
Net investment income	(2,463.9)	(737.5)
Health insurance premium refund	15.0	—
Total additions	$ (2,009.7)	(335.7)

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 a larger number of former teachers requesting resignation refunds. The health insurance rebate was disbursed at 70% of covered premiums for fiscal years 2009 and 2008. Total deductions from plan assets amounted to $1.0 billion for the year ended June 30, 2009, compared to $1.0 billion for the previous year.

The following is a summary of deductions to plan net assets for the years ended June 30, 2009 and 2008

(in millions)	Fiscal Year 2009	Fiscal Year 2008
Pension benefits	$ 940.6	904.7
Refunds	20.0	16.7
Death benefits	3.0	2.9
Refund of insurance premiums	75.8	68.7
Administration and miscellaneous expenses	8.8	7.8
Total deductions	$ 1,048.2	1,000.8

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 of the Fund, 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 time frame of that fiscal period through 2045.

Based upon the actuarial projection at June 30, 2008, the employer must make contributions in fiscal year 2010 of approximately $307.5 million. Based upon the actuarial projection at June 30, 2009, the employer must make contributions in fiscal year 2011 of approximately $586.9 million. The Fund is required to communicate to the employer the contribution required for fiscal year 2011 by February 28, 2010. State law also requires state contributions and other employer contributions to provide for benefit increases when the funding level drops below 90%. Accordingly, the State of Illinois is required to remit $10.4 million and the primary employer of the Fund is required to remit $11.1 million during the fiscal year ending June 30, 2011.

The funded ratio for pension benefits decreased from 79.4% in 2008 to 73.3% in 2009. The decrease in the funded ratio is due to investment losses in 2009. Employer contributions are expected to increase, due to required minimum employer contributions, and a slight increase is expected in operational and benefits costs. The rate of return for the period ending June 30, 2010 is projected at 8%. As a result, the funded ratio is expected to decrease to 67.5% in fiscal year 2010. The funded ratio of the plan has ranged from 73.3% to 99.9% over the last 10 years.

As previously mentioned, the *schedule of employer contributions* shows the amount of required contributions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 43, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* As exhibited in the schedules, the employer is not making required contributions sufficient to meet the increasing liability of the Pension Fund or Health Insurance 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, 2009, with comparative totals for 2008

	Pension Fund	Health Insurance Fund	Total 2009	Total 2008
ASSETS:				
Cash	$ 7,531,374	—	7,531,374	34,812,134
Receivables:				
Intergovernmental	16,776,988	—	16,776,988	17,286,497
Employee	35,654,556	—	35,654,556	39,024,213
Accrued investment income	36,519,843	—	36,519,843	47,965,601
Due from brokers	313,153,170	—	313,153,170	278,428,934
Participating teachers' accounts for contributions	4,861,620	—	4,861,620	4,456,943
Other receivables	881,473	—	881,473	1,163,874
Total receivables	407,847,650	—	407,847,650	388,326,062
Investments, at fair value:				
U.S. government and agency fixed income	1,299,893,984	—	1,299,893,984	1,485,108,310
U.S. corporate fixed income	616,812,868	—	616,812,868	1,004,129,265
Foreign fixed income securities	143,946,025	—	143,946,025	131,426,685
Commingled fixed income funds	34,626,862	—	34,626,862	—
U.S. equities	3,085,461,394	—	3,085,461,394	4,598,740,963
Foreign equities	1,669,878,749	—	1,669,878,749	2,476,055,542
Public REITs	146,855,811	—	146,855,811	254,914,178
Pooled short-term investment funds	431,097,776	53,082,407	484,180,183	468,514,226
Real estate	599,626,373	—	599,626,373	921,205,016
Infrastructure	254,682,999	—	254,682,999	—
Private equity	237,245,332	—	237,245,332	296,631,650
Swaps	(13,495,270)	—	(13,495,270)	(26,881,336)
Options	—	—	—	(455,853)
Margin cash	18,230,000	—	18,230,000	8,700,000
Total investments	8,524,862,903	53,082,407	8,577,945,310	11,618,088,646
Securities lending collateral	1,424,843,642	—	1,424,843,642	2,160,174,876
Capital assets, net of accumulated depreciation	3,127,077	—	3,127,077	3,579,949
Total assets	**10,368,212,646**	**53,082,407**	**10,421,295,053**	**14,204,981,667**
LIABILITIES:				
Benefits payable	1,555,650	—	1,555,650	1,096,875
Refunds payable	10,357,767	—	10,357,767	8,929,357
Accounts and administrative expenses payable	7,514,644	3,390,657	10,905,301	13,512,694
Securities lending collateral	1,507,411,895	—	1,507,411,895	2,176,449,167
Due to brokers	465,402,998	—	465,402,998	521,516,428
Total liabilities	**1,992,242,954**	**3,390,657**	**1,995,633,611**	**2,721,504,521**
Net assets held in trust for benefits	$ 8,375,969,692	49,691,750	8,425,661,442	11,483,477,146

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For fiscal year ended June 30, 2009, with comparative totals for 2008

	Pension Fund	Health Insurance Fund	Total 2009	Total 2008
ADDITIONS:				
Contributions				
Intergovernmental, net	$ 45,327	65,000,000	65,045,327	87,597,412
Employee	176,176,975	—	176,176,975	172,504,804
Minimum funding requirement (employer)	198,024,000	—	198,024,000	141,673,000
Total contributions	374,246,302	65,000,000	439,246,302	401,775,216
Investment income:				
Net appreciation (depreciation) in fair value	(2,653,431,276)	—	(2,653,431,276)	(1,026,367,696)
Interest	148,477,541	514,200	148,991,741	181,644,830
Dividends	128,668,373	—	128,668,373	165,108,767
Miscellaneous	277,594	—	277,594	7,272
Securities lending loss	(53,465,789)	—	(53,465,789)	(16,406,050)
Less investment expense:				
Investment advisory and custodial fees	(34,947,387)	—	(34,947,387)	(41,525,892)
Total investment income, net	(2,464,420,944)	514,200	(2,463,906,744)	(737,538,769)
Health insurance premium refund	—	15,000,000	15,000,000	—
Total additions	(2,090,174,642)	80,514,200	(2,009,660,442)	(335,763,553)
DEDUCTIONS:				
Pension benefits	940,575,487	—	940,575,487	904,675,062
Refunds	18,991,822	—	18,991,822	15,273,946
2.2 Legislative refunds	1,046,641	—	1,046,641	1,456,322
Refund of insurance premiums	—	75,811,835	75,811,835	68,691,191
Death benefits	2,977,532	—	2,977,532	2,846,213
	963,591,482	75,811,835	1,039,403,317	992,942,734
Administrative and miscellaneous expenses	8,751,945	—	8,751,945	7,827,576
Total deductions	972,343,427	75,811,835	1,048,155,262	1,000,770,310
Net increase (decrease)	(3,062,518,069)	4,702,365	(3,057,815,704)	(1,336,533,863)
Net assets held in trust for benefits:				
Beginning of year	11,438,487,761	44,989,385	11,483,477,146	12,820,011,009
End of Year	**$ 8,375,969,692**	**49,691,750**	**8,425,661,442**	**11,483,477,146**

See accompanying notes to financial statements.

(1) Description of Pension and Health Insurance Plan

(a) Pension Plan

The Public School Teachers' Pension and Retirement Fund of Chicago (the 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, 2009 and 2008, the Fund membership consisted of the following:

	2009	2008
Retirees and beneficiaries currently receiving benefits	24,218	23,920
Terminated members entitled to benefits but not yet receiving them	3,056	3,479
Current members:		
Vested	20,488	20,568
Nonvested	11,417	11,518
	59,179	59,485

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 5 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 four highest years of salary earned or (2) applying a flat 2.2% to the average of the four 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 four 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 nonduty disability is payable after 10 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.

(B) 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 years 2009 and 2008. In accordance with Chapter 40, Act 5, Article 17, Section 17-142.1 of the Illinois Compiled Statutes, 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. Of the net assets available for benefits in the health insurance fund, previous year amounts authorized but not yet expended at June 30, 2009 and 2008 are $49,691,750 and $44,989,385, respectively. The Fund has total discretion over the program, and no employee or employer contributions are made for the subsidy. As of June 30, 2009 and 2008, health insurance membership consisted of the following:

	2009	2008
Retirees and beneficiaries currently receiving health insurance benefits	16,495	15,166
Terminated employees entitled to benefits but not yet receiving them	3,056	3,479
Active Members	31,905	32,086
	51,456	50,731

(2) Summary of Significant Accounting Policies

(A) 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.

(b) Basis of Accounting

The Fund's financial statements are prepared using the accrual basis of accounting, following standards promulgated by the 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.

(c) Cash and Investments

Cash includes amounts in demand deposits and uninvested funds held by the Fund's investment managers.

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.

Investments are reported at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stock is determined by using the closing price listed on the national securities exchanges as of June 30. Fair value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of June 30. Alternative investments which include private equity and real estate are valued based on amounts established by the fund managers which are subject to annual audit.

(d) Property and Equipment

Property and equipment are reported at cost. Depreciation is computed by the straight line method based upon estimated useful lives of 50 years for building and improvements, 10 years for the benefit payment system, and 3 to 5 years for furniture and equipment.

(e) 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.

(f) Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

(G) Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, the Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions.

(3) Receivables

As of June 30, 2009 and 2008, intergovernmental receivables include contributions due from the Board of Education and appropriations due from the State of Illinois as follows:

	2009	2008
Board of Education		
Early retirement program	$ 9,374,699	9,859,374
Deficiencies	1,165,231	1,165,231
State of Illinois appropriations	6,237,058	6,261,892
	$ 16,776,988	17,286,497

The Early Retirement Program receivable represents the Board of Education's portion of the early retirement costs for fiscal years 2008 and 2007. The Board of Education did not offer the early retirement program for fiscal year 2009.

Employee receivables include the employees' portion of the early retirement costs, retirement contributions deducted from employees' 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 $33,121,741 and $36,574,472, on behalf of the employees, at June 30, 2009 and 2008, respectively. Employees owed the Fund $2,532,815 and $2,449,741 for the 2.2 formula upgrade at June 30, 2009 and 2008, respectively.

(4) Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Fund's deposits may not be returned. All noninvestment related bank balances at year end 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). Cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of $250,000. There is no deposit policy for custodial credit risk.

Carrying amount at June 30, 2009:	
Carrying amount	$ 7,531,374
Bank balance	9,539,869
Amount exposed to custodial credit risk	9,392,101

Investments

The following table presents a summary of the Fund's investments at fair values at June 30, 2009:

Investments	Fair Value
U.S. government and agency fixed income	$ 1,299,893,984
U.S. corporate fixed income	616,812,868
Foreign fixed income securities	143,946,025
Commingled fixed income funds	34,626,862
U.S. equities	3,085,461,394
Foreign equities	1,669,878,749
Public REITs	146,855,811
Pooled short-term investment funds	484,180,183
Real estate	599,626,373
Infrastructure	254,682,999
Private equity	237,245,332
Swaps	(13,495,270)
Margin cash	18,230,000
Total investments	$ 8,577,945,310

(a) Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The fund does not have a formal investment policy which limits its exposure to custodial credit risk. As of June 30, 2009, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Fund's name:

Custodial Credit Risk	June 30, 2009
Margin cash	$ 18,230,000

(b) Concentration of Credit Risk

There are no significant investments in any organization that represent 5% or more of net assets available for benefits as of June 30, 2009.

(c) Credit Risk

Credit risk is the risk that the Fund will not recover its investments due to the ability of the counterparty to fulfill its obligation. The fund does not have a formal investment policy which limits its exposure to credit risk. The following table presents the quality ratings of debt securities held by the Fund as of June 30, 2009:

S&P Credit Ratings	Asset - Backed	Commercial Mortgage - Backed	Corporate Bonds	Government Agencies	Government Bonds	Government Mortgage-Backed	Municipal Prov. Bonds
AAA	$ 21,417,671	52,893,807	34,649,774	224,219,423	473,587,352	171,260	—
AA	1,942,759	1,085,492	71,580,247	788,566	—	—	7,653,665
A	186,050	3,574,548	315,425,911	7,669,612	9,293,237	—	5,367,012
BBB	542,380	4,867,617	258,601,125	1,237,771	12,043,648	—	—
BB	357,196	2,112,068	19,217,542	—	—	—	—
B	2,932,153	4,834,269	4,386,218	—	—	—	—
CCC	157,651	320,998	9,779,622	—	—	—	—
D	—	41,090	290,900	—	—	—	—
NR	455,553	11,877,723	15,817,217	13,365,701	—	1,178,266	—
US Gov't. Agency	—	—	—	39,728,927	138,141,298	286,859,558	—
Total Debt Securities	**$ 27,991,413**	**81,607,612**	**729,748,556**	**287,010,000**	**633,065,535**	**288,209,084**	**13,020,677**

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Fund's investments will decrease as a result of an increase in interest rates. The following table presents the weighted average maturity of debt securities held by the Fund as of June 30, 2009:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Asset-backed securities	$ 27,991,413	0.24
Commercial mortgage-backed	81,607,612	1.29
Corporate bonds	729,748,556	3.86
Government agencies	287,010,000	0.81
Government bonds	633,065,535	2.29
Government mortgage-backed securities	288,209,084	2.45
Municipal/provincial bonds	13,020,677	0.08
Total	**$ 2,060,652,877**	**11.02**

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.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund does not have a formal investment policy which limits its exposure to foreign currency risk. The following table presents the foreign currency risk by type of investment as of June 30, 2009:

Currency	Fair Value	Percentage
Australian dollar	$ 52,951,950	3.06%
Brazilian real	8,536,045	0.49
British pound sterling	324,074,134	18.73
Canadian dollar	43,821,166	2.53
Czech koruna	2,305,556	0.13
Danish krone	10,158,363	0.59
Egyptian pound	1,277,352	0.07
Euro	465,486,785	26.91
Hong Kong dollar	62,414,846	3.61
Hungarian Forint	102,085	0.01
Indian rupee	504,630	0.01
Indonesian rupiah	205,398	0.03
Japanese yen	318,158,898	18.39
Malaysian ringgit	1,287,440	0.07
Mexican peso	5,114,597	0.30
New Zealand dollar	357,965	0.02
Norwegian krone	10,248,035	0.59
Pakistan rupee	105,728	0.01
Polish zloty	269,382	0.02
Singapore dollar	27,135,218	1.57
South African rand	2,745,632	0.16
South Korean won	16,551,264	0.96
Swedish krona	15,275,552	0.88
Swiss franc	159,786,618	9.24
Taiwan dollar	12,041,909	0.70
Thai baht	945,732	0.05
Turkish lira	2,783,846	0.16
U.S. dollar	185,439,082	10.71
Total	**$ 1,730,085,208**	**100.00%**
Foreign fixed income - U.S. dollar	$ 143,946,025	100.00

(f) 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 minicap domestic equity portfolios established for hedging or risk reduction and not for speculative purposes.

As of June 30, 2009 and 2008, the Fund held forward currency contracts representing agreements to buy or sell U.S. dollars, Australian dollars, British pound sterling, euros, Hong Kong dollars, Japanese yen, Singapore dollars, and Swedish krona 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, 2009 and 2008, the fair values of the obligations under the purchase side of these forward contracts amounted to $18,515,332 and $40,165,978, respectively, and the fair values of the obligations under the sale side of these forward contracts amounted to $18,583,010 and $40,214,135, respectively. As of June 30, 2009, the Fund held 25,638,753 units (4.9%) of three commingled equity trust funds. As of June 30, 2008, the Fund held 24,274,800 units (1.2%) of three 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 for June 30, 2009 and 2008. 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 managers have chosen to use futures contracts as a low cost substitute for direct ownership of the underlying securities.

(g) 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%. 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, if the collateral is inadequate to replace the securities lent, or the borrowers fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. During fiscal year 2009, the fund recorded a $82.6 million payable to the Funds' custodian for losses of collateral on security lending transactions. 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 48 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, 2009	June 30, 2008
Fair value of securities loaned for cash collateral	$ 1,384,980,900	2,099,388,899
Fair value of securities loaned for noncash collateral	88,221,449	425,228,746
Total fair value of securities loaned	$ 1,473,202,349	2,524,617,645
Fair value of cash collateral from borrowers	$ 1,424,843,642	2,160,174,876
Fair value of noncash collateral from borrowers	94,718,251	425,173,838
Total fair value of collateral from borrowers	$ 1,519,561,893	2,585,348,714

(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 by 2045. In years where the funding rate exceeds 90%, no employer contribution is required. Based upon the actuarial projections at June 30, 2007 and 2006, the employer and state were required to make contributions in the amount of $198.0 million and $141.7 million in fiscal years 2009 and 2008, respectively.

(A) 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 $235,296 and $216,973 for the years ended June 30, 2009 and 2008, respectively, which is 100% of the employee contributions required to be made by the Fund.

(B) 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.

(c) Early Retirement Program

Optional Program — 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
- 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.

The Board of Education did not pass an Early Retirement Option for the year ended June 30, 2009 and has not paid the required employer contributions related to the early retirement optional program for fiscal years 2008 and 2007. The required contributions for fiscal years 2008 and 2007 are reflected as a receivable of $9,374,699 in the financial statements.

(6) Funded Status and Funding Progress

As of June 30, 2009, the funded status, annual covered payroll, and unfunded actuarial accrued liability for the Pension and Health Insurance Plans were as follows:

	Pension Plan	Health Insurance Plan
Actuarial accrued liability	$ 15,683,241,527	2,670,282,662
Less actuarial value of assets	11,493,255,754	49,691,750
Unfunded actuarial accrued liability	$ 4,189,985,773	2,620,590,912
Funded ratio	73.28%	1.86%
Annual covered payroll	$ 1,996,194,224	1,996,194,224
Unfunded actuarial accrued liability as a percentage of annual covered payroll	209.90%	131.28%

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Because actuarial calculations reflect a long term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates made about the future. Examples include assumptions about future employment, mortality, investment return, and healthcare cost trend. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi year trend information about whether the actuarial value of each plan's net assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The following represents the actuarial methods and assumptions for the Pension and Health Insurance Plans as of June 30, 2009:

	Pension Plan	Health Insurance Plan
Valuation date	June 30, 2009	June 30, 2009
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll
Amortization approach	Open	Open
Amortization period	30 years	30 years
Asset valuation method	4 year smoothed market value	4 year smoothed market value
Actuarial assumptions:		
Investment rate of return	8.0% per year	4.5% 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 4.0% per year.	N/A
Inflation rate*	3% per year	3% per year
Postretirement benefit increase:		
2010	3% per year	5.0% per year
2011	3% per year	8.0% per year
2012	3% per year	7.5% per year
2013	3% per year	7.0% per year
2014	3% per year	6.5% per year
2015	3% per year	6.0% per year
2016	3% per year	5.5% per year
2017 and later	3% per year	5.0% per year

* includes inflation at cost-of-living adjustments

(7) 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 three fiscal years.

(8) Litigation

There are several 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.

(9) Operating Leases

The Fund's office 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 as follows:

Year Ended June 30:	Amount
2010	$ 474,675
2011	487,333
2012	499,991
2013	512,649
2014	525,307
2015 – 2019	2,816,405
2020 – 2021	1,111,794
Total minimum future rental payments	$ 6,428,154

Rent expense was $462,017 and $399,010 in 2009 and 2008, respectively.

Required Supplementary Information

Schedule of Funding Progress (Unaudited)

Pension Fund

Last six fiscal years (in thousands except for percentages)

Schedule 1

Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued liability – Projected unit credit (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual covered payroll (c)	UAAL as a percent of annual covered payroll (b-a)/c
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
June 30, 2007	11,759,699	14,677,184	2,917,485	80.12	1,863,182	156.59
June 30, 2008	12,069,417	15,203,741	3,134,324	79.38	1,914,559	163.71
June 30, 2009	11,493,256	15,683,241	4,189,985	73.28	1,996,194	209.90

(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.

See accompanying independent auditors' report.

Schedule of Funding Progress (Unaudited)

Health Insurance

Last four fiscal years (in thousands except for percentages)

Schedule 2

Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued liability – Projected unit credit (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual covered payroll (c)	UAAL as a percent of annual covered payroll (b-a)/c
June 30, 2006	$ 41,058	2,373,774	2,332,716	1.73%	$ 1,944,358	119.97%
June 30, 2007	47,402	2,022,008	1,974,606	2.34	1,863,182	105.98
June 30, 2008	44,989	2,407,122	2,362,133	1.87	1,914,559	123.38
June 30, 2009	49,692	2,670,283	2,620,591	1.86	1,996,194	131.28

Required Supplementary Information

Schedule of Contributions (Unaudited)

Pension Plan

Last six fiscal years

Schedule 3

Period Ended	Employer Contributions: Annual Required contributions	Employer Contributions: Actual	Employer Contributions: Percentage contributed	Employee Contributions: Annual Required contributions	Employee Contributions: Actual	Employee Contributions: Percentage contributed	Total contributions as a % of annual required contributions
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	117,789,706	35.87	163,544,149	163,419,386	99.92	57.17
June 30, 2007	311,139,800	103,761,750	33.35	156,716,250	179,017,663	114.23	60.44
June 30, 2008	290,072,885	164,466,511	56.70	161,037,666	172,504,804	107.12	74.70
June 30, 2009	292,145,359	198,069,327	67.80	167,904,187	176,176,975	104.93	81.35

See accompanying independent auditors' report.

Schedule of Contributions (Unaudited)

Health Insurance

Last four fiscal years

Schedule 4

Period ended	Employer Contributions: Annual Required Contributions	Employer Contributions: Actual	Employer Contributions: Percentage Contributed
June 30, 2006	$ 213,315,753	65,000,000	30.47%
June 30, 2007	209,446,107	65,000,000	31.03
June 30, 2008	150,033,070	65,000,000	43.32
June 30, 2009	171,880,428	65,000,000	37.82

See accompanying independent auditors' report.

Administrative and Miscellaneous Expenses

Years ended June 30, 2009 and 2008

Schedule 5

	2009	2008
Salaries	$ 3,994,083	3,841,943
Accrued leave	222,278	84,635
Actuary fees	60,500	67,200
Auditing	253,500	45,000
Banking fees	48,334	46,195
Consulting	25,000	1,268
Data processing	63,287	76,493
Depreciation	561,907	590,503
Election expense	189,779	53,506
Employees' health insurance	499,915	485,094
Field services/pension rep	50,624	66,399
Health insurance consulting	26,315	42,687
Insurance premium	32,934	35,628
Legal fees	136,767	168,192
Legislative expense	118,821	111,048
Maintenance of equipment, systems, software, and support	346,127	316,086
Medical fees	36,955	45,804
Membership, dues, and subscriptions	8,967	8,080
Office forms and supplies	35,265	51,685
Office rent and utilities	907,807	524,897
Postage	192,262	191,727
Publications/communication	190,431	217,163
Records management	4,900	20,653
Studies and evaluation	18,025	13,080
System consulting	530,103	556,620
Trustee conferences, seminars, and meetings	131,003	96,356
Tuition and training/educational conference	44,557	43,139
Miscellaneous	21,499	26,495
Total	**$ 8,751,945**	**7,827,576**

See accompanying independent auditors' report.

Schedule of Cash Receipts and Disbursements

Years ended June 30, 2009 and 2008

Schedule 6

	2009	2008
Cash and cash equivalents at beginning of period	$ 503,326,360	439,470,864
Add receipts:		
Member contributions	179,141,955	171,703,772
Public revenues	263,578,836	226,290,006
Interest and dividends	235,567,071	335,817,685
Miscellaneous	15,282,401	—
Net investment sales	377,834,313	399,193,559
Total cash receipts	**1,071,404,576**	**1,133,005,022**
Less disbursements:		
Pension benefits	943,094,244	907,537,134
Refunds	17,563,412	28,604,357
2.2 legislative refunds	1,046,641	1,456,322
Refund of insurance premiums	72,421,178	65,491,191
Investment and administrative expenses	48,893,904	66,059,079
Miscellaneous	—	1,443
Total cash disbursements	**1,083,019,379**	**1,069,149,526**
Net increase in cash and cash equivalents	(11,614,803)	63,855,496
Cash and cash equivalents at end of period	**$ 491,711,557**	**503,326,360**

See accompanying independent auditors' report.

Schedule of Manager Fees

Years ended June 30, 2009 and 2008

Schedule 7

	2009	2008
Acadian Asset Management, Inc.	$ 1,163,558	1,799,462
Adams Street Partners	1,028,658	983,600
Adelante Capital Management	244,230	355,838
Ariel Capital Management	417,338	613,840
Attucks Asset Management	718,590	883,489
Brandywine Global Investment Management	389,562	942,424
Capri Capital Partners	220,328	237,383
CB Richard Ellis Investors	110,457	216,175
Channing Capital MGMT	6,603	—
Chicago Equity Partners	247,175	399,605
Credo Capital Mgmt.	6,481	—
Dimensional Fund Advisors	331,388	487,730
DV Urban Realty Partners	296,909	312,503
Earnest Partners, LLC	362,415	535,870
Fidelity Capital Management Trust Co.	—	172,313
Fremont Realty Capital	316,530	311,819
HarbourVest Partners, LLC	900,000	1,000,000
Harris Investment Management, Inc.	487,207	608,396
Hispania Capital Partners	309,253	153,151
Holland Capital Management	378,301	490,014
ICV Capital Partners	150,000	138,762
Intercontinental Real Estate Corp.	436,898	438,102
J & W Seligman & Co.	628,024	896,495
J.P. Morgan Fleming	2,880,047	3,473,980
Lazard Asset Management	869,921	1,231,667
Lehman Brothers Asset Management	344,461	354,484
LM Capital Group	132,805	133,151
Lombardia Capital Partners	403,877	530,078
Lynmar Capital Group, Inc.	305,716	418,381
Macquarie Partners	1,941,241	—
Merrill Lynch	300,000	401,667
Mesirow Financial, Inc.	1,128,502	1,189,075
MFS Institutional Advisors	1,171,822	1,608,285

Continued on page 44

 (continued from page 43)

	2009	2008
Morgan Stanley Investment Management	$ 2,257,734	3,371,014
Muller and Monroe Asset Management	350,000	303,836
New Amsterdam Partners	505,251	650,858
Northern Trust Global Investments	919,428	1,303,006
Palladium Equity Partners	150,000	150,000
Pantheon Ventures, Inc.	662,943	599,718
Pharos Capital Group	145,890	181,318
Piedmont Investment Advisors	385,139	503,482
Progress Investment Management	708,352	839,243
Prudential Investment Management	1,601,264	1,725,479
RhumbLine Advisers	66,196	85,593
RREEF America, LLC	330,562	317,121
Smith Graham & Co.	—	87,344
Syncom Partners	159,494	166,181
Taplin, Canida and Habacht	183,314	197,024
UBS Global Asset Management	1,525,600	2,764,321
United Investment Managers, Inc.	507,718	873,983
UrbanAmerica, LP	306,810	312,484
Urdang Investment Management	233,040	370,650
Waddell & Reed Asset Management Group	275,233	382,386
Walton Street Capital	1,167,194	922,913
Western Asset Management	799,062	890,562
William Blair & Company	520,378	903,900
Zevenbergen Capital Investments	206,119	290,400
Total manager fees	32,595,018	39,510,555
Mercer – General investment consultant	365,000	360,000
Northern Trust – Master custodian	500,000	500,000
The Townsend Group – Real estate consultant	160,000	120,000
Total consultant fees	1,025,000	980,000
Fees for foreign exchange and real estate	1,327,369	1,035,337
Total	**$ 34,947,387**	**41,525,892**

See accompanying independent auditors' report.

Schedule of Consultant Payments

Years ended June 30, 2009 and 2008

Schedule 8

	2009	2008
Anselmo and Associates	$ 67,896	68,995
Bansley & Kiener, LLP	—	45,000
Bogfire, Inc.	23,400	25,685
Bradley Consulting Group, Inc.	432,000	525,500
Cahill Printing Co.	20,855	33,652
Chicago Press Corporation	59,936	58,771
Data Consultants	31,094	38,464
E. M. Barnes & Associates	50,925	51,748
Election Service Corporation	160,013	44,628
Goldstein & Associates	60,500	67,200
Michelle Holleman	65,640	61,835
Imaging Office Systems	32,003	84,165
Jacobs, Burns, Orlove, Stanton & Hernandez	148,967	57,785
Kirkland & Ellis, LLP	27,649	80,593
KPMG LLP	253,500	—
Levi, Ray & Shoup, Inc.	215,563	236,974
Robin Lynch	98,102	70,620
Microsystems	—	4,748
National Data Service of Chicago	187,508	231,504
North Shore Printers	43,996	43,714
The Segal Company	26,315	42,687
Total	**$ 2,005,862**	**1,874,268**

See accompanying independent auditors' report.

INVESTMENT

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.

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675

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, 2008 through June 30, 2009.

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

Kathryn M Stevenson

By:
Kathryn M. Stevenson, Senior Vice President

MERCER
MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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February 16, 2009

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, 2009. The past year has been the most challenging investing environment in recent memory. While the Fund's results were lackluster, performance rebounded significantly since the end of the fiscal year.

As of June 30, 2009, the Fund's market value totaled $8.1 billion, an approximate $3.3 billion decrease since June 30, 2008, due to net withdrawals and investment performance. During the past twelve month period:

- Domestic equity markets struggled significantly. The S&P 500 Index, an index of domestic large capitalization stocks, declined 26.2% during the one year period while smaller stocks, as measured by the Russell 2000 Index, returned -25.0%. The largest negative contributor to performance was in the financials sector despite a robust rally during the second quarter of 2009. Growth stocks outperformed value stocks.
- Developed international equity markets trailed their domestic equity counterparts during the one year period, declining 31.0% as measured by the MSCI EAFE (Europe, Australasia, Far East) Index. Emerging markets declined 27.8%, as measured by the MSCI Emerging Markets Index.
- The Fixed income market produced strong results during the year, gaining 6.0% as measured by the Barclays Aggregate Bond Index. The dislocation in the fixed income market during the fourth quarter of 2008 led to liquidity issues and wide price dispersion in the fixed income space as only the highest quality issues (Treasuries) traded at reasonable prices. Corporate and mortgage issues struggled significantly during the second half of 2008 and then rebounded during the first half of 2009.

Within this environment, the Fund declined 22.3% during the 12 month period ending June 30, 2009. During the height of the credit crisis there was a lack of reasonable pricing in the fixed income market. The Fund did not rebalance back to equities during this period due to the illiquidity (lack of reasonable pricing), which resulted in a large overweight to fixed income at the end of 2008. While this overweight to fixed income was a benefit to the Fund during the declining equity markets, it was a hindrance to performance as the market rallied in early March 2009. The Fund trailed its benchmark and peer group universe during the fiscal year, primarily due to the overweight position held in fixed income at the end of 2008. The Fund also trailed its benchmarks for both the three and five year time frame due to the most recent one year fiscal period. Since inception, the Fund outperformed its benchmark by 30 basis points annually.

The Fund's domestic equity managers declined 26.9% during the fiscal year, trailing the Russell 3000 Index return of -26.6%. The Fund continues to hold a value tilt in the domestic equity portfolio, which had an adverse impact on performance during the growth dominated market of the past fiscal year. In general, the Fund's domestic equity managers produced mixed results across the market capitalization spectrum.

The Fund's international equity allocation outperformed during the fiscal year, declining 28.9% as compared to the benchmark return of -30.5%. Active management added value as six out of the Fund's eight active international equity managers outperformed their respective indices.

The fixed income portfolio struggled during the credit crunch, returning 4.1% as compared to the benchmark return of 6.0%. An increase in flight to quality within the capital markets during the second half of 2008 negatively impacted the opportunistic managers in the portfolio. While the first half of 2009 was a very strong period for the same managers that struggled in 2008, the gains did not offset the losses experienced in 2008.

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. There are many challenges to the Fund over the next year (as well as opportunities) and Mercer will continue to review the Fund's strategy in light of the credit crisis experienced in 2008 and the market rebound that occurred in 2009.

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.

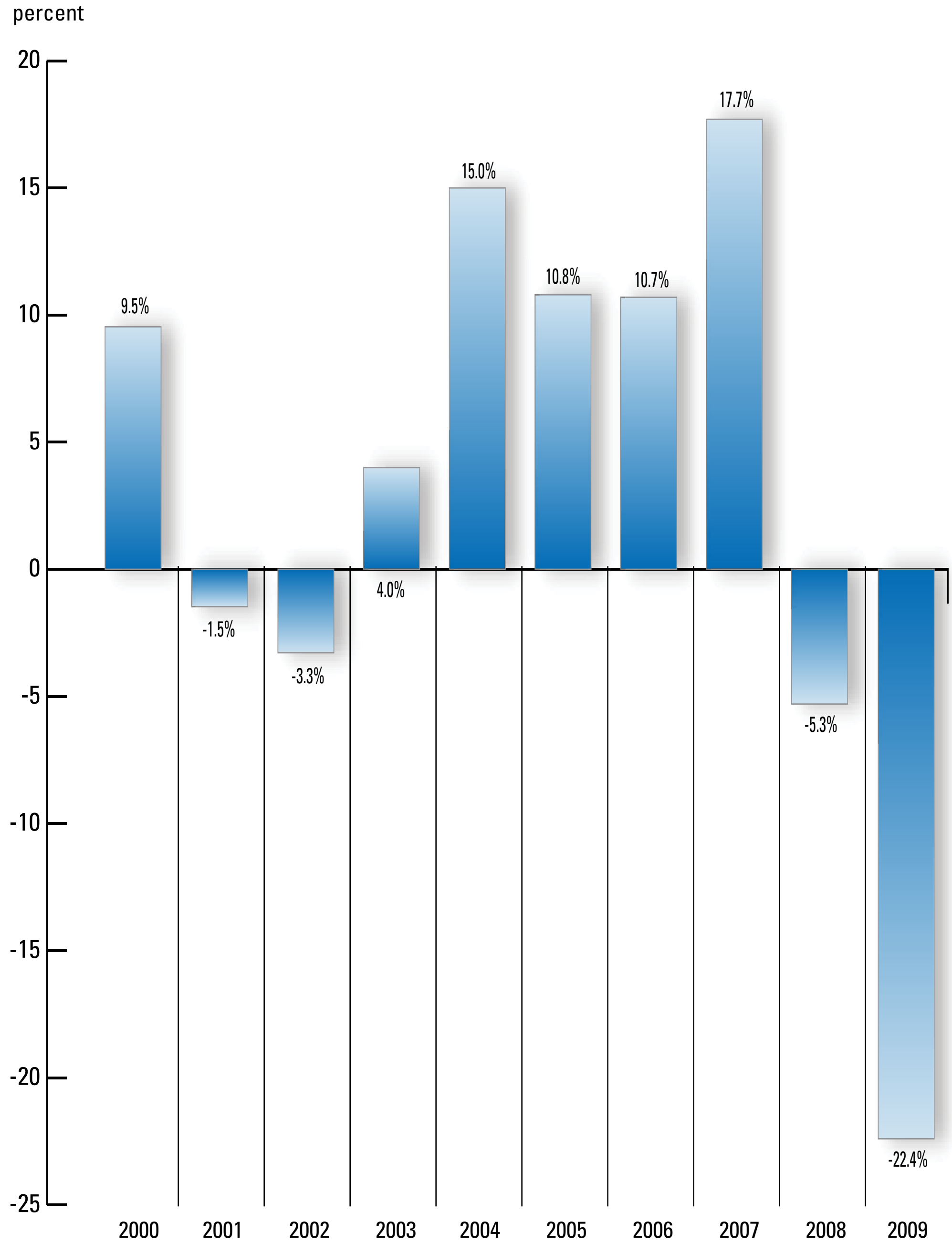
Sincerely,

Patrick Silvestri

Douglas J. Kryscio, CFA

Total Annual Fund Rate of Return*

as of June 30, 2000-2009



*Time-weighted rate of return.

Schedule of Investment Results

	For the year ended June 30,					Annualized Returns		
	2005	2006	2007	2008	2009	3 Year	5 Year	10 Year
Total Fund	10.8%	10.7%	17.7%	(5.3)%	(22.4)%	(4.7)%	1.2%	2.9%
Large Cap Equity	8.9	9.8	19.9	(10.1)	(26.6)	(7.5)	(1.1)	(1.0)
Russell 1000 Index	7.9	9.1	20.4	(12.4)	(26.7)	(8.2)	(1.8)	(1.7)
S&P 500	6.3	8.6	20.6	(13.1)	(26.2)	(8.2)	(2.2)	(2.2)
Mid Cap Equity	14.3	12.6	18.3	(10.5)	(29.7)	(9.4)	(0.8)	3.5
S&P Mid Cap	14.0	13.0	18.5	(7.3)	(28.0)	(7.5)	0.4	4.6
Small Cap Equity	10.0	12.9	19.7	(18.2)	(24.1)	(9.4)	(1.6)	3.7
Russell 2000	9.4	14.6	16.4	(16.2)	(25.0)	(9.9)	(1.7)	2.4
International Equity	14.5	23.9	25.2	(7.2)	(28.9)	(6.1)	3.2	3.7
MSCI ACWI ex US	16.9	28.4	30.1	(6.2)	(30.5)	(5.4)	4.9	2.8
Fixed Income	7.3	(0.9)	6.2	5.8	4.1	5.4	4.5	5.7
Lehman Brothers Aggregate	6.8	(0.8)	6.1	7.1	6.0	6.4	5.0	6.0
REITs	37.7	23.3	20.7	(17.1)	(37.8)	(15.1)	0.9	7.8
Custom REIT Index*	32.7	19.1	12.6	(20.3)	(39.6)	(17.0)	(2.0)	5.9
Real Estate	17.5	20.6	18.5	6.8	(34.7)	(6.3)	3.1	6.4
NCREIF Property Index	18.0	18.7	17.3	9.2	(43.3)	(18.0)	(2.7)	5.5
Private Equity*	17.6%	27.2%	22.0%	19.7%	(24.7)%	3.2%	10.4%	n/a

**Note that the returns for Private Equity are based off of the custodial statements.*

***Custom REIT Index is calculated based on a weighted average of the NAREIT domestic and NAREIT global indices to accurately reflect the changes in CTPF strategy.*

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

Investment Portfolio Summary

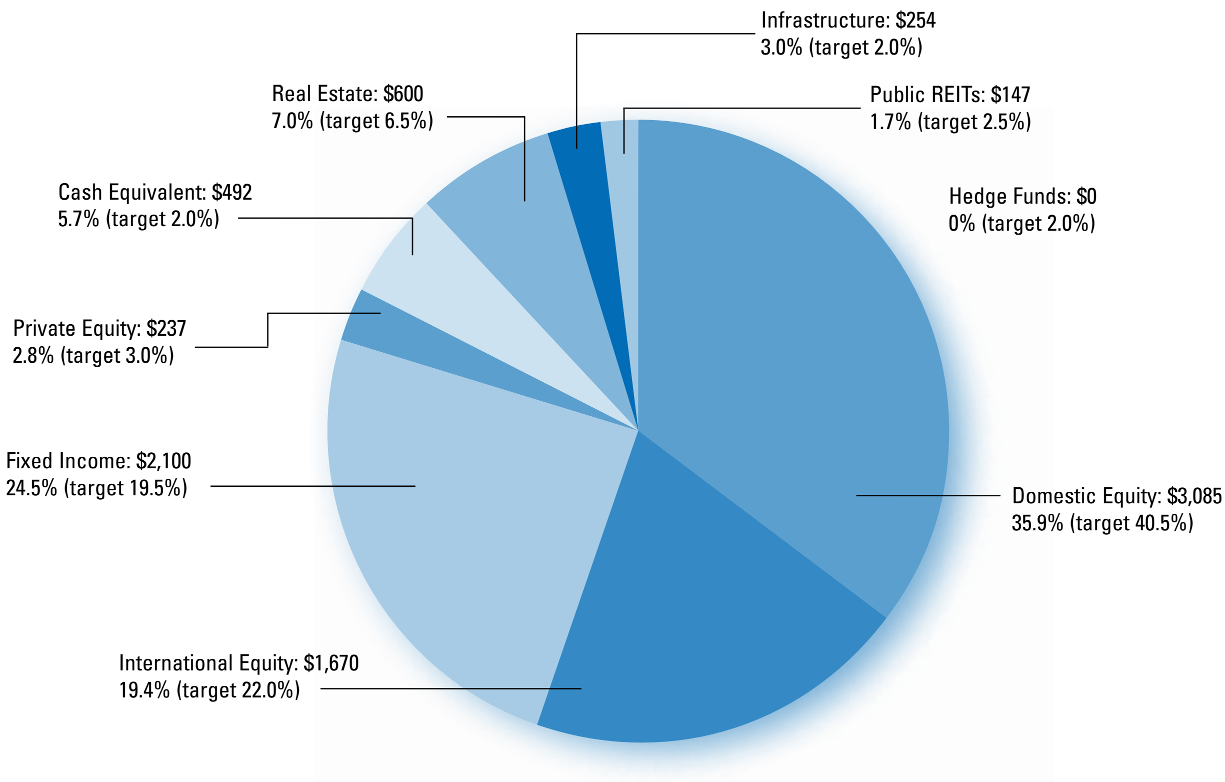
IN MILLIONS OF DOLLARS

	June 30, 2008 Fair Value	Purchases	Sales (Fair Value)	Fair Value Adjustments	June 30, 2009 Fair Value	Percent of Total
Fixed Income	2,602.0	3,480.5	(3,746.3)	(236.2)	2,100.0	24.46%
Equity	7,329.8	3,110.3	(3,363.9)	(2,174.0)	4,902.2	57.10%
Real Estate	921.2	61.9	(33.0)	(350.4)	599.7	6.99%
Infrastructure	–	254.7	–	–	254.7	2.96%
Private Equity	296.6	29.4	(17.8)	(71.0)	237.2	2.76%
Cash & Equivalents	503.3	(11.6) *	–	–	491.7	5.73%
Total Portfolio	**11,652.9**	**6,925.2**	**(7,161.0)**	**(2,831.6)**	**8,585.5**	**100.00%**

**Net of cash receipts and disbursements for year ending 6/30/09*

Asset Allocation Summary as of June 30, 2009

IN MILLIONS OF DOLLARS

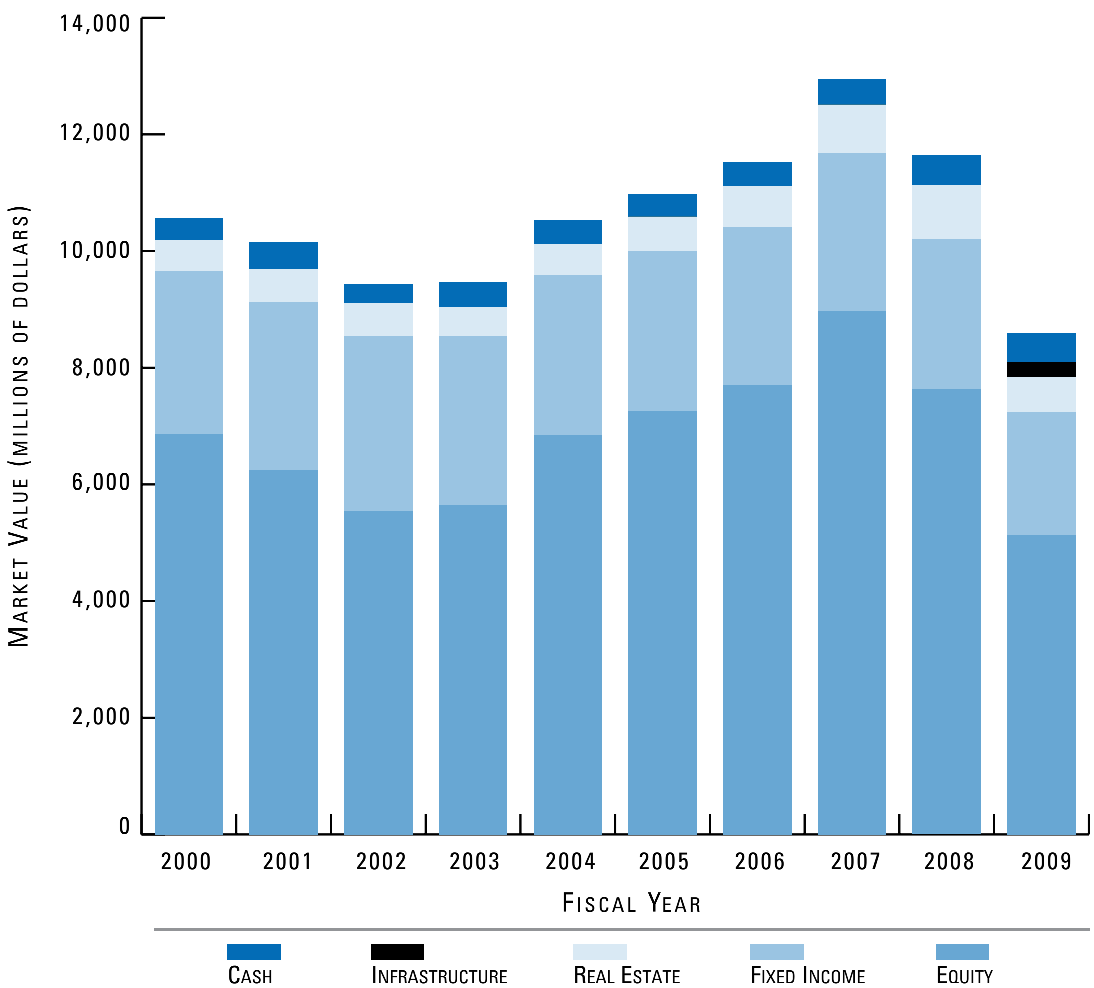


**Note: Percentage indicates actual category weight as a percentage of the entire portfolio. The Fund has approved a 2% allocation to hedge funds but did not invest in hedge funds during the fiscal year.*

Historical Asset Allocation

	2005		2006		2007		2008		2009	
	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy
Equity:										
Domestic	49.3	48.5	47.7	48.5	43.9	41.5	39.5	41.5	35.9	40.5
International	12.8	12.5	14.6	12.5	21.3	22.0	21.3	22.0	19.4	22.0
Public REITs	2.1	2.0	2.3	2.0	1.7	2.5	2.2	2.5	1.7	2.5
Private Equity	1.8	2.0	2.3	2.0	2.4	3.0	2.6	3.0	2.8	3.0
Total Equity	66.0	65.0	66.9	65.0	69.3	69.0	65.6	69.0	59.8	68.0
Fixed Income	24.9	28.0	23.4	28.0	20.8	20.5	22.2	20.5	24.5	19.5
Real Estate	5.5	5.0	6.1	5.0	6.5	6.5	7.9	6.5	7.0	6.5
Infrastructure	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.0	3.0	2.0
Hedge Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Cash & Equiv.	3.6	2.0	3.6	2.0	3.4	2.0	4.3	2.0	5.7	2.0
Total Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Historical Asset Allocation by Dollar Amount



Domestic Equity Summary

as of June 30, 2009

Economic Sector Holdings

S&P Economic Sector	Number of Shares	Market Value	Percent of Total	S&P 500 Index Allocation
Information Technology	29,966,435	$ 574,941,351	18.6%	15.2%
Financials	23,677,563	420,166,359	13.6%	21.8%
Health Care	17,606,312	408,888,527	13.3%	12.3%
Consumer Discretionary	24,024,589	347,558,248	11.3%	13.8%
Industrials	14,900,517	342,665,307	11.1%	17.9%
Energy	8,870,756	275,635,229	8.9%	2.4%
Consumer Staples	7,157,744	247,839,389	8.0%	4.1%
Materials	3,844,888	97,842,251	3.2%	5.1%
Utilities	2,937,090	80,072,878	2.6%	6.6%
Telecommunication Services	4,500,728	79,931,167	2.6%	0.8%
Miscellaneous	20,728,513	209,920,688	6.8%	0.0%
Total Domestic Equity	**158,215,135**	**$ 3,085,461,394**	**100.0%**	**100.0%**

Top 10 Domestic Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Exxon Mobil	844,785	$ 59,058,919	1.91%
Microsoft Corp.	1,537,786	36,553,173	1.19%
IBM Corp.	347,252	36,260,054	1.18%
Johnson & Johnson	637,184	36,192,051	1.17%
Apple Inc.	237,918	33,886,661	1.10%
JP Morgan Chase	963,326	32,859,050	1.07%
Cisco Systems	1,741,914	32,469,277	1.05%
Chevron Corp.	479,991	31,799,404	1.03%
Wells Fargo Company	1,248,429	30,286,888	0.98%
Hewlett Packard Company	776,072	30,057,953	0.97%
Total Top 10 Domestic Equity	**8,814,657**	**359,423,430**	**11.65%**
Total Domestic Equity	**158,215,135**	**$ 3,085,461,394**	**100.00%**

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

International Equity Summary

as of June 30, 2009

Country Holdings

Country	Number of Shares	Market Value	Percent of Total	MSCI ACWI ex US Index Allocation
South Africa	384,424	$ 2,960,192	0.2%	0.1%
Egypt	157,928	1,695,200	0.1%	1.6%
Total Africa	**542,352**	**4,655,392**	**0.3%**	**1.7%**
Canada	2,465,644	54,037,795	3.2%	7.3%
Brazil	1,035,090	14,593,386	0.9%	3.1%
Mexico	2,761,061	7,627,447	0.5%	0.9%
Colombia	27,800	847,900	0.1%	0.1%
Chile	27,645	351,847	0.0%	0.3%
Other	7,897,387	115,547,579	6.9%	0.2%
Total Americas	**14,214,627**	**193,005,954**	**11.6%**	**11.9%**
Japan	18,609,975	304,336,583	18.2%	17.5%
Australia	11,880,929	47,231,062	2.8%	5.4%
Hong Kong	12,161,728	29,003,759	1.7%	3.1%
Singapore	16,452,018	25,120,862	1.5%	1.0%
China	22,004,811	24,958,853	1.5%	2.8%
Taiwan	19,468,697	16,326,055	1.0%	2.5%
Other	2,992,612	27,723,978	1.7%	6.3%
Total Asia/Pacific Basin	**103,570,770**	**474,701,152**	**28.4%**	**38.6%**
United Kingdom	44,819,836	325,643,433	19.5%	15.3%
France	4,461,532	168,394,106	10.1%	7.2%
Switzerland	3,597,040	161,160,043	9.6%	5.4%
Germany	2,673,633	112,760,976	6.8%	5.6%
Netherlands	2,809,032	60,635,518	3.6%	1.8%
Spain	2,639,630	32,294,526	1.9%	3.2%
Italy	4,445,913	30,321,154	1.8%	2.5%
Sweden	1,189,596	14,719,749	0.9%	1.7%
Other	6,776,371	91,586,746	5.5%	5.1%
Total Europe	**73,412,583**	**997,516,251**	**59.7%**	**47.8%**
Total International Equity	**191,740,332**	**$ 1,669,878,749**	**100.0%**	**100.0%**

Top 10 International Equity Holdings

Holding	Number of Shares	Market Value	Percent of Total
Nestle SA (Switzerland)	1,132,850	$ 42,624,451	2.55%
Roche Holdings GA (Switzerland)	248,009	33,682,065	2.02%
Reckitt Benckiser Group (United Kingdon)	652,771	29,734,943	1.78%
E.On AG NPV (Germany)	623,310	22,049,488	1.32%
British American Tobacco (Europe)	727,700	20,049,447	1.20%
Novartis	492,477	19,942,703	1.19%
Imperial Tobacco	748,570	19,453,309	1.16%
British Petroleum (Europe)	2,417,752	19,024,444	1.14%
ENI SPA EUR1	731,377	17,285,842	1.04%
Vondafone	8,679,184	16,751,765	1.00%
Total Top 10 International Equity	**16,454,000**	**240,598,457**	**14.40%**
Total International Equity	**191,740,332**	**$ 1,669,878,749**	**100.00%**

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

Fixed Income Summary

as of June 30, 2009

Fixed Income Holdings

Asset Category	Par Value	Market Value	Percent of Total	Barclays Aggregate Index Allocation
Treasuries	$ 845,204,424	$ 900,570,353	42.9%	25.7%
Corporate Bonds	738,791,344	736,760,001	35.1%	22.8%
Agencies	269,159,114	287,012,114	13.7%	9.6%
Commercial Mortgage Backed Securities	42,380,708	34,010,818	1.6%	3.3%
Asset Backed	43,408,651	27,991,413	1.3%	0.5%
Mortgage Backed Securities	624,819	637,978	0.0%	38.1%
Cash and Short Term Investments	428,967,556	(13,496,605)	(0.6)%	0.0%
Other	34,034,627	126,528,397	6.0%	0.0%
Total Fixed Income	**$ 2,402,571,243**	**$ 2,100,014,469**	**100.0%**	**100.0%**

Real Estate Summary

as of June 30, 2009

Real Estate Holdings

Description	Number of Shares	Market Value	Percent of Total
JP Morgan Strategic Property Fund	110,371	$ 154,897,251	25.8%
UBS Trumbull Property Fund	20,095	145,385,203	24.2%
Prudential Real Estate Separate Account	3,795	93,842,113	15.7%
Prudential Real Estate Separate Account II	2,652	34,827,351	5.8%
Intercontinental Real Estate Investment Fund III	35,879,397	26,931,189	4.5%
Walton Street Real Estate Fund IV	21,127,104	19,011,018	3.2%
Merrill Lynch Asian R.E. Fund (T.E.)	39,915,368	18,459,378	3.1%
Urban America II	23,222,737	16,008,871	2.7%
RREEF Global Opportunities Fund II	25,000,000	14,946,655	2.5%
CB Richard Ellis Strategic Partners III	12,200,357	14,726,479	2.4%
Fremont Strategic Property Partners II	22,284,176	13,077,469	2.2%
Capri Select Income II	23,600,000	11,336,280	1.9%
DV Urban Realty Partners I	18,707,380	10,608,573	1.8%
Walton Street Real Estate Fund V	35,000,000	9,314,774	1.6%
Walton Street Real Estate Fund II	7,685,080	5,449,578	0.9%
Walton Street Real Estate Fund III	5,989,965	4,382,150	0.7%
Morgan Stanley Real Estate Mezzanine Partners	8,607,573	4,209,395	0.7%
Olympus Real Estate Fund II	10,793,740	1,241,957	0.2%
Walton Street Real Estate Fund I	2,372,241	432,506	0.1%
Walton Street Real Estate Fund VI	3,750,000	266,104	0.0%
Walton Street Mexico Fund I	1,000,000	189,942	0.0%
Capital Associates Apartment Fund	1	80,848	0.0%
Other Holdings	358	1,289	0.0%
Total Real Estate	**297,272,390**	**$ 599,626,373**	**100.0%**

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

Public REITs Summary

as of June 30, 2009

Public REITs Holdings

Property Type	Number of Shares	Market Value	Percent of Total	NAREIT Property Index Allocation
Diversified	5,486,603	$ 36,610,874	24.9%	5.9%
Office	2,276,084	22,453,997	15.3%	11.5%
Apartments	2,962,396	21,209,918	14.4%	12.0%
Shopping Centers	1,382,253	15,054,829	10.2%	9.7%
Health Care	698,709	13,777,762	9.4%	12.2%
Regional Malls	691,692	12,866,620	8.8%	9.8%
Self Storage	284,490	6,727,203	4.6%	6.8%
Lodging/Resorts	521,464	5,364,270	3.7%	4.7%
Industrial	2,244,071	4,968,091	3.4%	4.6%
Specialty	143,265	2,746,584	1.9%	6.7%
Mixed Use - Office/Industrial	153,001	2,465,673	1.7%	3.0%
Free Standing Retail	75,860	1,391,713	0.9%	2.3%
Manufactured Homes	32,767	1,218,277	0.8%	0.7%
Mortgage/Hybrid REITs	0	0	0.0%	10.1%
Total Public REITs	**16,952,655**	**$ 146,855,811**	**100.0%**	**100.0%**

Top 10 Public REITs Holdings

Description	Number of Shares	Market Value	Percent of Total
Simon Property Group, Inc.	169,746	$ 8,730,020	5.95%
Public Storage, Inc.	89,553	5,863,931	3.99%
Boston Properties, Inc.	115,884	5,527,667	3.76%
Vornado Realty Trust	122,046	5,495,731	3.74%
Sun Hung Kai Properties	423,300	5,287,119	3.60%
Equity Residential	224,630	4,993,525	3.40%
Mitsubishi Estate Co.	284,000	4,741,918	3.23%
Mitsui Fudosan Co.	253,000	4,413,111	3.01%
HCP, Inc.	185,346	3,927,482	2.67%
Westfield Group	410,365	3,775,424	2.57%
Total Top 10 Public REITs	**2,277,870**	**52,755,928**	**35.92%**
Total Public REITs		**$ 146,855,811**	**100.00%**

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

Private Equity Summary

AS OF JUNE 30, 2009

Private Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
HarbourVest Partners VI - Buyout Partnership Fund	27,173,451	$ 32,047,370	13.5%
Mesirow Partnership Fund II	27,042,457	29,537,147	12.5%
HarbourVest Partners VI - Partnership Fund	23,289,424	21,854,044	9.2%
Pantheon USA Fund IV	21,609,377	19,790,174	8.3%
Mesirow Partnership Fund I	15,071,811	15,354,934	6.5%
Pantheon USA Fund III	26,094,898	10,913,243	4.6%
Brinson Partnership - 2003 Primary Fund	9,244,327	9,531,988	4.0%
Brinson Partnership - 2001 Primary Fund	9,105,136	8,741,250	3.7%
Illinois Private Equity Fund of Funds	11,497,301	8,174,224	3.4%
Pantheon Europe Fund II	1	7,936,787	3.3%
Brinson Partnership - 2002 Primary Fund	8,171,565	7,888,394	3.3%
Brinson Partnership - 2004 Primary Fund	6,533,913	6,840,562	2.9%
Pharos Capital Partners II-A	4,516,913	5,723,305	2.4%
Mesirow Capital Partners IX	8,000,000	5,604,490	2.4%
Brinson Partnership - 2004 Non-US Primary Fund	3,564,681	3,649,372	1.5%
Adams Street Partnership - 2005 US Fund	4,331,093	3,583,089	1.5%
Palladium Equity Partners III	4,390,891	3,446,062	1.5%
ICV Partners II	3,911,131	3,303,524	1.4%
Brinson Partnership - 2000 Primary Fund	4,288,465	3,275,980	1.4%
Mesirow Capital Partners VIII	2,814,411	3,230,462	1.4%
Mesirow Partnership Fund IV	4,400,000	2,906,555	1.2%
Brinson Partnership - 2002 Non-US Primary Fund	2,315,130	2,666,713	1.1%
Syndicated Communications Venture Partners V	3,530,560	2,644,100	1.1%
M2 Private Equity Fund of Funds	3,100,331	2,109,728	0.9%
Brinson Partnership - 2003 Non-US Primary Fund	1,094,015	1,790,334	0.8%
Adams Street Partnership - 2005 Non-US Fund	2,020,013	1,678,123	0.7%
Adams Street Partnership - 2008 US Fund	1,382,500	1,632,422	0.7%
Brinson Partnership - 2002 Secondary Fund	1,321,256	1,301,100	0.5%
Pantheon Europe Fund VI	1,095,360	1,223,793	0.5%
Brinson Partnership - 1999 Primary Fund	2,543,627	1,211,995	0.5%
Adams Street Partnership - 2007 Non-US Fund	1,303,597	1,009,732	0.4%
Hispania Private Equity	2,188,393	987,705	0.4%
Pantheon Asia Fund V	1,200,000	945,817	0.4%
Brinson Partnership - 1998 Primary Fund	2,977,813	943,612	0.4%
Adams Street Partnership - 2008 Non-US Fund	1,232,000	920,254	0.4%
Brinson Partnership - 2003 Secondary Fund	336,495	831,163	0.4%
Brinson Partnership - 2001 Non-US Primary Fund	539,866	501,564	0.2%
Brinson Partnership - 2004 Non-US Secondary Fund	308,159	486,659	0.2%
Adams Street Partnership - 2008 Direct Fund	335,000	290,999	0.1%
Adams Street Partnership - Co-Investment Fund II	230,000	204,359	0.1%
Brinson Partnership - 2002 Non-US Secondary Fund	306,676	174,995	0.1%
Brinson Partnership - 1996 Fund	475,760	135,104	0.1%
Brinson Partnership - 2003 Non-US Secondary Fund	140,552	119,480	0.1%
Hispania Private Equity II	249,900	54,712	0.0%
Brinson Partnership - 1997 Primary Fund	194,039	40,986	0.0%
Brinson Partnership - 1998 Secondary Fund	11,016	6,927	0.0%
Total Private Equity	**255,483,304**	**$ 237,245,332**	**100.0%**

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

Manager Analysis

Asset Category	Market Value 6/30/2009	Percentage of Portfolio	FY 2009 Manager Fees
Equity			
Domestic Equity			
Ariel Capital Management	$ 115,754,212	1.3%	$ 417,338
Attucks Asset Management	121,411,376	1.4%	718,590
Channing Capital Management	48,024,105	0.6%	6,603
Chicago Equity Partners	5,817	0.0%	247,175
Credo Capital Management	48,262,295	0.6%	6,481
Dimensional Fund Advisors	61,648,846	0.7%	331,388
Harris Investment Management	165,337,618	1.9%	487,207
Holland Capital Management	101,922,534	1.2%	378,301
J. & W. Seligman & Co.	169,608,198	2.0%	628,024
Lombardia Capital Partners	88,909,759	1.0%	403,877
Lynmar Capital Group	64,832,544	0.8%	305,716
New Amsterdam Partners	183,233,986	2.1%	505,251
Northern Trust Global Investments	959,956,054	11.2%	647,814
Piedmont Investment Advisors	103,184,185	1.2%	385,139
Progress Investment Management	125,103,114	1.5%	708,352
RhumbLine Advisers	560,448,204	6.5%	66,196
Waddell & Reed Asset Management	114,434,458	1.3%	275,233
Zevenbergen Capital Investments	51,734,800	0.6%	206,117
Other Holdings	1,649,289	0.0%	196,534
Total	**3,085,461,394**	**35.9%**	**6,921,336**
International Equity			
Acadian Asset Management	219,383,622	2.5%	1,163,558
Brandywine Global Investment Management	106,378,565	1.2%	389,562
Earnest Partners	67,967,737	0.8%	362,415
Lazard Asset Management	394,138,227	4.6%	869,921
MFS Institutional Advisors	287,213,046	3.3%	1,171,822
Morgan Stanley Investment Management	358,332,855	4.2%	1,667,875
Northern Trust Global Investments	120,888,123	1.4%	137,189
United Investment Management	58,278,976	0.7%	507,718
William Blair & Company	57,297,598	0.7%	520,378
Total	**1,669,878,749**	**19.4%**	**6,790,438**
Public REITs			
Adelante Capital Management	31,950,697	0.4%	244,230
Morgan Stanley Investment Management	76,297,425	0.9%	521,603
Urdang Investment Management	38,607,689	0.4%	233,040
Total	**146,855,811**	**1.7%**	**998,873**
Private Equity			
Adams Street Partners	59,457,156	0.7%	1,028,658
HarbourVest Partners	53,901,414	0.6%	900,000
Hispania Capital Partners	1,042,417	0.0%	309,253
ICV Capital Partners	3,303,524	0.0%	150,000
Mesirow Financial	56,633,588	0.7%	1,128,502

Continued on page 61

Manager Analysis continued

Continued from page 60

Asset Category	Market Value 6/30/2009	Percentage of Portfolio	FY 2009 Manager Fees
Muller and Monroe Asset Management	$ 10,283,952	0.1%	$ 350,000
Palladium Equity Partners	3,446,062	0.1%	150,000
Pantheon Ventures	40,809,814	0.5%	662,943
Pharos Capital Group	5,723,305	0.1%	145,890
Syncom Partners	2,644,100	0.0%	159,494
Total	**237,245,332**	**2.8%**	**4,984,740**
TOTAL EQUITY	**5,139,441,286**	**59.8%**	**19,695,387**
Fixed Income			
Lehman Brothers Asset Management	187,503,305	2.2%	344,461
LM Capital Group	63,720,891	0.8%	132,805
Northern Trust Global Investments	1,255,973,446	14.6%	134,425
Taplin, Canida and Habacht	97,704,837	1.2%	183,314
Western Asset Management	483,663,328	5.6%	799,062
Other Holdings	11,448,662	0.1%	0
Total	**2,100,014,469**	**24.5%**	**1,594,067**
Real Estate			
Capri Capital Partners	11,417,128	0.1%	220,328
CB Richard Ellis Investors	14,726,479	0.2%	110,457
DV Realty Advisors	10,608,573	0.1%	296,909
Fremont Realty Capital	13,077,469	0.2%	316,530
Intercontinental Real Estate Corp.	26,931,189	0.3%	436,898
J.P. Morgan Fleming Asset Management	154,897,252	1.8%	1,829,869
Merrill Lynch	18,459,378	0.2%	300,000
Morgan Stanley Investment Management	4,209,395	0.0%	68,256
Olympus Real Estate Partners	1,241,957	0.0%	0
Prudential Investment Management	128,669,463	1.5%	1,601,264
RREEF	14,946,655	0.2%	330,562
UBS Global Asset Management	145,385,203	1.7%	1,329,066
Urban America	16,008,871	0.2%	306,810
Walton Street Capital	39,046,072	0.5%	1,167,194
Other Holdings	1,289	0.0%	0
Total	**599,626,373**	**7.0%**	**8,314,143**
Infrastructure			
J.P. Morgan Fleming Asset Management	161,611,352	1.9%	1,050,180
Macquarie Infrastructure Partners, Inc.	93,071,647	1.1%	1,941,241
Total	**254,682,999**	**3.0%**	**2,991,421**
Cash & Equivalents			
Northern Trust	491,711,557	5.7%	0
Grand Total	**$ 8,585,476,684**	**100.0%**	**$ 32,595,018**

Broker Commission Report

Domestic Agency Trades for the Year Ended June 30, 2009

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Market	17,682,711	$ 275,255	$ 0.02
Cabrera Capital Markets	75,614,292	269,533	0.00
M. R. Beal & Company	23,400,847	176,151	0.01
Magna Securities	42,902,217	152,674	0.00
Williams Capital Group	4,207,513	115,765	0.03
Cheevers & Co.	9,987,230	95,991	0.01
Interstate Group/Morgan Keegan	1,960,055	92,760	0.05
Liquidnet Inc.	3,524,350	89,645	0.03
Investment Technology Group, Inc.	4,995,931	81,629	0.02
Gardner Rich & Co.	2,543,449	65,949	0.03
Credit Suisse First Boston	1,670,262	54,988	0.03
Goldman Sachs	15,566,059	51,184	0.00
Melvin Securities	1,929,025	44,544	0.02
Instinet Corporation	8,204,081	42,321	0.01
Pacific American Securities	3,321,477	42,038	0.01
Divine Capital Markets	1,619,384	37,607	0.02
M. Ramsey King Securities	1,277,929	36,750	0.03
Bank of New York/Mellon	1,033,723	36,579	0.04
Blaylock Robert Van	1,155,763	32,255	0.03
Merrill Lynch	1,225,812	31,672	0.03
Citigroup	1,069,098	26,863	0.03
Deutsche Bank Alex. Brown	780,284	26,426	0.03
BTIG Securities	3,631,925	25,519	0.01
BOE Securities	879,331	22,460	0.03
M. Ramsey King Securities	609,032	21,812	0.04
Morgan Stanley	1,359,499	19,997	0.01
Stifel Nicolaus & Co.	539,135	19,990	0.04
International Strategy & Investment Group	516,110	19,342	0.04
UBS Securities LLC	629,845	18,742	0.03
Finacorp Securities	594,765	18,426	0.03
Jefferies & Co.	3,641,924	17,661	0.00
Castleoak Securities	700,942	17,181	0.02
Sanford Bernstein & Co.	731,705	15,507	0.02
Morgan Keegan and Company	192,138	15,332	0.08
J.P. Morgan Securities Inc.	864,718	13,904	0.02
Multitrade	388,847	13,867	0.04
Cantor Fitzgerald	440,283	12,465	0.03
William Blair & Company	304,438	11,459	0.04
Bank of America	388,330	11,151	0.03
State Street Brokerage	1,309,743	10,772	0.01
Bear Stearns	396,731	10,695	0.03
Bloomberg	203,084	10,572	0.05
Barclays Capital	278,274	10,526	0.04
Pershing, LLC	357,364	10,506	0.03
OTHER (98 Broker)	15,019,211	214,605	0.01
Grand Total	**275,893,908**	**$ 2,657,547**	**$ 0.01**

Broker Commission Report

International Agency Trades for the Year Ended June 30, 2009

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
JP Morgan Securities	20,776,377	$ 240,405	$ 0.01
Hong Kong Shanghai Bank	2,291,563	158,082	0.07
Credit Suisse First Boston	17,037,020	149,049	0.01
Cabrera Capital Markets	9,265,135	111,209	0.01
Credit Lyonnais	1,388,312	91,159	0.07
Goldman Sachs & Co	19,149,428	83,589	0.00
Merrill Lynch	15,678,414	70,196	0.00
Macquarie Equities	5,300,422	62,120	0.01
Nomura Securities	3,109,124	60,216	0.02
Loop Capital Markets, LLC	1,772,018	57,583	0.03
HSBC Securties	5,086,885	55,812	0.01
UBS Securities LLC	9,166,422	52,474	0.01
Deutsche Bank Securities	6,800,244	44,450	0.01
Divine Capital Markets	1,516,561	38,023	0.03
Liquidnet	2,476,822	37,529	0.02
Citigroup Global Markets	5,477,743	36,551	0.01
Societe Generale	12,893,367	34,696	0.00
ABN AMRO Securities	5,899,343	31,137	0.01
Instinet	5,142,540	27,588	0.01
Magna Securities	9,886,119	27,115	0.00
Sanford C. Bernstein	1,669,979	26,354	0.02
M. Ramsey King Securities, Inc.	2,899,770	25,941	0.01
Barclay Capital	2,564,716	24,386	0.01
Lehman Brothers	1,874,531	24,131	0.01
Gardner Rich & Company	1,299,296	23,685	0.02
Dresdner Kleinwort, LDN	1,801,433	23,276	0.01
Brockhouse Cooper	4,014,136	23,120	0.01
Exane Inc.	634,521	20,002	0.03
Daiwa Securities	1,109,558	15,189	0.01
Calyon Securities	372,700	13,599	0.04
Cazenove & Co.	787,245	13,359	0.02
ING Bank NV	484,433	12,123	0.03
Redburn Partners	1,656,055	11,733	0.01
BOE Securities	330,172	11,612	0.04
Salomon Smith Barney	2,184,416	10,385	0.00
KBC Financial Products UK Ltd.	389,235	9,765	0.03
Melvin Securities	498,135	9,148	0.02
Fox Pitt Kelton New York	602,887	8,960	0.01
Mizuho Securities	559,519	8,028	0.01
Bank of New York	497,142	7,630	0.02
MR Beal & Company	1,033,026	7,380	0.01
Other (46 Brokers)	19,839,360	120,773	0.01
Grand Total	**207,216,124**	**$ 1,919,561**	**$ 0.01**

Directed Brokerage Program

FOR THE YEAR ENDED JUNE 30, 2009

Domestic Local Minority and Women Owned Brokers

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Market	17,682,711	$ 275,255	$ 0.02
Cabrera Capital Markets	75,614,292	269,533	0.00
M. R. Beal & Company	23,400,847	176,151	0.01
Magna Securities	42,902,217	152,674	0.00
Williams Capital Group	4,207,513	115,765	0.03
Cheevers & Co.	9,987,230	95,991	0.01
Melvin Securities	1,929,025	44,544	0.02
Pacific American Securities	3,321,477	42,038	0.00
Divine Capital Markets	1,619,384	37,607	0.02
M. Ramsey King Securities	1,277,929	36,750	0.03
Blaylock Robert Van	1,155,763	32,255	0.03
BOE Securities	879,331	22,460	0.03
M. Ramsey King Securities	609,032	21,812	0.04
Finacorp Securities	594,765	18,426	0.03
Castleoak Securities	700,942	17,181	0.02
Multitrade	388,847	13,867	0.04
Guzman & Company	312,365	10,128	0.03
Berean Capital Inc.	222,058	8,873	0.04
Muriel Siebert	247,126	7,414	0.03
Greentree Brokerage Services	207,506	6,867	0.03
Toussaint Capital Partners LLC	251,461	6,255	0.02
Jackson Securities	162,627	5,450	0.03
Podesta and Co.	257,314	1,523	0.01
SBK - Brooks Investment Corp.	10,273	405	0.04
Mischler Financial Group	248,279	221	0.00
Samuel A. Ramirez & Co. Inc.	4,925	189	0.04
Percival Financial	1,680	50	0.03
Total Directed Domestic Brokerage	**188,196,919**	**1,419,682**	**0.01**
Total Domestic Brokerage	**275,893,908**	**$ 2,657,547**	**$ 0.01**

Directed Brokerage Program

FOR THE YEAR ENDED JUNE 30, 2009

International Local Minority and Women Owned Brokers

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Cabrera Capital Markets	9,265,135	$ 111,209	$ 0.01
Loop Capital Markets,LLC	1,772,018	57,583	0.03
Divine Capital Markets	1,516,561	38,023	0.03
Magna Securities	9,886,119	27,115	0.00
M. Ramsey King Securities Inc	2,899,770	25,941	0.01
Gardner Rich & Company	1,299,296	23,685	0.02
BOE Securities	330,172	11,612	0.04
Melvin Securities	498,135	9,148	0.02
MR Beal & Company	1,033,026	7,380	0.01
CastleOak Securities	143,483	2,869	0.02
Williams Capital Group	132,700	2,820	0.02
Finacorp Securities	65,550	1,967	0.03
Total Directed International Brokerage	**28,841,965**	**319,352**	**0.01**
Total International Brokerage	**207,216,124**	**$ 1,919,561**	**$ 0.01**

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.


-6.89
-0.73
0.05%
0.23%
3.03

Actuarial

This section includes the actuarial reports 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.

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

29 SOUTH LaSALLE STREET SUITE 735
CHICAGO, ILLINOIS 60603
PHONE (312) 726-5877 FAX (312) 726-4323

February 16, 2010

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, 2009. 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, 2009, 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 2011 to be $586,903,000. Any contributions made by the State for Fiscal Year 2011 is to be applied toward this contribution requirement.

The actuarial assumptions used for the June 30, 2009, actuarial valuation are the same as the assumptions that were used for the June 30, 2008, valuation. These assumptions were based on an experience analysis of the fund over the Fiscal Years 2003 through 2006.

The projected unit credit actuarial cost method was used for the June 30, 2009, actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2008, 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, 2009.

Respectfully submitted,

Sandor Goldstein, F.S.A. Consulting Actuary

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

A. Purpose and Summary — Pension Fund

We have carried out an actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2009. The purpose of the valuation was to determine the financial position and annual required contribution of the Fund for reporting purposes pursuant to GASB Statement No. 25. According to GASB Statement No. 25, postemployment healthcare benefits provided by the fund are not included in this valuation. Pursuant to GASB Statement No. 43, postemployment health care benefits were valued separately and the results of that valuation are included in a separate report.

This report is intended to present the results of the valuation of the pension benefits provided under the fund. The results of the valuation are summarized below:

1. Total Actuarial Liability	$ 15,683,241,527
2. Actuarial Value of Assets	11,493,255,754
3. Unfunded Actuarial Liability	4,189,985,773
4. Funded Ratio	73.3%
5. Employer's Normal Cost for FY 10 as a percent of payroll	5.95%
6. Annual Required Contribution for FY 10 Based on GASB Statement No. 25	355,846,125

B. Data Used for the Pension Fund 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, 2009, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 31,905 active contributors, 24,218 pensioners, and 3,056 vested terminated members included in the valuation. The total active payroll as of June 30, 2009, was $1,996,194,224.

Exhibit 1 Summary of Membership Data

1. Number of Members	
(a) Active Members	
(i) Vested Employees	20,488
(ii) Non-vested Employees	11,417
Total Active Members	**31,905**
(b) Members Receiving	
(i) Retirement Pensions	21,145
(ii) Disability Pensions	455
(iii) Survivor Pensions	2,618
Total Pensioners	**24,218**
(c) Vested Terminated Members	3,056
Total	**59,179**
2. Total Annual Salaries	$ 1,996,194,224
Average Salary	62,567

Continued on following page

(Exhibit 1 continued from page 71)

3.	Total Accumulated Contributions of Active Members	$ 1,405,263,483
4.	Annual Benefit Payments Currently Being Made	
	(a) Retirement Pensions	$ 889,034,722
	(b) Disability Pensions	12,962,862
	(c) Survivor Pensions	40,390,787
	Total Pensions	**$ 942,388,371**

An age and service distribution for active members is provided in Exhibit 2.

Exhibit 2 2009 Age and Service Distribution of Active Members

Number of Members and Average Salaries by Age and Service Grouping (male and female combined)

	Years of Service									
Age	**<1**	**1-4**	**5- 9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35+**	**Total**
Under 25	569	447	0	0	0	0	0	0	0	1,016
Avg. Salary	$28,066	44,061	0	0	0	0	0	0	0	$35,103
25-29	1,042	2,963	732	0	0	0	0	0	0	4,737
Avg. Salary	$27,204	47,648	59,643	0	0	0	0	0	0	$45,004
30-34	435	1,860	2,130	302	0	0	0	0	0	4,727
Avg. Salary	$25,238	50,967	63,016	75,512	0	0	0	0	0	$55,597
35-39	322	925	1,424	1,320	220	1	0	0	0	4,212
Avg. Salary	$21,682	49,446	63,840	77,987	86,579	81,737	0	0	0	$63,081
40-44	240	538	786	854	787	86	1	0	0	3,292
Avg. Salary	$17,299	46,948	64,996	76,665	84,303	86,856	66,140	0	0	$66,783
45-49	191	439	577	626	660	399	110	1	0	3,003
Avg. Salary	$14,395	46,126	63,006	74,527	81,769	86,021	92,260	57,931	0	$68,100
50-54	174	358	521	595	648	502	388	257	5	3,448
Avg. Salary	$10,914	44,051	61,451	75,542	81,742	83,019	86,646	92,480	97,983	$71,680
55-59	160	321	429	503	727	572	414	728	400	4,254
Avg. Salary	$11,874	37,299	58,121	72,059	80,417	80,698	84,649	88,556	96,975	$74,748
60-64	96	179	231	256	436	336	219	270	342	2,365
Avg. Salary	$4,772	32,693	53,804	70,154	79,261	82,242	85,553	89,330	93,451	$73,448
65-69	48	62	56	66	124	86	61	76	85	664
Avg. Salary	$3,857	18,411	49,348	66,144	79,548	82,142	80,936	89,333	94,468	$67,982
70+	30	21	14	15	28	15	10	18	36	187
Avg. Salary	$3,527	16,459	33,349	52,386	71,375	82,441	82,288	77,809	92,866	$56,181
Members	3,307	8,113	6,900	4,537	3,630	1,997	1,203	1,350	868	31,905
Avg. Salary	$22,294	$47,085	$62,151	$75,419	$81,877	$82,946	$85,930	$89,336	$95,176	$62,567

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, 2009, 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 $11,493,255,754. The development of this actuarial value of assets is outlined in Exhibit 3. As of June 30, 2009, the market value of the assets of the fund for pension benefits amounted to $8,375,969,692.

Exhibit 3 Actuarial Value of Assets

A. Development of Investment Gain/(Loss) for Year Ending June 30, 2009		
1.	Actuarial Value of Assets as of 6/30/08	$ 12,114,406,423
2.	Employer Contributions and Miscellaneous Income	278,069,327
3.	Employee Contributions	176,176,975
4.	Expenses	1,048,155,262
5.	Expected Investment Income	945,853,178
6.	Actual Investment Income	(2,463,906,744)
7.	Investment Gain/(Loss) (6 – 5)	$ (3,409,759,922)
B. Development of Actuarial Value of Assets		
8.	Expected Value of Assets as of June 30, 2009 (1 + 2 + 3 – 4 + 5)	$ 12,466,350,641
9.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2006	69,623,535
10.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2007	274,065,301
11.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2008	(414,651,992)
12.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2009	(852,439,981)
13.	**Total Actuarial Value of Assets as of 6-30-09 (8 + 9 + 10 + 11 + 12)**	**$ 11,542,947,504**
14.	Assets For Retiree Health Insurance Benefits	49,691,750
15.	**Actuarial Value of Assets for Pension Benefits (13 – 14)**	**$ 11,493,255,754**

C. Fund Provisions

Our valuation was based on the provisions of the Fund in effect as of June 30, 2009, 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, 2009, valuation are the same as the assumptions that were used for the June 30, 2008, valuation. The actuarial assumptions used for the June 30, 2009, 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, 2009, actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2008, valuation.

E. Actuarial Liability

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 4. 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, 2009, the total actuarial liability for pension benefits provided under the fund is $15,683,241,527, the actuarial value of assets is $11,493,255,754, and the unfunded liability is $4,189,985,773. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 73.3%.

Exhibit 4 Actuarial Liability as of June 30, 2009

1. Actuarial Liability for Active Members	
(a) Basic Retirement Annuity	$ 3,200,974,469
(b) Post Retirement Increase	872,679,001
(c) Lump Sum Death Benefit	10,049,897
(d) Survivor's Pension	307,310,331
(e) Disability Pension	86,218,419
(f) Withdrawal Benefit	244,852,706
Total	**$ 4,722,084,823**
2. Actuarial Liability for Members Receiving Benefits	
(a) Retirement Pensions	$ 10,293,580,004
(b) Survivor Pensions	372,550,213
(c) Disability Pensions	129,346,579
Total	**$ 10,795,476,796**
3. Actuarial Liability for Inactive Members	165,679,908
4. Total Actuarial Liability	**$ 15,683,241,527**
5. Actuarial Value of Assets	11,493,255,754
6. Unfunded Actuarial Liability	**$ 4,189,985,773**
7. Funded Ratio	73.3%

F. Employer's Normal Cost

The employer's share of the normal cost for pension benefits for the year beginning July 1, 2009, is developed in Exhibit 5. The total normal cost is $286,592,721, employee contributions are estimated to be $167,904,187, resulting in the employer's share of the normal cost of $118,688,534.

Based on a payroll of $1,996,194,224 as of June 30, 2009, the employer's share of the normal cost can be expressed as 5.95% of payroll.

Exhibit 5 Employer's Normal Cost for Year Beginning July 1, 2009

	Dollar Amount	Percent of Payroll
1. Basic Retirement Pension	$ 175,852,109	8.81%
2. Post Retirement Increases	47,619,804	2.39
3. Lump Sum Death Benefits	738,441	.04
4. Survivor's Pension	18,809,428	.94
5. Disability Benefits	6,881,201	.35
6. Withdrawal Benefits	28,025,354	1.40
7. Administrative Expenses	8,666,384	.43
8. Total Normal Cost	**$ 286,592,721**	**14.36%**
9. Employee Contributions	167,904,187	8.41
10. Employer's Share of Normal Cost	**$ 118,688,534**	**5.95%**

Note. The above figures are based on a total active payroll of $1,996,194,224 as of June 30, 2009.

G. Employer Contribution Requirements for Fiscal Year 2011

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, 2009, actuarial valuation, the ratio of the actuarial value of assets to total actuarial liabilities, or funded ratio, for funding purposes, amounts to 73.6%. Therefore, additional State contributions will be required for Fiscal Year 2011. The total payroll for FY 2011 is projected to be $2,055,147,000. This total payroll figure includes employee contributions of 7% of salary paid by the Board of Education. Excluding these employee contributions from payroll results in an adjusted projected payroll of $1,920,698,000 for Fiscal Year 2011. Based on this projection, we have determined the additional State contributions under Section 17-127 of the Pension Code to be $10,449,000.

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, 2009, is 73.6%, additional Board of Education contributions will be required for Fiscal Year 2010. Based on the adjusted projected payroll of $1,920,698,000 for Fiscal Year 2011, we have determined the additional Board of Education contribution under Section 17-127.2 of the Pension Code to be $11,140,000.

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, 2009, the ratio of the actuarial value of assets to the total actuarial liability is 73.6%. Using the results of the June 30, 2009, 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, 2010, to be 67.5%. 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 2011 to be $608,492,000. As indicated above, additional state contributions amount to $10,449,000, and additional Board of Education contributions amount to $11,140,000. Thus, based on the total employer required contribution for Fiscal Year 2011, Additional State Contributions and Additional Board of Education Contribution indicated above, the Board of Education contribution requirement for Fiscal Year 2011 under the funding plan specified in Section 17-129 of the Pension Code is calculated to be $586,903,000. Additional details regarding our calculations are shown below:

Board of Education Required Contribution for FY 2011

1. Total required employer contribution for FY 2011	$ 608,492,000
2. Additional State contributions	10,449,000
3. Additional Board of Education contribution	11,140,000
4. Board of Education required contribution (1 – 2 – 3)	$ 586,903,000

According to Section 17-129 of the Illinois Pension Code, any contribution by the State to or for the benefit of the Fund shall be a credit against the Board of Education required contribution. Therefore, any contributions made by the State to the Fund in Fiscal Year 2011 (other than the Additional State Contributions indicated above) shall be applied toward the above Board of Education required contribution of $586,903,000.

In past years, the Board of Education has made certain contributions to the pension fund from federal funds. Any contribution by the Board of Education from federal funds in FY 2011 shall also be applied to the Board of Education required contribution of $586,903,000.

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, 2009, actuarial valuation, we have therefore calculated the annual required contribution for Fiscal Year 2010. 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 2010 has been determined to be as follows:

	Fiscal Year 2010
1. Employer's normal cost	$ 118,688,534
2. Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	237,157,591
3. Annual required contribution (1 + 2)	$ 355,846,125

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.

A. Purpose and Summary — Health Insurance

We have performed an actuarial valuation as of June 30, 2009, of the retiree health insurance benefits provided under the Public School Teachers' Pension and Retirement Fund of Chicago. The purpose of the valuation was to determine the total actuarial liability and annual required contribution for retiree health insurance benefits provided by the Fund for financial reporting purposes pursuant to GASB Statement No. 43. GASB Statement 43 does not apply to the funding of retiree health insurance benefits and valuations for funding purposes may differ significantly from the results presented here.

This report is intended to present the results of the valuation of the retiree health insurance benefits provided under the fund for purposes of GASB Statement No. 43. The results of the valuation are summarized below:

1. Total Actuarial Liability	$ 2,670,282,662
2. Actuarial Value of Assets	49,691,750
3. Unfunded Actuarial Liability	2,620,590,912
4. Annual Required Contribution for Year Beginning July 1, 2009	$ 186,231,574

B. Data Used for the Health Insurance Valuation

Participant Data. The participant data required to carry out the valuation was supplied by the Fund. The membership of the retiree health insurance plan as of June 30, 2009, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 31,905 active employees, 16,495 retirees and beneficiaries currently receiving benefits, and 3,056 terminated employees entitled to benefits but not yet receiving them.

Exhibit 1 Summary of Membership Data

1. Retiree and Beneficiaries Currently Receiving Health Insurance Benefits	16,495
2. Terminated Employees Entitled to Benefits But Not Yet Receiving Them	3,056
3. Active Employees	31,905
4. **Total Number of Members**	**51,456**

Assets. According to the financial statements of the fund for the year ending June 30, 2009, the assets segregated for the payment of retiree health insurance benefits as of June 30, 2009, amount to $49,691,750. Therefore, as of June 30, 2009, the actuarial value of assets of the retiree health insurance plan can be considered to be $49,691,750.

C. Plan Provisions

Our valuation was based on the provisions of the Fund in effect as of June 30, 2009, as provided in Articles 17 of the Illinois Pension Code.

According to Section 17-142.1 of the Illinois Pension Code, the Fund may pay to each recipient of a service retirement, disability retirement 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. The total amount of payments in any year may not exceed 75% of the total cost of health insurance coverage. For the last several years, the Board has provided reimbursement of 70% of the cost of pensioners' health insurance coverage. According to Section 17-142.1 of the Pension Code, total payments in any year may not exceed $65,000,000 plus any previous year amounts authorized but not yet spent.

GASB Statement No. 43 provides that the actuarial valuation of a retiree health insurance plan should include all benefits to be provided by the plan to plan members or beneficiaries in accordance with the current substantive plan. GASB has indicated that in addition to the written plan document, other information should also be taken into consideration in determining the benefits to be provided, including an established pattern or practice with regard to the sharing of benefit costs between the employer and plan members.

According to recent discussions with GASB staff, the actuarial valuation of the Chicago Teachers' Pension Fund Retiree Health Insurance Program for purposes of GASB Statement No. 43 should not take into account the current $65 million maximum on the annual benefits that may be paid from the fund as there has been a history of increases in the dollar maximum.

We have therefore not taken into account the current $65 million maximum on the annual benefits that may be paid from the Fund in performing the June 30, 2009, actuarial valuation.

D. Actuarial Assumptions and Cost Method

In performing the actuarial valuation of the retiree health insurance program for purposes of GASB Statement No. 43, we used such parameters and assumptions as are prescribed in GASB Statement No. 43 for actuarial valuations of retiree health insurance benefits. These parameters and assumptions are described below:

Interest Rate Assumption. Under GASB Statement No. 43, if a retiree health insurance plan is not funded on an actuarial basis, the interest rate assumption is to be based on the investments of the employer. Although some assets are being accumulated for the payment of retiree health insurance benefits, these assets currently represent only 1.9% of the total actuarial liabilities. As governmental employers are able to invest only in short term, fixed income securities, we have used an interest rate assumption of 4.5% in performing the actuarial valuation of the retiree health insurance plan.

Medical Trend Rate Assumption. One of the most important assumptions is the medical trend rate assumption used to increase per member medical costs in future years. The medical trend rate assumption that we have used is 5.0% in 2010, 8.0% in 2011, and gradually declines to 5.0% by the year 2017 as follows:

Year	Medical Trend
2010	5.0%
2011	8.0%
2012	7.5%
2013	7.0%
2014	6.5%
2015	6.0%
2016	5.5%
2017 and later	5.0%

Per Member Costs

Current Pensioners. We have been provided with information regarding premium rates as of June 30, 2009, for each pensioner currently participating in the retiree health insurance program. We applied the pension fund's current 70% reimbursement rate to these premiums to determine the per member cost to the pension fund for pensioners currently participating in the retiree health insurance program.

Currently Active Employees. We have been provided with information regarding premium rates as of June 30, 2009, for each of the health insurance plans available to retirees and the number of retirees participating in each plan.

Based on this information, we developed average per member pension fund costs to be used for currently active employees. We developed average per member pension fund costs separately for the following categories:

Member Category	Average Cost Per Retiree
Members under age 65	$ 847.90
Members over age 65	$ 451.09

GASB Statement No. 43 provides projection of future retiree health care benefits should be based on actuarial standards issued by the Actuarial Standards Board. Actuarial Standards of Practice No. 6 provides that actuaries should consider the variation of health care costs by age and should use appropriate age bands if the costs vary significantly.

We have therefore developed age-adjusted costs per retiree that are equivalent to the above average costs per retiree by using the Aging Curve for Health Care Costs that is included in Table 4 of the study *Aging Curves for Health Care Costs in Retirement,* by Jeffrey P. Petertil, published in the July 2005 issue of the *North American Actuarial Journal.*

The percent increases in health care costs by age that are shown in Table 4 of the above paper are as follows:

Age Band	Representative One Year Aging Factor
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90 and over	0.0%

Applying the above rates of increases in health care costs by age, we developed costs per retiree by five-year age groups that were equivalent to the above average costs per retiree. This was done separately for the under age 65 costs per retiree and the over age 65 costs per retiree, for both employee retirees and spouse retirees. The cost per retiree by five-year age groups were developed so the total of the age-adjusted costs was equal to the total of the level average costs.

The age adjusted retiree costs to the pension fund that we developed using the above approach are as follows:

Age Band	Age Adjusted Cost Per Employee Retiree
50-54	$ 618.77
55-59	$ 733.12
60-64	$ 887.66
65-69	$ 376.65
70-74	$ 431.36
75-79	$ 482.11
80-84	$ 519.34
85 and above	$ 539.10

Participation Rates. Based on the percent of retirees participating in the retiree health insurance plan in the most recent year, we assumed the percent of future retirees that will participate in the plan to be as follows:

Member Category	Participation rate
Under age 65	63%
Over age 65	70%

Other Actuarial Assumptions. The other actuarial assumptions that we used in performing the actuarial valuation of the retiree health insurance benefits provided under the fund are similar to the actuarial assumptions that we use in the actuarial valuation of pension benefits. These assumptions are outlined in Appendix 1.

The projected unit credit actuarial cost method was used for the June 30, 2009, valuation. This is the same actuarial cost method that we use for the actuarial valuation of pension benefits provided under the fund.

E. Actuarial Liability

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 2. 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, 2009, the total actuarial liability for retiree health insurance benefits provided under the fund is $2,670,282,662 the actuarial value of assets is $49,691,750 and the unfunded actuarial liability is $2,620,590,912.

Exhibit 2 Actuarial Liability as of June 30, 2009

1. Actuarial Liability for Active Members	$ 1,181,232,219
2. Actuarial Liability for Members Receiving Benefits	1,489,050,443
3. Total Actuarial Liability	**$ 2,670,282,662**
4. Actuarial Value of Assets	49,691,750
5. Unfunded Actuarial Liability	**$ 2,620,590,912**
6. Funded Ratio	1.9 %

F. Normal Cost

The normal cost for the year beginning July 1, 2009, is shown below. The total normal cost is $90,768,936. Based on a payroll of $1,996,194,224 as of July 1, 2009, the total normal cost can be expressed as 4.55% of payroll.

Employer's Normal Cost for Year Beginning July 1, 2009

	Dollar Amount	Percent of Payroll
Total Normal Cost	$ 90,768,936	4.55%

G. Annual Required Contribution for GASB Statement No. 43

Pursuant to GASB Statement No. 43, we have calculated the annual required contribution for the year beginning July 1, 2009, as the normal cost plus a 30-year level-percent-of-payroll amortization of the unfunded actuarial liability. Therefore, the annual required contribution (ARC) for the year beginning July 1, 2009, for purposes of GASB Statement No. 43 is as follows:

1. Total normal cost	$ 90,768,936
2. Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	95,462,638
3. Annual required contribution (1 + 2)	$ 186,231,574

Additional Actuarial Tables

Summary of Actuarial Liability and Unfunded Actuarial Liability Pension Fund

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
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%
2007*	14,677,184,345	11,759,699,063	80.1%	2,917,485,282	1,863,182,086	156.6%
2008*	15,203,740,567	12,069,417,038	79.4%	3,134,323,529	1,914,558,916	163.7%
2009*	15,683,241,527	11,493,255,754	73.3%	4,189,985,773	1,996,194,224	209.9%

* *Pension fund benefit*

Summary of Actuarial Liability and Unfunded Actuarial Liability Health Insurance

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
2006	2,373,773,770	41,057,585	1.7%	2,332,716,185	1,944,358,215	120.0%
2007	2,022,007,643	47,401,758	2.3%	1,974,605,885	1,863,182,086	106.0%
2008	2,407,122,492	44,989,385	1.9%	2,362,133,107	1,914,558,916	123.4%
2009	2,670,282,662	49,691,750	1.9%	2,620,590,912	1,996,194,224	131.3%

SOLVENCY TEST — PENSION FUND

FISCAL YEAR	ACCRUED LIABILITIES FOR (1) ACTIVE MEMBERS ACCUMULATED CONTRIBUTIONS	(2) MEMBERS CURRENTLY RECEIVING BENEFITS	(3) ACTIVE MEMBER EMPLOYER PORTION	ACTUARIAL VALUE OF ASSETS	PERCENT OF ACCRUED LIABILITIES COVERED BY ASSETS (1)	(2)	(3)
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%
2007	1,289,062,329	9,987,716,674	3,400,405,342	11,759,699,063	100%	100%	14%
2008	1,271,835,518	10,491,444,573	3,440,460,416	12,069,417,038	100%	100%	9%
2009	1,405,263,483	10,795,476,796	3,482,501,248	11,493,255,754	100%	94%	0%

Additional Actuarial Tables

Schedule of Actual Employer Contributions and Actuarially Determined Contribution Requirements for Pension Fund

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
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%
2007	1,863,182,086	103,761,750 *	5.57%	16.70%
2008	1,914,558,916	164,466,511 *	8.59%	15.15%
2009	1,996,194,224	198,069,327 *	9.92%	14.64%

* *Pension benefits only*

Schedule of Actual Employer Contributions and Actuarially Determined Contribution Requirements for Retiree Health Insurance Benefits

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
2006	1,944,358,215	65,000,000	3.34%	10.97%
2007	1,863,182,086	65,000,000	3.49%	11.24%
2008	1,914,558,916	65,000,000	3.39%	7.84%
2009	1,996,194,224	65,000,000	3.26%	8.61%

Schedule of Active Member Valuation Data
Pension Fund

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
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%
6-30-07	32,968	1,863,182,086	56,515	.8%
6-30-08	32,086	1,914,558,916	59,670	5.3%
6-30-09	31,905	1,996,194,224	62,567	4.9%

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls Pension Fund

Year Ended	Added-To-Rolls No.	Added-To-Rolls Annual Benefits	Removed-From Rolls No.	Removed-From Rolls Annual Benefits	Rolls-End-of-Year No.	Rolls-End-of-Year Annual Benefits	Average Annual Benefit	% Increase in Average Annual Benefit
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%
2007	2,055	$104,043,221	537	$14,063,967	23,623	$854,319,840	$36,165	4.6%
2008	881	$67,060,461	584	$16,543,468	23,920	$904,836,833	$37,828	4.6%
2009	957	$57,109,256	659	$19,557,718	24,218	$942,388,371	$38,913	2.9%

Appendix 1

Summary of Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions. The actuarial assumptions used for the June 30, 2009, valuation are summarized below. The assumptions were adopted as of June 30, 2008.

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 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

Years of Service	Rate of Termination per 1,000 Members
Less than 1 year	295
1 – 2 years	71
2 – 3 years	70
3 – 4 years	56
4 – 5 years	52

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 over	.0

Retirement Rates. Rates of retirement for each age from 55 to 75 based on the recent experience of the Fund were used. 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	55
60	77
65	100
70	137
75	1,000

2. Employees with 33 or More Years of Service

Age	Rate of Retirement per 1,000 Members
55	120
60	200
65	190
70	200
75	1,000

Salary Progression. Rates of salary increase, which 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 ½ 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, and 1-2/3% of average salary for each other year of service. Upon disability retirement after 20 years or more of contributing service, but under age 55, the accrued retirement pension is payable, discounted ½ of 1% for each month the disabled teacher is under age 55, down to a minimum of 50 years.

If total service is 20 years or more and the member has attained age 55, the accrued retirement pension is payable without reduction. After 25 years of service, regardless of age, the accrued retirement pension is payable without reduction.

7. Duty Disability Benefit. A duty-connected disability benefit is provided equal to 75% of final average 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 accrued 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 designed 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 7½% towards the retirement pensions, 1% towards the survivor pension, and ½% towards 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

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.

Statement of Changes in Plan Net Assets
Pension Fund
For year ended June 30, 2009, with comparative totals for 9 years

	2009	2008	2007	2006	2005
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 198,069,327	$ 164,270,412	$ 103,761,750	$ 52,789,706	$ 8,872,764
Employee contributions	176,176,975	172,504,804	179,017,663	163,419,386	175,706,081
	374,246,302	**336,775,216**	**282,779,413**	**216,209,092**	**184,578,845**
Investment income:					
Net investment income	(2,464,420,944)	(738,817,587)	1,947,810,351	1,093,872,285	1,034,998,497
Miscellaneous	–	–	1,923	139,509	561,154
Total additions	**(2,090,174,642)**	**(402,042,371)**	**2,230,591,687**	**1,310,220,886**	**1,220,138,496**
Deductions:					
Pension Benefits					
Retirement	897,873,287	863,963,625	759,346,660	682,245,353	617,684,571
Survivors	31,028,747	29,037,664	27,532,256	25,854,248	24,520,785
Disability	11,673,453	11,673,773	10,898,039	10,388,393	9,561,956
Refunds					
Separation	10,615,031	5,626,786	12,829,988	10,633,789	16,877,637
Death	3,765,163	3,218,956	3,942,853	4,028,201	3,572,619
Other	5,658,269	7,884,526	19,581,668	16,023,309	4,408,439
Health Insurance Premium Rebate	–	–	–	–	–
Death Benefits					
Heirs of Active Teachers	514,743	486,740	554,765	535,142	470,537
Heirs of Annuitants	2,462,789	2,359,473	2,322,418	2,082,915	2,035,334
Uncollectible Receivables	–	–	–	–	–
	963,591,482	**924,251,543**	**837,008,647**	**751,791,350**	**679,131,878**
Administrative and miscellaneous expenses	8,751,945	7,827,576	8,434,688	8,320,340	7,477,671
Total deductions	**972,343,427**	**932,079,119**	**845,443,335**	**760,111,690**	**686,609,549**
Net increase (decrease)	(3,062,518,069)	(1,334,121,490)	1,385,148,352	550,109,196	533,528,947
Transfers Health Insurance				59,496,735	
Net assets held in trust for benefits:					
Beginning of period, as restated	11,438,487,761	12,772,609,251	11,387,460,899	10,777,854,968	10,244,326,021
End of period	**$ 8,375,969,692**	**$ 11,438,487,761**	**$ 12,772,609,251**	**$ 11,387,460,899**	**$ 10,777,854,968**

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	2004	2003	2002	2001	2000
ADDITIONS:					
Contributions:					
Intergovernmental, net (employer)	$ 13,032,273	$ 13,703,283	$ 11,805,305	$ 77,065,122	$ 79,519,385
Employee contributions	169,598,212	159,931,110	145,498,027	149,094,964	145,458,741
	182,630,485	**173,634,393**	**157,303,332**	**226,160,086**	**224,978,126**
Investment income:					
Net investment income	1,477,931,294	312,557,682	(371,820,584)	(191,547,390)	941,836,171
Miscellaneous	86,285	35,775	829,063	70,078	209,760
Total additions	**1,660,648,064**	**486,227,850**	**(213,688,189)**	**34,682,774**	**1,167,024,057**
DEDUCTIONS:					
Pension Benefits					
Retirement	554,975,291	509,945,240	495,238,632	421,343,859	383,938,150
Survivors	22,885,524	25,730,482	23,517,998	17,759,804	16,424,100
Disability	8,649,568	8,126,443	7,571,076	6,162,211	5,732,425
Refunds	9,565,261	7,648,527	9,036,757	7,645,767	7,607,244
Separation	3,588,032	2,747,859	4,043,552	2,697,514	3,574,259
Death	10,173,428	6,954,762	29,219,867	4,644,884	3,538,496
Other	–	–	–	44,088,569	26,144,939
Health Insurance Premium Rebate	–	–	–	–	–
Death Benefits					
Heirs of Active Teachers	505,842	482,493	746,322	457,746	724,089
Heirs of Annuitants	2,095,323	2,339,000	2,070,000	2,853,167	2,669,708
Uncollectible Receivables	–	–	–	–	–
	612,438,269	**563,974,806**	**571,444,204**	**507,653,521**	**450,353,410**
Administrative and miscellaneous expenses	7,214,467	6,576,953	6,459,734	4,856,487	4,509,764
Total deductions	**619,652,736**	**570,551,759**	**577,903,938**	**512,510,008**	**454,863,174**
Net increase (decrease)	1,040,995,328	(84,323,909)	(791,592,127)	(477,827,234)	712,160,883
Transfers Health Insurance			(32,302,217)		
Net assets held in trust for benefits:					
Beginning of period, as restated	9,203,330,693	9,287,654,602	10,111,548,946	10,589,376,180	9,877,215,297
End of period	**$ 10,244,326,021**	**$ 9,203,330,693**	**$ 9,287,654,602**	**$ 10,111,548,946**	**$ 10,589,376,180**

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets
Health Insurance Fund

For Year Ended June 30, 2009, with comparative totals for 7 years

	2009	2008	2007	2006
Additions:				
Contributions:				
Intergovernmental, net (employer)	$ 65,000,000	$ 65,000,000	$ 65,000,000	$ 65,000,000
Investment income:				
Net investment income	514,200	1,278,818	2,373,014	4,071,093
Health Insurance Premium Refund	15,000,000	—	—	—
Total additions	**80,514,200**	**66,278,818**	**67,373,014**	**69,071,093**
Deductions:				
Health Insurance Premium Rebate	75,811,835	68,691,191	61,028,841	58,279,900
Total deductions	**75,811,835**	**68,691,191**	**61,028,841**	**58,279,900**
Net increase (decrease)	4,702,365	(2,412,373)	6,344,173	10,791,193
Transfers Health Insurance				(59,496,735)
Net assets held in trust for benefits:				
Beginning of period, as restated	44,989,385	47,401,758	41,057,585	89,763,127
End of period	**$ 49,691,750**	**$ 44,989,385**	**$ 47,401,758**	**$ 41,057,585**

Continued from page 98

	2005	2004	2003**	2002*
Additions:				
Contributions:				
Intergovernmental, net (employer)	$ 65,044,700	$ 65,095,000	$ 65,044,700	$ 65,044,700
Investment income:				
Net investment income	1,899,844	928,497	944,488	1,167,878
Health Insurance Premium Refund	—	—	—	—
Total additions	**66,944,544**	**66,023,497**	**65,989,188**	**66,212,578**
Deductions:				
Health Insurance Premium Rebate	54,410,887	53,106,379	51,395,920	44,068,275
Total deductions	**54,410,887**	**53,106,379**	**51,395,920**	**44,068,275**
Net increase (decrease)	12,533,657	12,917,118	14,593,268	22,144,303
Transfers Health Insurance				32,302,217
Net assets held in trust for benefits:				
Beginning of period, as restated	77,229,470	64,312,352	49,719,084	—
End of period	**$ 89,763,127**	**$ 77,229,470**	**$ 64,312,352**	**$ 54,446,520**

See accompanying notes to financial statements.

** First year of Health Insurance Fund*

*** Beginning period restated.*

Distribution of Current Annuitants by Benefit Type

Monthly Pension Amount	Retirement		Disability		Survivor		Total	
	Males	Females	Males	Females	Males	Females	Males	Females
$ 0 – 499	462	1,007	3	4	172	278	637	1,289
$ 500 – 999	351	796	15	31	288	458	654	1,285
$ 1,000 – 1,499	294	686	24	49	196	256	514	991
$ 1,500 – 1,999	250	858	10	49	164	261	424	1,168
$ 2,000 – 2,499	287	1,003	11	52	133	219	431	1,274
$ 2,500 – 2,999	314	1,141	18	41	11	73	343	1,255
$ 3,000 – 3,499	376	1,232	18	49	12	45	406	1,326
$ 3,500 – 3,999	550	1,481	13	39	6	24	569	1,544
$ 4,000 – 4,499	1,101	2,961	3	11	0	15	1,104	2,987
$ 4,500 – 4,999	963	2,292	3	3	0	3	966	2,298
$ 5,000 – 5,499	306	489	1	3	0	1	307	493
$ 5,500 – 5,999	288	314	3	1	0	0	291	315
$ 6,000 – 6,499	164	246	0	0	0	1	164	247
$ 6,500 – 6,999	117	163	0	0	1	0	118	163
$ 7,000 – 7,499	113	135	0	0	0	0	113	135
$ 7,500 – 7,999	65	100	1	0	0	1	66	101
$ 8,000 – 8,499	49	66	0	0	0	0	49	66
$ 8,500 – 8,999	32	41	0	0	0	0	32	41
$ 9,000 +	24	28	0	0	0	0	24	28
Total	**6,106**	**15,039**	**123**	**332**	**983**	**1,635**	**7,212**	**17,006**

Annuitants

Distribution of Current Annuitants by Benefit Type

Monthly Pension Amount	Health Insurance	
	Males	Females
$ 0 – 499	78	214
$ 500 – 999	174	454
$ 1,000 – 1,499	176	513
$ 1,500 – 1,999	175	696
$ 2,000 – 2,499	211	895
$ 2,500 – 2,999	235	993
$ 3,000 – 3,499	297	1087
$ 3,500 – 3,999	458	1278
$ 4,000 – 4,499	865	2564
$ 4,500 – 4,999	804	1988
$ 5,000 – 5,499	262	423
$ 5,500 – 5,999	242	279
$ 6,000 – 6,499	125	213
$ 6,500 – 6,999	97	140
$ 7,000 – 7,499	104	118
$ 7,500 – 7,999	59	81
$ 8,000 – 8,499	42	53
$ 8,500 – 8,999	25	33
$ 9,000 +	19	25
Total	**4,448**	**12,047**

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 of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
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
Fiscal Year 2007							
Average Monthly Pension	370	774	1,513	2,240	2,894	3,746	4,878
Average Final Average Salary	6,792	5,131	5,667	5,855	6,043	6,325	6,562
Number of Retired Members	80	64	81	111	222	139	1,218
Fiscal Year 2008							
Average Monthly Pension	258	781	1,397	2,071	2,699	4,025	6,297
Average Final Average Salary	5,487	5,450	5,411	5,539	5,969	7,185	8,555
Number of Retired Members	45	49	35	38	58	44	358
Fiscal Year 2009							
Average Monthly Pension	339	813	1,519	2,249	2,621	3,523	4,748
Average Final Average Salary	6,323	5,224	5,635	6,074	5,616	5,970	6,459
Number of Retired Members	38	63	52	50	82	53	314

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 Active Members

Fiscal Year	Male Participants	Female Participants	Total
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
2007	7,799	25,169	32,968
2008	7,473	24,613	32,086
2009	7,617	24,288	31,905

CTPF

Chicago Teachers' Pension Fund

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GCC/IBT 337-L

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.