Chicago Teachers' Pension Fund

115th Comprehensive Annual Financial Report

For the year ended June 30, 2010 • Chicago, Illinois

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Chicago Teachers' Pension Fund

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CTPF
Chicago Teachers' Pension Fund

115th Comprehensive Annual Financial Report

For the year ended June 30, 2010
Chicago, Illinois

Public School Teachers' Pension and Retirement Fund of Chicago

Public School Teachers' Pension And Retirement Fund of Chicago · Corporate 1895 Seal · Illinois

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

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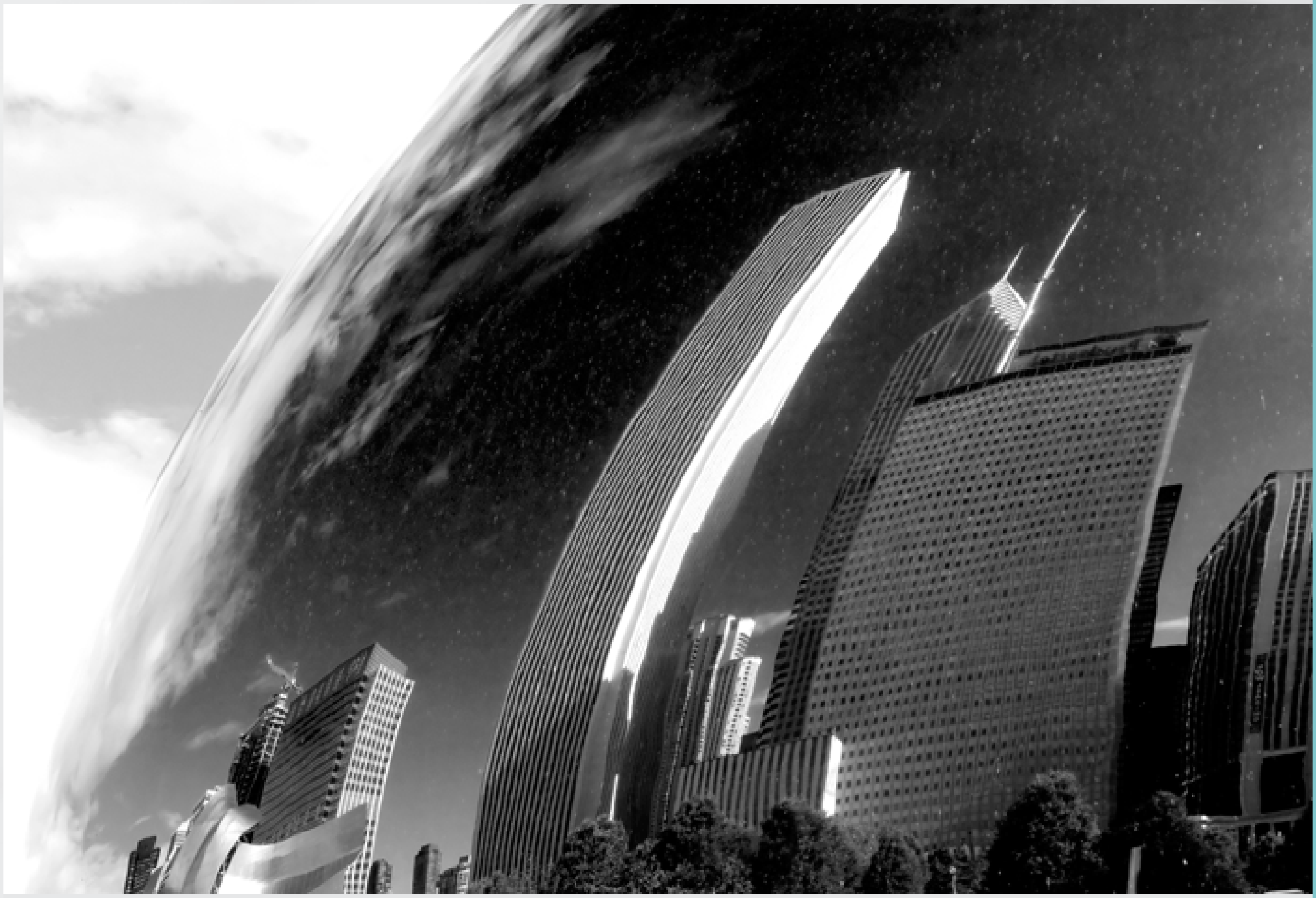


Introduction

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, 2010


John F. O'Brill


Linda S. Goff


Maria J. Rodriguez


Lois Nelson

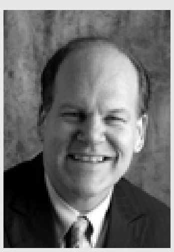

Lois W. Ashford


Alberto A. Carrero, Jr.

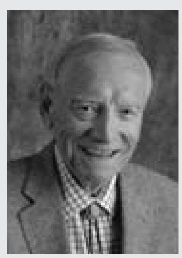

Peggy A. Davis


Chris N. Kotis


Walter E. Pilditch


Jay C. Rehak


Mary Sharon Reilly


James F. Ward

OFFICERS

President, John F. O'Brill

Vice President, Linda S. Goff

Recording Secretary, Maria J. Rodriguez

Financial Secretary, Lois Nelson

MEMBERS

Representing the Contributors

Lois W. Ashford
Linda S. Goff
Lois Nelson
John F. O'Brill
Jay C. Rehak
Maria J. Rodriguez

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, 2010

LEGAL COUNSEL

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

INVESTMENT CONSULTANTS

Douglas Kryscio and Patrick Silverstri
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

Kurt A. Gabouer
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

Adams Street Partners, LLC
Adelante Capital Management, LLC
Ariel Capital Management, LLC
Attucks Asset Management
Blackstone Group
Capri Capital Partners, LLC
CB Richard Ellis Investors, LLC
Channing Capital Management, LLC
Credo Capital Management, LLC
Dimensional Fund Advisors
DV Urban Realty Partners
Earnest Partners, LLC
Europa Capital Partners LLP
Fortress Investment Group
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.P. Morgan Fleming Asset Management
K2 Advisors, LLC
Lazard Asset Management, LLC
Leading Edge Investment Advisors
LM Capital Group, LLC
Lombardia Capital Partners, LLC
Macquarie Infrastructure Partners, Inc.
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
RiverSource Investments LLC
RREEF America, LLC
Syncom Partners, LLC
Taplin, Canida and Habacht, Inc.
UBS Global Asset Management
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, 2010

Board of Trustees

Robert Jurinek
Internal Auditor

Kevin B. Huber
Executive Director

Frances Radencic
Director, Member and Office Services

Patricia A. Hambrick
Chief Financial and Legal Officer

Sheron Banks-Fallis
Member Services Manager

Mary Cavallaro
Health Benefits Manager

Edgar Samayoa
Benefits Supervisor – Pensions

Eric Morel
Information Technology Manager

Sandra Shelby
Accounting Manager

Denise Valentovich
Benefits Supervisor – Claims and Billing

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, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

203 North LaSalle Street, suite 2600
Chicago, IL 60601-1231

Letter of Transmittal

July 21, 2011

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 115th Comprehensive Annual Report of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) that covers the fiscal year ending June 30, 2010. 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 increased to just over 61,000 members as of June 30, 2010. The 115th year of continuous operations ended with the Fund's operational condition remaining relatively unchanged. The Fund's financial condition was positively impacted by the rebound in the financial markets during the year. The June 30, 2010, value of net assets held in trust for pension and health benefits amounted to $8.98 billion, a 6.6% increase from the $8.43 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 $10.9 billion. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $16.3 billion, yields a 66.9% actuarial funding ratio, a 8.7% decrease from the prior year funding ratio of 73.3%.

The actuarial value of assets of the Health Insurance Fund amounted to $34.9 million. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $2.8 billion yields a 1.2% actuarial funding ratio, a 36.8% decrease from the prior year funding ratio of 1.9%.

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, 2010, investments at fair market value plus cash totaled $8.95 billion. This reflects a 4.24% increase from the $8.58 billion value of June 30, 2009. The Fund's investment performance rate of return for the year ending June 30, 2010, was 13.38%, exceeding the projected return of 8% and reflecting a 159% increase from the -22.4% performance rate of return as of June 30, 2009. The ten-year rate of return posted by the Fund for the period ending June 30, 2010, matched the previous year's rate of return at 2.92%, and fell short of the actuarial assumption of 8%. 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 year began with measured optimism as the economy showed signs of recovery from what has been called the worst US recession since the 1930's. Over the first three quarters of the fiscal year, recovery was signified by apparent stabilization of the U.S. economy which sparked investor confidence and generated strong performance in the equity markets. Reflective of improving economic conditions relative to the prior fiscal year end, unemployment dropped below 10%, oil prices and stock prices climbed while the rate of annual decline in home prices slowed.

With positive performance in the equity markets, unemployment rate decreases, and an increase in the Consumer Confidence Index, high hopes for a steadily improving economy continued into the fourth quarter of the fiscal year. However, the crisis in Greece, tepid employment growth, and falling consumer confidence produced a weaker-than-expected economy at years' end.

The fourth quarter of the year saw a total increase in the Consumer Price Index of 1.3% and an increase of 0.9% over the previous 12-month period. The Consumer Confidence Index which had risen for three consecutive months, declined from 62.7 in May 2010 to 52.9 in June. Unemployment fell from 9.7% to 9.5% during the fourth quarter, even with a decline in payroll employment.

Oil prices decreased from $85 per barrel to $78 per barrel. The Housing Market Index remained significantly below the negative indicator of 50; rising no higher than 22 in May 2010 before dropping back to 16 in June. Three month Treasury yields increased marginally during the quarter from 0.16% at the end of March to 0.18% at the end of June. Yields on 10-year Treasuries declined from 3.84% at the end of March to 2.97% at the end of June. The S&P 500 suffered significant losses, falling 11.4% during the last quarter of the fiscal year ending in June, after a strong third quarter ending in March. Double-digit losses were realized in most segments of the US equity space during the last quarter of the year as fears of a double-dip recession resurfaced, helping to fuel a wave of pessimistic investor sentiment at year end.

Economic Outlook

Uncertainty about the general direction of the US economy continued due in large part to pessimism caused by concerns related to sovereign debt. The economy continued to be weak amid low consumer confidence, along with the fear of a slowing recovery and price deflation. Oil prices increased marginally while housing data was mixed.

The employment picture worsened marginally after the end of fiscal 2010, with a general decline in payroll employment and an increase in the rate of unemployment from 9.5% in June to 9.6% in September 2010. The Consumer Price Index increased at an annualized rate of 0.7% over the first quarter of the new year, and the Consumer Confidence Index fell to 48.5, its lowest level since the third quarter of the previous fiscal year.

Oil prices turned around and increased from $78 per barrel to $80 per barrel. Home prices increased by 3.2% over the trailing one year period. The yield on 3-month Treasuries decreased slightly to 0.16% from the 0.18% at the end of fiscal year 2010. Ten-year Treasuries continued to decline from 2.97% at the end of June 2010 to 2.53% at the end of September 2010.

In stark contrast to the weak economic data that was produced during the quarter, the first quarter of fiscal 2011 yielded double-digit gains in the domestic equity markets, as measured by the S&P 500 Index.

Fears regarding sovereign debt as well as the uncertain domestic economy continue to cause concern due to subsequent market developments. In August 2010, the Federal Reserve announced that the central bank would purchase modest amounts of long-term Treasury securities using the proceeds from its mortgage-bond portfolio. As a result, yields on intermediate Treasuries and Fannie Mae and Freddie Mac mortgage securities plunged to record-low rates. One day later Japan's Nikkei Index fell more than 2% over fears of a slowing economy in the US and abroad. In addition, China reported that its fast-growing economy was slowing down. Later that day, the Bank of England reduced its already diminished forecast for the British economy, and new trade figures from Washington showed that American exports were faltering. In addition, fears regarding the Irish economy increased after an announcement that the economy shrank by 1.2% during fiscal 2010.

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 end of a predetermined funding period. In years where the funding ratio exceeds 90%, no employer contribution is required.

Amendments to the Illinois Pension Code during fiscal year 2010 changed the funding requirements for future years. Illinois Compiled Statutes (Public Act 83-1440) limited the contributions required to be made to the Fund by the Chicago Board of Education to $187 million for fiscal 2011, $192 million for fiscal 2012, and $196 million for fiscal 2013. Under the amended statute, the Chicago Board of Education was provided a 14-year extension, or until the end of year 2059, to make contributions that ensure that the Fund's actuarial value of assets is 90% of the Fund's actuarial liabilities. The anticipated impact of the legislation is a decrease in the funding level to 58.3% in fiscal year 2011.

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 projections at June 30, 2008, the employer and state were required to make contributions in the amount of $393,266,000. During fiscal year 2010, the employer and state paid $355,759,400 in required contributions. The unpaid portion of $37,506,000 is currently under litigation with the employer.

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, 2010, was 13.4% as performance of the portfolio mirrored the improved market and economic conditions relative to the previous fiscal year end. 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 maintained its target allocation policy during the year. The Board kept its target allocations in domestic equity at 40.5%, in international equity at 22%, in fixed income at 19.5%, in real estate at 6.5%, in private equity at 3%, in public REITs at 2.5%, in cash and cash equivalents at 2%, in infrastructure at 2%, and in hedge funds at 2%.

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. For the year ended June 30, 2010, the Fund hired one international equity manager, replaced a manager-of-managers for an international equity portfolio, terminated a domestic equity manager and increased allocations to three domestic equity minority-owned managers. In addition, due to the termination of business operations, the assets of one large cap manager were divided equally between an index fund and another large cap manager. In alternative investments, the Fund increased its commitment to private equity and hedge funds. The Fund also increased its commitment to the real estate asset class and hired three real estate managers, including a minority owned manager and a real estate fund of fund manager focused on minority real estate funds.

The Fund continued to concentrate on increasing allocations to minority and women owned money managers. Approximately 28% ($2,520,244,795) of the Fund's assets are managed by qualified minority or female owned managers. Additionally, the Fund directed $3,117,664 of commissions to qualified minority and women brokers.

Legislative

Public Act 096-0889 (Senate Bill 1946), and Public Act 096-1490 (Senate Bill 0550), were enacted during the year. The legislation amended the Illinois Pension Code with dramatic effect on the Fund and public employees throughout the State of Illinois. In conjunction, both statutes established a second tier of benefits for those who, after January 1, 2011, first become a member or participant in any reciprocal retirement system or pension fund established under the Illinois Pension Code. The second tier benefits include a cap on the salary used in the calculation of pensions, establish a minimum retirement age of 62, and establish age 67 as the minimum for unreduced pension benefits.

In addition, Public Act 096-0889 amended the Pension Code, Article 17, Section 129 to limit the Board of Education's required contribution to the Fund for fiscal 2011, 2012, and 2013, to $187 million, $192 million, and $196 million respectively. The period over which contributions must be made and the funding level of the fund must be brought to 90% was extended from 2045 to 2059.

Major legislative proposals that the Trustees continue to pursue include:

- providing a day of pension service credit for a day worked
- increasing State funding for retiree health insurance

- providing a permanent 75% health insurance rebate
- providing an ad-hoc increase for those on pension prior to 1980, and
- regaining the property tax levy reallocated to the Board of Education in 1995

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, 2009. This was the 20th 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 2009 teacher trustee election Lois W. Ashford and Jay C. Rehak were elected to three-year terms.

In the election for officers, John F. O'Brill was elected president, Linda S. Goff, vice president, Maria J. Rodriguez, 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 S. 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 Officer


4.83
NY
-0.54
0.01
1.34
Tokyo
ondon
5.63
FTSE
-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 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, 2010, 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 2009 financial statements and, in our report dated May 26, 2010, 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, 2010, 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 $1,660,141,292 (18% 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 25, 43 and 44, 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
July 21, 2011

Management's Discussion and Analysis (Unaudited)

June 30, 2010

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, 2010. This information is intended to supplement the financial statements, which begin on page 26 of this report. We encourage readers to consider additional information and data in the Fund's *2010 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, private equity, and international investments provides risk-adjusted returns while allowing the Fund to "ride out" short-term fluctuations in individual asset classes. Due to a strong rebound of the financial market in 2010, the Fund returned 13.38% for the year ended June 2010. 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 previous years brought the Fund's compound rate of return over the past 10 years to 2.92%, which is 5.08% less than the actuarial assumption of 8.0%.

The Fund's consulting actuary has certified the total actuarial accrued liability of the Pension Fund to be $16.3 billion as of June 30, 2010. This represents an increase in the total actuarial accrued liability of $636.5 million compared to the actuarial accrued liability of $15.7 billion as of June 30, 2009. The unfunded actuarial accrued liability increased from $4.2 billion to $5.4 billion during the year. The Fund's consulting actuary has also certified the total actuarial accrued liability of the Health Insurance Fund to be $2.9 billion as of June 30, 2010. This represents an increase in the total actuarial accrued liability of $194.6 million compared to the actuarial accrued liability of $2.7 billion as of June 30, 2009. The unfunded actuarial accrued liability increased from $2.6 billion to $2.8 billion during the year.

Financial Highlights

- Investment returns were favorable in comparison to previous years. The investment rate of return for fiscal year 2010 was 13.38% following fiscal year 2009's return of negative 22.4% and fiscal year 2008's return of negative 5.3%. Five and ten-year averaged returns were 1.41% and 2.92%, respectively.

- Total plan net assets increased during the fiscal year to $8.9 billion at June 30, 2010, from $8.4 billion at June 30, 2009.

- Total benefit payments were $1.1 billion. The Fund paid members $1.0 billion in service retirement, disability and survivor benefits, and an additional $79.9 million for healthcare benefits.

- Total additions to plan net assets were $1.6 billion. The net investment gain of $1.1 billion was more than 2.0 times member and employer contributions, which totaled $550.4 million.

- Benefit payments, member refunds, and administrative expenses totaled $1.1 billion for fiscal year 2010, a 5.1% increase over fiscal year 2009.

- The funded ratio for pension benefits decreased to 66.9% as of June 30, 2010, from 73.3% 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 2010, the Fund's total investment performance resulted in a 13.4% gain. The U.S., International, Real Estate Investment Trusts (REITs), and Private Equity markets generated positive returns. The Fund's portfolio of U.S. stocks reported a 16.3% return; International stocks reported a 13.9% return, public REITs reported a 38.7% return, and Private Equity reported a 14.8% return. Private real estate generated a negative return of 4.7%, while fixed income and infrastructure realized a positive return of 12.2% and 1.7%, respectively.

1-Year Returns (2010)

Asset Category	Fund Return	Index Name	Index Return
Total fund	13.4%	Fund Benchmark Index	13.3%
Domestic equity	16.3	Russell 3000 Index	15.7
International equity	13.9	MSCI AC World Free Ex US	10.9
Public REITS	38.7	Custom REITs Index	38.7
Private equity	14.8	Cambridge Assoc. US Private Equity	22.5
Real estate (private)	(4.7)	NEREIF Property Index	(1.5)
Fixed income	12.2	Barclays Aggregated Index	9.5

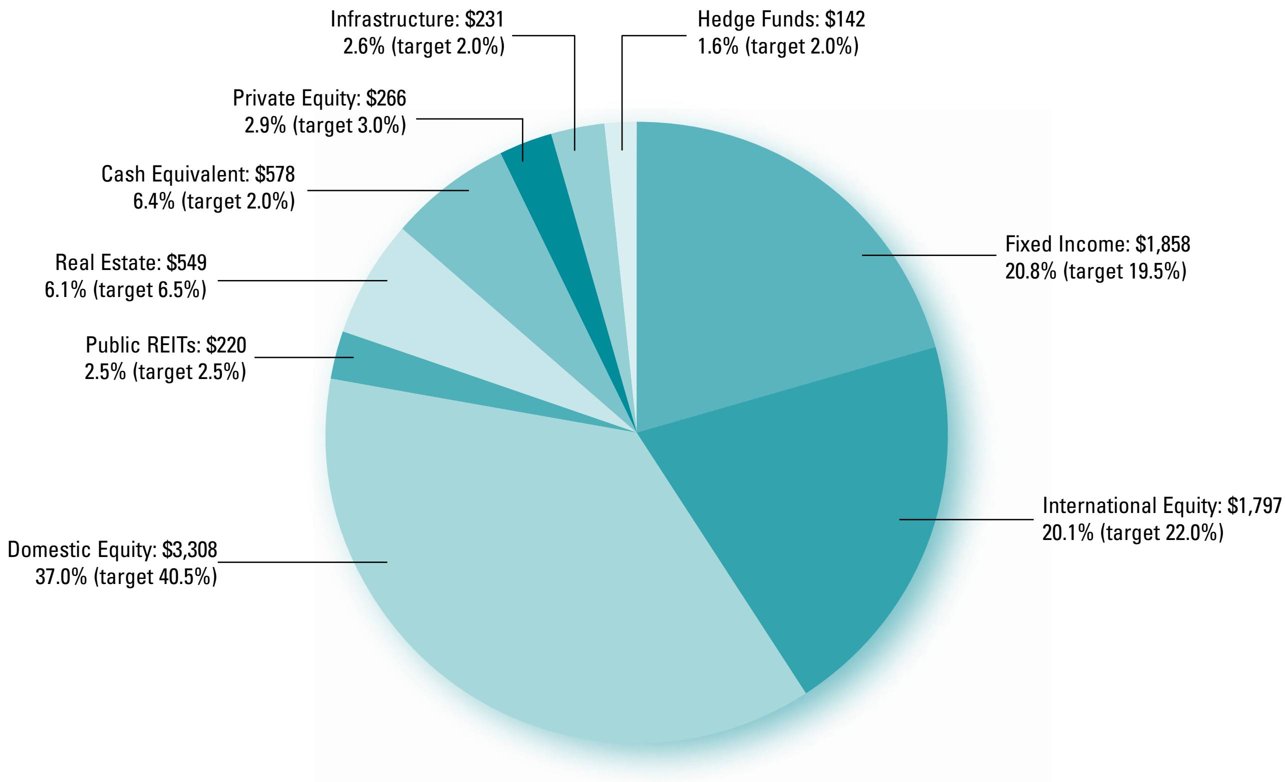
5-Year Returns (2010)

Asset Category	Fund Return	Index Name	Index Return
Total fund	1.4%	Fund Benchmark Index	2.1%
Domestic equity	(0.5)	Russell 3000 Index	(0.5)
International equity	3.0	MSCI AC World Free Ex US	3.8
Public REITS	1.0	Custom REITs Index	(1.1)
Private equity	9.8	Cambridge Assoc. US Private Equity	12.2
Real estate (private)	(1.1)	NEREIF Property Index	3.8
Fixed income	5.4	Barclays Aggregated Index	5.5

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

Asset Allocation Summary as of June 30, 2010

In Millions of Dollars



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

Plan Net Assets

The plan net assets increased $556.7 million (6.6%) during the fiscal year. This increase was due largely to the strong investment returns during the year.

As of June 30, 2010, total receivables, excluding amounts due from brokers, increased by $1.0 million from 2009. The change in receivables is the net result of an increase in contributions receivable from the employer at year-end, along with a decrease in both intergovernmental receivable and accrued investment income at year end. Due from brokers (the proceeds due from investment sales) increased $25.4 million due to timing of investment sales at year-end.

Refunds payable increased $1.2 million in 2010. This increase was due to a larger year-end accrual of refund expense. The increase in accounts and administrative expense payable of $1.1 million is the result of an increase in the year-end accrual of manager fee expense. Included in securities lending collateral payable is $39.7 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 $125.7 million due to the timing of investment purchases at year-end.

The following is a summary of the plan net assets for the years ended June 30, 2010 and 2009.

(in millions)	Fiscal Year 2010	Fiscal Year 2009
Cash and cash equivalents	$ 10.8	7.5
Receivables	95.7	94.7
Due from brokers	338.6	313.2
Investments, at fair value	8,938.7	8,578.0
Securities lending collateral and other assets	590.7	1,424.8
Capital assets, net	3.2	3.1
Total assets	**9,977.7**	**10,421.3**
Benefits and refunds payable	13.2	12.0
Accounts and administrative expenses payable	12.0	10.9
Securities lending collateral payable	630.5	1,507.4
Due to brokers	339.7	465.3
Total liabilities	**995.4**	**1,995.6**
Net assets held in trust for benefits	**$ 8,982.3**	**8,425.7**

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, 2010, additions totaled $1.6 billion, compared to negative $2.0 billion for the year ended June 30, 2009. Intergovernmental contributions decreased by $36.9 million in fiscal year 2010 due to a decrease in funds received from the state. The change in employee contributions is due to contributions based on higher salaries. Minimum funding requirement represents additional employer contributions required by state law when the funding level drops below 90%. Based upon the actuarial projection at June 30, 2008, the employer made additional contributions in fiscal year 2010 in the amount of $307.5 million. Net investment income increased due to the unrealized appreciation of the Fund's investment portfolio. The Fund's portfolio experienced a 13.38% gain for the year ended June 30, 2010, versus a 22.4% loss for the year ended June 30, 2009.

The following is a summary of additions to plan net assets for the years ended June 30, 2010 and 2009.

(in millions)	Fiscal Year 2010	Fiscal Year 2009
Intergovernmental, net	$ 48.3	$ 85.3
Employee contributions	194.6	176.2
Minimum funding requirement (employer)	307.5	177.8
Net investment income	1,107.6	(2,463.9)
Health insurance premium refund	—	15.0
Total additions	$ 1,658.0	$ (2,009.6)

Deductions from Plan Assets

Deductions from plan assets are representative 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. Refunds increased slightly 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 2010 and 2009. Total deductions from plan assets amounted to $1.1 billion for the year ended June 30, 2010, compared to $1.0 billion for the previous year.

The following is a summary of deductions from plan net assets for the years ended June 30, 2010 and 2009:

(in millions)	Fiscal Year 2010	Fiscal Year 2009
Pension benefits	$ 988.5	$ 940.6
Refunds	21.1	20.0
Death benefits	2.9	3.0
Refund of insurance premiums	80.0	75.8
Administration and miscellaneous expenses	8.8	8.8
Total deductions	$ 1,101.3	$ 1,048.2

Funding Analysis

Under the funding plan established by state statute, the employer is not required to make a minimum contribution to the Fund unless the Fund's funding level falls below 90% for a fiscal year. The employer is then 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 a predetermined funding period.

Amendments to the statute during fiscal year 2010 changed the funding requirements for future years. Minimum contributions for fiscal year 2011 were limited to $187 million; minimum contributions for fiscal year 2012 were limited to $192 million; and minimum contributions for fiscal year 2013 were limited to $196 million. Under the amended statue, the funding period was extended from 2045 to 2059.

Based upon the amended statute, the employer must make contributions of $187 million and $192 million in fiscal year 2011 and 2012, respectively. 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 $11.0 million for the period ending June 30, 2011 and 2012 respectively. The primary employer of the Fund is required to remit $11.1 million and $11.7 million for the period ending June 30, 2011 and 2012.

The funded ratio for pension benefits decreased from 73.3% in 2009 to 66.9% in 2010. The decrease in the funded ratio is due to the employer contribution being less than the employer contribution requirement of normal cost plus interest on the unfunded liability along with the smoothing of 2008 and 2009 investment losses over a four-year period. Employer contributions are expected to be substantially less than contributions in fiscal year 2010 and a slight increase is expected in operational and benefits costs. The rate of return for the period ended June 30, 2011, is projected at 8%. As a result, the funded ratio is expected to decrease to 58.3% in fiscal year 2011. 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, IL 60601-1231

Statement of Plan Net Assets

June 30, 2010, with comparative totals for 2009

	Pension Fund	Health Insurance Fund	Total 2010	Total 2009
ASSETS:				
Cash	$ 10,838,653	—	10,838,653	7,531,374
Receivables:				
Intergovernmental	7,620,616	—	7,620,616	16,776,988
Employee	48,821,134	—	48,821,134	35,654,556
Accrued investment income	33,018,734	—	33,018,734	36,519,843
Due from brokers	338,599,541	—	338,599,541	313,153,170
Participating teachers' accounts for contributions	4,707,780	—	4,707,780	4,861,620
Other receivables	1,493,711	—	1,493,711	881,473
Total receivables	434,261,516	—	434,261,516	407,847,650
Investments, at fair value:				
U.S. government and agency fixed income	1,069,179,658	—	1,069,179,658	1,299,893,984
U.S. corporate fixed income	607,125,108	—	607,125,108	616,812,868
Foreign fixed income securities	141,258,567	—	141,258,567	143,946,025
Commingled fixed income funds	39,484,665	—	39,484,665	34,626,862
U.S. equities	3,307,748,840	—	3,307,748,840	3,085,461,394
Foreign equities	1,796,843,210	—	1,796,843,210	1,669,878,749
Public REITs	220,141,501	—	220,141,501	146,855,811
Pooled short-term investment funds	529,627,492	38,471,732	568,099,224	484,180,183
Hedge fund	141,957,992	—	141,957,992	—
Real estate	549,194,297	—	549,194,297	599,626,373
Infrastructure	231,022,323	—	231,022,323	254,682,999
Private equity	265,604,804	—	265,604,804	237,245,332
Swaps	(3,778,059)	—	(3,778,059)	(13,495,270)
Margin cash	4,870,000	—	4,870,000	18,230,000
Total investments	8,900,280,398	38,471,732	8,938,752,130	8,577,945,310
Securities lending collateral	590,740,626	—	590,740,626	1,424,843,642
Capital assets, net of accumulated depreciation	3,167,576	—	3,167,576	3,127,077
Total assets	**9,939,288,769**	**38,471,732**	**9,977,760,501**	**10,421,295,053**
LIABILITIES:				
Benefits payable	1,627,688	—	1,627,688	1,555,650
Refunds payable	11,597,077	—	11,597,077	10,357,767
Accounts and administrative expenses payable	8,378,638	3,614,000	11,992,638	10,905,301
Securities lending collateral payable	630,483,033	—	630,483,033	1,507,411,895
Due to brokers	339,732,001	—	339,732,001	465,402,998
Total liabilities	**991,818,437**	**3,614,000**	**995,432,437**	**1,995,633,611**
Net assets held in trust for benefits	$ 8,947,470,332	34,857,732	8,982,328,064	8,425,661,442

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For fiscal year ended June 30, 2010, with comparative totals for 2009

		Pension Fund	Health Insurance Fund	Total 2010	Total 2009
ADDITIONS:					
Contributions					
Intergovernmental, net	$	15,752,550	32,522,400	48,274,950	85,251,336
Employee		194,621,551	—	194,621,551	176,176,975
Minimum funding requirement (employer)		275,007,400	32,477,600	307,485,000	177,817,991
Total contributions		485,381,501	65,000,000	550,381,501	439,246,302
Investment income:					
Net appreciation (depreciation) in fair value		875,027,563	—	875,027,563	(2,653,431,276)
Interest		114,555,862	119,855	114,675,717	148,991,741
Dividends		110,049,532	—	110,049,532	128,668,373
Miscellaneous		5,548	—	5,548	277,594
Securities lending gain (loss)		47,554,173	—	47,554,173	(53,465,789)
Less investment expense:					
Investment advisory and custodial fees		(39,738,780)	—	(39,738,780)	(34,947,387)
Total investment income, net		1,107,453,898	119,855	1,107,573,753	(2,463,906,744)
Health insurance premium refund		—	—	—	15,000,000
Total additions		1,592,835,399	65,119,855	1,657,955,254	(2,009,660,442)
DEDUCTIONS:					
Pension benefits		988,503,470	—	988,503,470	940,575,487
Refunds		19,871,308	—	19,871,308	18,991,822
2.2 Legislative refunds		1,212,986	—	1,212,986	1,046,641
Refund of insurance premiums		—	79,953,873	79,953,873	75,811,835
Death benefits		2,946,147	—	2,946,147	2,977,532
		1,012,533,911	79,953,873	1,092,487,784	1,039,403,317
Administrative and miscellaneous expenses		8,800,848	—	8,800,848	8,751,945
Total deductions		1,021,334,759	79,953,873	1,101,288,632	1,048,155,262
Net increase (decrease)		571,500,640	(14,834,018)	556,666,622	(3,057,815,704)
Net assets held in trust for benefits:					
Beginning of year		8,375,969,692	49,691,750	8,425,661,442	11,483,477,146
End of Year	**$**	**8,947,470,332**	**34,857,732**	**8,982,328,064**	**8,425,661,442**

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, 2010 and 2009, the Fund membership consisted of the following:

	2010	2009
Retirees and beneficiaries currently receiving benefits	24,600	24,218
Terminated members entitled to benefits but not yet receiving them	2,752	3,056
Current members:		
Vested	21,983	20,488
Nonvested	12,000	11,417
	61,335	59,179

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 34 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 three 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 2010 and 2009. In accordance with Chapter 40, Act 5, Article 17, Section 17-142.1 of the ILCS, 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, 2010 and 2009 are $34,857,732 and $49,691,750, respectively. The Fund has total discretion over the program, and no employee or employer contributions are made for the subsidy. As of June 30, 2010 and 2009, health insurance membership consisted of the following:

	2010	2009
Retirees and beneficiaries currently receiving health insurance benefits	16,796	16,495
Terminated employees entitled to benefits but not yet receiving them	2,752	3,056
Active Members	33,983	31,905
	53,531	51,456

(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 ILCS. 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. The fair value of the derivative instruments that are not exchanged traded is determined by external pricing services using various pricing methods which are based upon the type of the derivative instrument.

(d) Capital Assets

Capital assets 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 plan 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.

(h) New Accounting Pronouncements

The Fund implemented the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* during the year ended June 30, 2010. While this Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments, its impact on the Fund was limited to enhanced disclosures only since the Fund already reports its derivative instruments at fair value as required by the Statement.

The Fund implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010. There was no impact to the Fund as a result of the implementation.

(3) Receivables

As of June 30, 2010 and 2009, intergovernmental receivables include contributions due from the Board of Education and appropriations due from the State of Illinois as follows:

		2010	2009
Board of Education			
Early retirement program	$	3,326,102	9,374,699
Deficiencies		1,165,231	1,165,231
State of Illinois appropriations		3,129,283	6,237,058
	$	7,620,616	16,776,988

The Early Retirement Program receivable represents the Board of Education's portion of the early retirement costs for fiscal year 2008. The Board of Education did not offer the early retirement program for fiscal year 2010 or 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 $46,061,481 and $33,121,741, on behalf of the employees, at June 30, 2010 and 2009, respectively. Employees owed the Fund $2,759,653 and $2,532,815 for the 2.2 pension formula upgrade at June 30, 2010 and 2009, 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.

Cash balances at June 30, 2010:		
Carrying amount	$	10,838,653
Bank balance		13,479,777
Amount exposed to custodial credit risk		13,331,999

Investments

The following table presents a summary of the Fund's investments at fair values at June 30, 2010:

Investments	Fair Value
U.S. government and agency fixed income	$ 1,069,179,658
U.S. corporate fixed income	607,125,108
Foreign fixed income securities	141,258,567
Commingled fixed income funds	39,484,665
U.S. equities	3,307,748,840
Foreign equities	1,796,843,210
Public REITs	154,167,370
Foreign public REITs	65,974,131
Pooled short-term investment funds	568,099,224
Hedge fund	141,957,992
Real estate	549,194,297
Infrastructure	231,022,323
Private equity	265,604,804
Swaps	(3,778,059)
Margin cash	4,870,000
Total investments	$ 8,938,752,130

(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, 2010, 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, 2010
Margin cash	$ 4,870,000

(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, 2010.

(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, 2010:

S&P Credit Ratings	Asset - Backed	Commercial Mortgage - Backed	Corporate Bonds	Government Agencies	Government Bonds	Government Mortgage-Backed	Municipal Prov. Bonds
AAA	$ 11,211,832	25,249,411	27,230,377	180,423,698	605,371,941	—	165,261
AA	222,381	1,244,987	76,612,900	820,704	1,062,500	—	7,116,571
A	—	5,927,051	272,339,949	13,033,696	6,144,783	—	6,943,983
BBB	546,530	387,063	205,676,417	1,407,994	13,705,090	—	—
BB	1,426,531	—	11,591,748	—	—	—	—
B	2,380,387	4,573,521	5,639,449	—	—	—	—
CCC	4,561,638	11,500,911	3,044,267	—	—	—	—
CC	—	764,584	—	—	—	—	—
C	—	—	849,750	—	—	—	—
D	—	74,181	—	—	—	—	—
NR	1,352,166	6,808,519	11,301,977	1,867,879	—	—	—
US Gov't. Agency	—	—	—	10,448,675	82,290,818	194,241,213	—
	$ 21,701,465	**56,530,228**	**614,286,834**	**208,002,646**	**708,575,132**	**194,241,213**	**14,225,815**

(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, 2010:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Asset-backed securities	$ 21,701,465	0.19
Commercial mortgage-backed	56,530,228	0.91
Corporate bonds	614,286,834	3.49
Government agencies	208,002,646	0.62
Government bonds	708,575,132	3.09
Government mortgage-backed securities	194,241,213	2.32
Municipal/provincial bonds	14,225,815	0.10
Total	**$ 1,817,563,333**	**2.73**

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, 2010:

Currency	Fair Value	Percentage
Australian dollar	$ 33,401,381	1.79%
Brazilian real	23,748,265	1.27%
British pound sterling	386,141,019	20.73%
Canadian dollar	44,255,871	2.38%
Chilean peso	1,085,305	0.06%
Czech koruna	3,007,766	0.16%
Danish krone	12,340,211	0.66%
Egyptian pound	907,801	0.05%
Euro	385,645,174	20.70%
Hong Kong dollar	99,660,705	5.35%
Indian rupee	21,476,280	1.15%
Indonesian rupiah	10,395,633	0.56%
Japanese yen	314,104,205	16.86%
Malaysian ringgit	1,100,499	0.06%
Mexican peso	6,133,077	0.33%
New Israeli shekel	2,688,550	0.14%
Norwegian krone	17,558,566	0.94%
Singapore dollar	24,440,623	1.31%
South African rand	10,487,962	0.56%
South Korean won	6,777,729	0.36%
Swedish krona	12,258,574	0.66%
Swiss franc	175,262,639	9.41%
Taiwan dollar	8,107,268	0.44%
Thai baht	1,087,261	0.06%
Turkish lira	9,639,538	0.52%
U.S. dollar	251,046,866	13.49%
Total	**$ 1,862,758,768**	**100.00%**
Foreign fixed income - U.S. dollar	$ 141,258,567	100.00%

(5) Derivatives

During the year ended June 30, 2010, the Fund implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. A derivative instrument is an instrument or contract whose value is derived from that of other financial instruments such as stocks, bonds, and commodities, interest rates or a market index. The Fund's derivatives are considered investment derivative instruments. The following table summarizes the derivatives held within the Fund's investment portfolio as of June 30, 2010:

Derivative Type	Notional Amounts	Fair Value
Foreign currency contracts purchased	$ —	24,566,191
Foreign currency contracts sold	—	(24,557,811)
Futures:		
Long fixed income	147,734,532	93,241
Long equity	9,329,400	(79,320)
Short fixed income	82,265,078	(57,142)
Options:		
Foreign currency options:		
Call written	71,000	(83,356)
Put written	240,000,000	(41,856)
Fixed income options:		
Call purchased	35,783,688	342,017
Call written	1,838,203	(14,063)
Swaptions (written):		
Pay fixed, receive variable	9,840,000	(537,688)
Pay variable, receive fixed	9,840,000	(254,444)
Rights	—	63,681
Warrants	—	70,747
Swaps:		
Interest rate:		
Pay fixed, receive variable	30,698,000	(2,339,136)
Pay variable, receive fixed	11,580,000	(811,066)
Credit default	21,777,749	(445,792)
Total	$ 600,757,650	(4,085,797)

Forward Currency Forward Contracts

Forward currency contracts are two-sided contracts in the form of either forward purchases or forward sales. The Fund's use of these securities is limited to small positions in the Fund's portfolio to hedge fluctuations in foreign currency. The fair value of forward currency contracts outstanding at June 30, 2010 is as follows:

Currency	Fair Value
Foreign currency exchange purchases:	
Australian dollar	$ 7,304
British pound sterling	492,425
Euro	762,041
Japanese yen	777,981
Norwegian krone	41,748
South African rand	79,674
Swedish krona	7,991
Swiss franc	156,028
United States dollar	22,240,999
	$ 24,566,191
Foreign currency exchange sales:	
Australian dollar	$ (752,618)
British pound sterling	(546,811)
Danish krone	(170,359)
Euro	(1,526,223)
Japanese yen	(18,884,116)
Mexican peso	(43,176)
South African rand	(154,549)
Swiss franc	(323,797)
United States dollar	(2,156,162)
Total Sales	$ (24,557,811)

Futures Contracts

Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed-upon price. The Fund uses financial futures to improve yield, to adjust the duration of the fixed income portfolio, and to replicate an index.

Options

Options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price called the strike price on or before a specified expiration date. As a purchaser of financial options, the Fund pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future.

Stock Rights and Warrants

A stock right is the right to the holder as a current shareholder in a company to buy additional shares at a discount over the current market price. Warrants are instruments which when purchased are priced above the current market, and allow the holder to purchase shares in a company at a specified future point in time. As a holder of warrants, the Fund bears the risk that the share price will drop below the cost of the warrant.

Swaps

Swaps are agreements to exchange currency or assets. The Fund invests in swaps to manage exposure to credit, currency, inflation, and interest rate risks. Interest rate swap agreements involve the exchange of a set of variable and fixed rate interest payments linked to a referenced interest rate without an exchange of the underlying principal amount. The agreements are used to limit or manage exposure to fluctuations in the interest rates or to obtain a marginally lower interest rate than would be available with the swaps. Credit default swap and synthetic default swap agreements involve one party making a stream of payments (the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index.

Changes in Fair Value

The following table summarizes the changes in fair value, which were recognized as investment income in the Fund's statement of changes in plan net assets as of and for the year ended June 30, 2010:

Derivative Type	Changes in Fair Value	
Foreign currency contracts	$	(2,274,068)
Futures		4,429,922
Options		498,013
Swaptions		782,222
Rights and warrants		1,523,952
Swaps		634,772
Total	$	5,594,813

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. It is the Fund's policy to enter into netting arrangements whenever it has more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party. The aggregate fair value of derivatives in asset positions at June 30, 2010 was approximately $25,426,000, which is offset by liabilities included in the netting arrangements with counterparties, resulting in approximately $351,000 net exposure to credit risk. The counterparties with the remaining credit risk are banks which are rated A or above by the rating agencies.

Interest Rate Risk

The Fund manages its exposure to fair value losses from interest rate risk for the derivatives portfolio using the effective duration contribution method on the portfolio as a whole. Duration is a weighted average of the maturity of all the income streams from the portfolio of the fixed income instruments. Following is the effective duration of the Fund's fixed income derivatives at June 30, 2010:

Derivative Type	Fair Value	Effective Duration (years)
Futures fixed income (long and short, net)	$ 36,099	2.73
Options	202,742	0.13
Swaptions	(792,131)	(0.01)
Interest rate swaps	(3,150,203)	(0.08)
Total	$ (3,703,493)	2.77

(6) Securities Lending

The Fund's 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. 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 June 30, 2010 has a weighted average maturity of 33 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	2010	2009
Fair value of securities loaned for cash collateral	$ 570,843,419	1,384,980,900
Fair value of securities loaned for noncash collateral	64,898,353	88,221,449
Total fair value of securities loaned	$ 635,741,772	1,473,202,349
Fair value of cash collateral from borrowers	$ 590,740,626	1,424,843,642
Fair value of noncash collateral from borrowers	69,563,857	94,718,251
Total fair value of collateral from borrowers	$ 660,304,483	1,519,561,893

(7) 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 ILCS (Public Act 89-15) provides 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 2059. In years where the funding rate exceeds 90%, no employer contribution is required. Based upon the actuarial projections at June 30, 2008 and 2007, the employer and state were required to make contributions in the amount of $393.3 million and $198.0 million in fiscal years 2010 and 2009, respectively. During fiscal year 2010, the employer and state paid $355.7 million in required contributions. The unpaid portion is currently under litigation with the employer.

During the year ending June 30, 2010, the state decreased its funding for the health insurance plan. As a result, the Fund allocated $32,477,600 of the employer contribution to the Health Insurance Fund to pay health benefits to Fund retirees.

(a) Member Contributions

Member contributions, established by the ILCS, 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 totaled $237,330 and $235,296 for the years ended June 30, 2010 and 2009, 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 — Eligible Chicago teachers age 55 to 60 may retire without discount if the Board of Education passes a resolution for the early retirement without discount program in accordance with the ILCS. A contributor is eligible if he/she:

- has at least 20 but less than 34 years of service
- retires 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 years ended June 30, 2010 and 2009. During fiscal year 2010, the Board of Education paid the amount due for fiscal year 2007. The required contributions for fiscal year 2008 are reflected as a receivable of $3,326,102 in the accompanying financial statements.

(8) Funded Status and Funding Progress

As of June 30, 2010, 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	$	16,319,743,665	2,864,877,305
Less actuarial value of assets		10,917,416,993	34,857,732
Unfunded actuarial accrued liability	$	5,402,326,672	2,830,019,573
Funded ratio		66.90%	1.22%
Annual covered payroll	$	2,107,934,080	2,107,934,080
Unfunded actuarial accrued liability as a percentage of annual covered payroll		256.29%	134.26%

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, present multiyear 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, 2010:

	Pension Plan	Health Insurance Plan
Valuation date	June 30, 2010	June 30, 2010
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:	8% per year	4.5% per year
Investment rate of return	Rate of increase varying by age.	N/A
Projected salary increases*	In terms of the impact on liabilities and costs, the assumed rates of increase are equivalent to an average salary increase of 4% per year.	
Inflation rate*	3% per year	3% per year
Postretirement benefit increase:		
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	3% per year	5.0% per year
2018 and later	3% per year	5.0% per year

* includes inflation at cost-of-living adjustments

(9) 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.

(10) 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.

(11) 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
2011	$	487,333
2012		499,991
2013		512,649
2014		525,307
2015		537,965
2016 – 2020		2,879,695
2021		510,539
Total minimum future rental payments	$	5,953,479

Rent expense was $474,675 and $462,017 in 2010 and 2009, respectively.

Required Supplementary Information

Schedule of Funding Progress (Unaudited)

Pension Plan

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, 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
June 30, 2010	10,917,417	16,319,744	5,402,327	66.90	2,107,934	256.29

(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 Plan

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, 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
June 30, 2010	34,858	2,864,877	2,830,019	1.22	2,107,934	134.26

See accompanying independent auditors' report

Required Supplementary Information

Schedule of Contributions (Unaudited)

Pension Plan

Last six fiscal years

Schedule 3

Period Ended	Annual Required Contributions	Actual	Percentage Contributed	Annual Required Contributions	Actual	Percentage Contributed	Total contributions as a % of annual required contributions
	Employer Contributions			Employee Contributions			
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
June 30, 2010	355,846,125	290,759,950	81.71	177,302,867	194,621,551	109.77	97.13

See accompanying independent auditors' report.

Schedule of Contributions (Unaudited)

Health Insurance Plan

Last four fiscal years

Schedule 4

Period ended	Annual Required Contributions	Actual	Percentage Contributed
	Employer Contributions		
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
June 30, 2010	186,231,574	65,000,000	34.90

See accompanying independent auditors' report.

Schedules of Administrative and Miscellaneous Expenses

Years ended June 30, 2010 and 2009

Schedule 5

		2010	2009
Salaries	$	3,802,012	3,994,083
Accrued leave		365,869	222,278
Actuary fees		68,000	60,500
Auditing		165,275	253,500
Banking fees		55,425	48,334
Consulting		10,376	25,000
Data processing		77,809	63,287
Depreciation		536,610	561,907
Election expense		250,358	189,779
Employees' health insurance		610,313	499,915
Field services/pension rep		56,558	50,624
Health insurance consulting		35,093	26,315
Insurance premium		31,965	32,934
Legal fees		210,496	136,767
Legislative expense		127,138	118,821
Maintenance of equipment, systems, software, and support		187,095	346,127
Medical fees		55,443	36,955
Membership, dues, and subscriptions		13,335	8,967
Office forms and supplies		59,908	35,265
Office rent and utilities		912,895	907,807
Postage		142,305	192,262
Publications/communication		235,322	190,431
Records management		8,901	4,900
Studies and evaluation		43,715	18,025
System consulting		542,950	530,103
Trustee conferences, seminars, and meetings		128,149	131,003
Tuition and training/educational conference		46,896	44,557
Miscellaneous		20,637	21,499
Total	**$**	**8,800,848**	**8,751,945**

See accompanying independent auditors' report.

Schedules of Cash Receipts and Disbursements

Years ended June 30, 2010 and 2009

Schedule 6

		2010	2009
Cash and cash equivalents at beginning of period	$	491,711,557	503,326,360
Add receipts:			
Member contributions		181,608,813	179,141,955
Public revenues		364,916,322	263,578,836
Interest and dividends		275,786,079	235,567,071
Miscellaneous		—	15,282,401
Net investment sales		404,733,180	377,834,313
Total cash receipts		**1,227,044,394**	**1,071,404,576**
Less disbursements:			
Pension benefits		991,377,579	943,094,244
Refunds		18,631,998	17,563,412
2.2 legislative refunds		1,212,986	1,046,641
Refund of insurance premiums		76,339,873	72,421,178
Investment and administrative expenses		51,643,400	48,893,904
Miscellaneous		612,238	—
Total cash disbursements		**1,139,818,074**	**1,083,019,379**
Net increase (decrease) in cash and cash equivalents		87,226,320	(11,614,803)
Cash and cash equivalents at end of period	**$**	**578,937,877**	**491,711,557**

See accompanying independent auditors' report.

Schedules of Manager Fees

Years ended June 30, 2010 and 2009

Schedule 7

	2010	2009
Acadian Asset Management, Inc.	$ 213,293	1,163,558
Adams Street Partners	1,116,753	1,028,658
Adelante Capital Management	259,049	244,230
Ariel Capital Management	446,462	417,338
Attucks Asset Management	967,225	718,590
Brandywine Global Investment Management	336,883	389,562
Capri Capital Partners	244,017	220,328
CB Richard Ellis Investors	108,156	110,457
Channing Capital management	363,874	6,603
Chicago Equity Partners	—	247,175
Credo Capital Mgmt	338,776	6,481
Dimensional Fund Advisors	522,849	331,388
DV Urban Realty Partners	256,365	296,909
Europa	647,268	—
Earnest Partners, LLC	708,872	362,415
Fremont Realty Capital	341,468	316,530
HarbourVest Partners, LLC	810,000	900,000
Harris Investment Management, Inc.	512,096	487,207
Hispania Capital Partners	339,475	309,253
Holland Capital Management	472,404	378,301
ICV Capital Partners	225,000	150,000
Intercontinental Real Estate Corp.	436,319	436,898
J & W Seligman & Co.	533,344	628,024
J.P. Morgan Fleming	3,930,647	2,880,047
K2 Advisors	550,237	—
Lazard Asset Management	764,178	869,921
Leading Edge Investment Advisors	181,697	—
Lehman Brothers Asset Management	43,191	344,461
LM Capital Group	181,170	132,805
Lombardia Capital Partners	582,909	403,877
Lynmar Capital Group, Inc.	215,330	305,716
Macquarie Partners	2,142,193	1,941,241
Merrill Lynch	1,173,802	300,000

Continued on page 48

Schedule 7 *(continued from page 47)*

	2010	2009
Mesirow Financial, Inc.	$ 2,085,577	1,128,502
MFS Institutional Advisors	1,335,115	1,171,822
Morgan Stanley Investment Management	2,624,127	2,257,734
Muller and Monroe Asset Management	257,258	350,000
New Amsterdam Partners	543,168	505,251
Northern Trust Global Investments	479,242	919,428
Palladium Equity Partners	150,000	150,000
Pantheon Ventures, Inc.	718,837	662,943
Pharos Capital Group	16,449	145,890
Piedmont Investment Advisors	417,338	385,139
Progress Investment Management	961,577	708,352
Prudential Investment Management	1,293,187	1,601,264
RhumbLine Advisers	91,736	66,196
RREEF America, LLC	309,178	330,562
Syncom Partners	159,284	159,494
Taplin, Canida and Habacht	193,210	183,314
UBS Global Asset Management	756,269	1,525,600
United Investment Managers, Inc.	375,224	507,718
UrbanAmerica, LP	290,284	306,810
Urdang Investment Management	274,642	233,040
Waddell & Reed Asset Management Group	289,228	275,233
Walton Street Capital	1,166,844	1,167,194
Western Asset Management	876,693	799,062
William Blair & Company	1,989,123	520,378
Zevenbergen Capital Investments	260,876	206,119
Total manager fees	37,879,768	32,595,018
Mercer – General investment consultant	405,000	365,000
Northern Trust – Master custodian	400,000	500,000
The Townsend Group – Real estate consultant	160,000	160,000
Total consultant fees	965,000	1,025,000
Fees for foreign exchange and real estate	894,012	1,327,369
Total	**$ 39,738,780**	**34,947,387**

See accompanying independent auditors' report.

Schedule of Consultant Payments

Years ended June 30, 2010 and 2009

Schedule 8

	2010	2009
Anselmo and Associates	$ 72,468	67,896
Aspen Marketing	49,059	—
Bogfire Inc.	23,685	23,400
Bradley Consulting Group, Inc.	432,000	432,000
Cahill Printing Co.	12,454	20,855
Chicago Press Corporation	51,663	59,936
Comgraphic	42,394	—
Data Consultants	54,790	31,094
E. M. Barnes & Associates	54,490	50,925
Election Service Corporation	218,036	160,013
Goldstein & Associates	68,000	60,500
Michelle Holleman	72,285	65,640
Imaging Office Systems	27,984	32,003
Jacobs, Burns, Orlove & Stanton & Hernandez	196,752	148,967
Kirkland & Ellis, LLP	13,541	27,649
KPMG LLP	165,275	253,500
Levi, Ray & Shoup, Inc.	48,673	215,563
Robin Lynch	110,950	98,102
National Data Service of Chicago	6,966	187,508
North Shore Printers	44,907	43,996
The Segal Company	35,903	26,315
Total	**$ 1,802,275**	**2,005,862**

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
(312) 630-6000

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Public School Teachers' Pension and Retirement Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period July 1, 2009 through June 30, 2010.

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

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

THE NORTHERN TRUST COMPANY

By: ______________________
Amy M. Sproull, Second Vice President

Douglas J. Kryscio, CFA

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Suite 1500,
Chicago, IL 60606
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MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

September 16, 2010

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, 2010.

As of June 30, 2010, the Fund's market value totaled $8.9 billion, an approximate $0.8 billion increase since June 30, 2009, due to positive investment performance that offset net withdrawals. During the past twelve month period:

- Domestic equity markets rebounded. The S&P 500 Index, an index of domestic large capitalization stocks, advanced 14.4% during the one year period while smaller stocks, as measured by the Russell 2000 Index, returned 21.5%. The largest negative contributor to performance was in the telecommunications sector while the consumer discretionary and industrials sector posted strong results. Value stocks outperformed growth stocks by a wide margin.
- Developed international equity markets underperformed their domestic equity counterparts during the one year period, returning 6.4% as measured by the MSCI EAFE (Europe, Australasia, Far East) Index. Emerging markets performed relatively well, advancing 23.5%, as measured by the MSCI Emerging Markets Index.
- The Fixed income market produced strong results during the year, gaining 9.5% as measured by the Barclays Aggregate Bond Index.

Within this environment, the Fund advanced 13.4% during the 12 month period ending June 30, 2010. The Fund outperformed its benchmark but slightly trailed the peer group during the fiscal year. Due to an inability to rebalance to equities during the credit crunch at the end of 2008, the Fund trailed the benchmark and peer group medians for both the three and five year time frames. Since inception, the Fund outperformed its benchmark by 20 basis points, annually.

The Fund's domestic equity managers advanced 17.5% during the fiscal year, leading the Russell 3000 Index return of 15.7%. In general, the Fund's small cap managers performed well while some of the large and mid cap managers struggled.

The Fund's international equity allocation, gaining 13.9%, exceeded its benchmark index by 3.0% and placing in the top quartile of the peer group. Active management added value to the portfolio during the year as most of the Fund's managers outperformed their benchmarks and peers. Returns in the international equity space have outperformed its benchmarks and peer group medians over the one- and three-year periods.

The fixed income portfolio produced positive results during the fiscal year, gaining 12.2%, leading the index by 2.7%. The flight to quality in the market place during the credit crunch of 2008 negatively impacted relative results in the opportunistic area of investments over the longer time periods measured.

Manager changes over the past year are summarized in the following table:

Terminated Managers	Asset Class	Termination Date
Chicago Equity Partners	Mid Cap Equity	Jun-09
RiverSource	Small Cap Growth Equity	Mar-10
UIM	Manager of Managers	Dec-09
Northern EAFE Growth	Passive International Growth	Dec-09
Acadian	International Equity	Sep-09
Global Current	International Equity	Jan-10
Lehman Brothers	Core Fixed Income	Sep-09
New Managers	**Asset Class**	**Inception Date**
Credo	Mid Cap Growth Equity	Jun-09
Channing	Mid Cap Value Equity	Jun-09
Rhumbline	Passive Small Cap Growth	Mar-10
Leading Edge	International Manager of Managers	Mar-10
William Blair	International Equity Growth	Jan-10
K2 Advisors	Hedge Funds	Oct-09
Mesirow	Hedge Funds	Oct-09

The Board of Trustees for the Fund elected to revise the asset allocation over the next few years as a result of an asset/liability study conducted during the second quarter of 2010. The Fund will increase its alternative investments and decrease public equity investments over the next few years in an effort to provide additional diversification and lower volatility. Mercer supports the Fund's ongoing efforts to enhance investment results and in depth due diligence activities. There are continued challenges to the Fund over the next few years as progress is made towards the new asset allocation and Mercer will continue to review the Fund's strategy in light of current events.

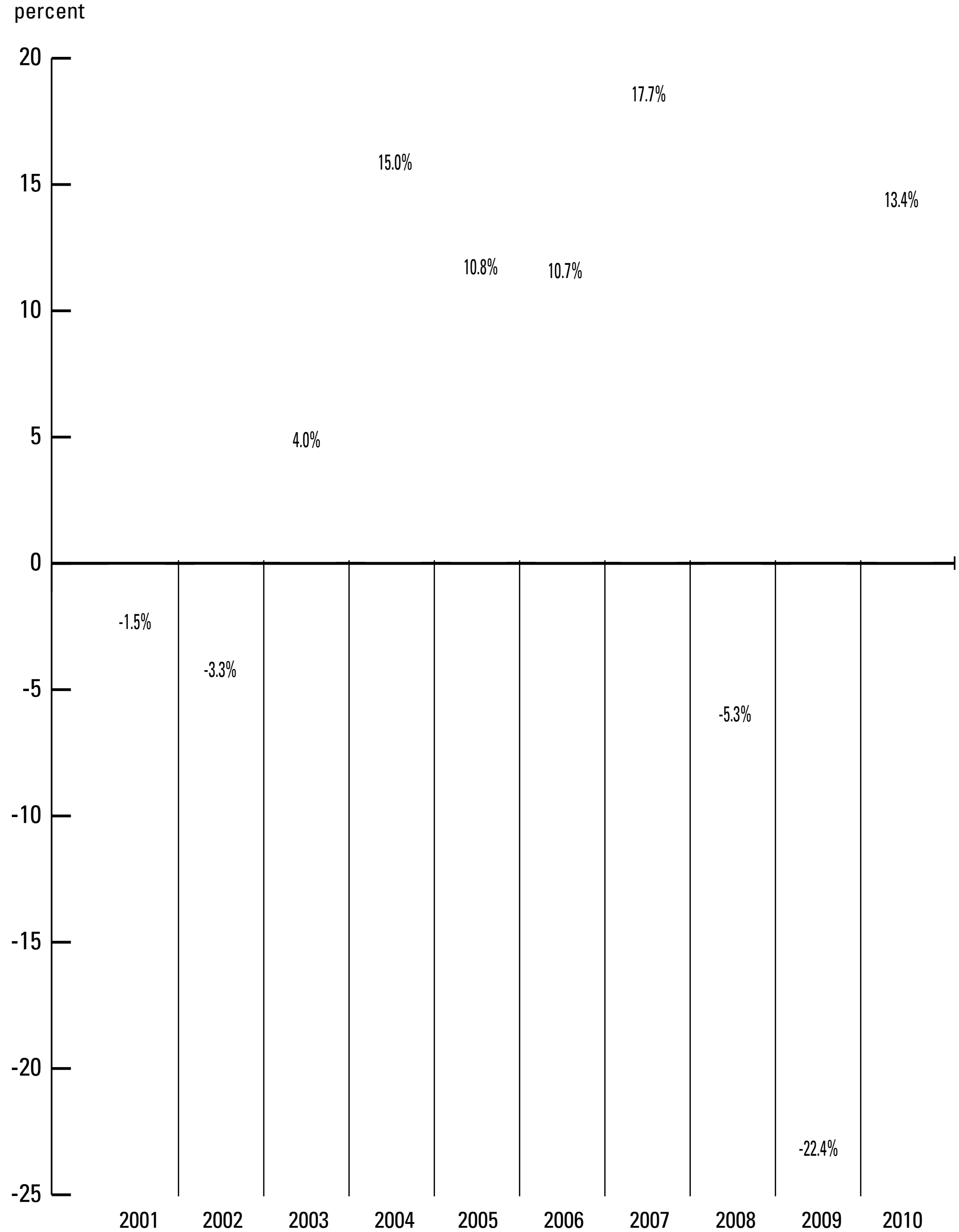
All performance returns for the Public School Teachers' Pension & Retirement Fund of Chicago presented in this report have been calculated by Mercer Investment Consulting based upon a Modified Dietz methodology and are net-of-fees.

Sincerely,

Douglas J. Kryscio, CFA
Partner

Total Annual Fund Rate of Return*

as of June 30, 2001-2010



*Time-weighted rate of return.

Schedule of Investment Results

	For the year ended June 30,					Annualized Returns		
	2006	2007	2008	2009	2010	3 Year	5 Year	10 Year
Total Fund	10.7%	17.7%	(5.3%)	(22.4%)	13.4%	(6.1%)	1.4%	2.9%
Large Cap	9.8%	19.9%	(10.1%)	(26.6%)	13.5%	(8.7%)	0.4%	(0.6%)
Russell 1000 Index	9.1%	20.4%	(12.4%)	(26.7%)	15.2%	(9.5%)	(0.5%)	(1.2%)
S&P 500	8.6%	20.6%	(13.1%)	(26.2%)	14.4%	(9.8%)	(0.8%)	(1.6%)
Mid Cap Equity	12.6%	18.3%	(10.5%)	(29.7%)	21.4%	(8.6%)	(0.4%)	4.6%
S&P Mid Cap	13.0%	18.5%	(7.3%)	(28.0%)	24.9%	(5.9%)	2.2%	5.3%
Small Cap Equity	12.9%	19.7%	(18.2%)	(24.1%)	24.2%	(8.4%)	0.8%	4.2%
Russell 2000 Index	14.6%	16.4%	(16.2%)	(25.0%)	21.5%	(8.6%)	0.4%	3.0%
International Equity	23.9%	25.2%	(7.2%)	(28.9%)	13.9%	(9.2%)	3.0%	3.2%
MSCI ACWI ex US	28.4%	30.1%	(6.2%)	(30.5%)	10.9%	(10.3%)	3.8%	2.3%
Fixed Income	(0.9%)	6.2%	5.8%	4.1%	12.2%	7.3%	5.4%	6.5%
Barclays Aggregated Index	(0.8%)	6.1%	7.1%	6.0%	9.5%	7.6%	5.5%	6.5%
REITs	23.3%	20.7%	(17.1%)	(37.8%)	38.7%	(10.4%)	1.0%	10.5%
Custom REITs Index**	19.1%	12.6%	(20.3%)	(39.6%)	38.7%	(11.3%)	(1.1%)	9.1%
Real Estate (Public and Private)	20.6%	18.5%	6.8%	(34.7%)	(4.7%)	12.8%	(1.1%)	4.6%
NEREIF Property Index	18.7%	17.3%	9.2%	(43.3%)	(1.5%)	(4.7%)	3.8%	7.2%
Private Equity*	27.2%	22.0%	19.7%	(24.7%)	14.8%	1.1%	9.8%	–
Cambridge Assoc. US Private Equity Index	–	–	–	–	22.5%	1.7%	12.2%	7.6%
Infrastructure	–	–	–	–	1.7%	–	–	–
Hedge Funds	–	–	–	–	–	–	–	–

**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.

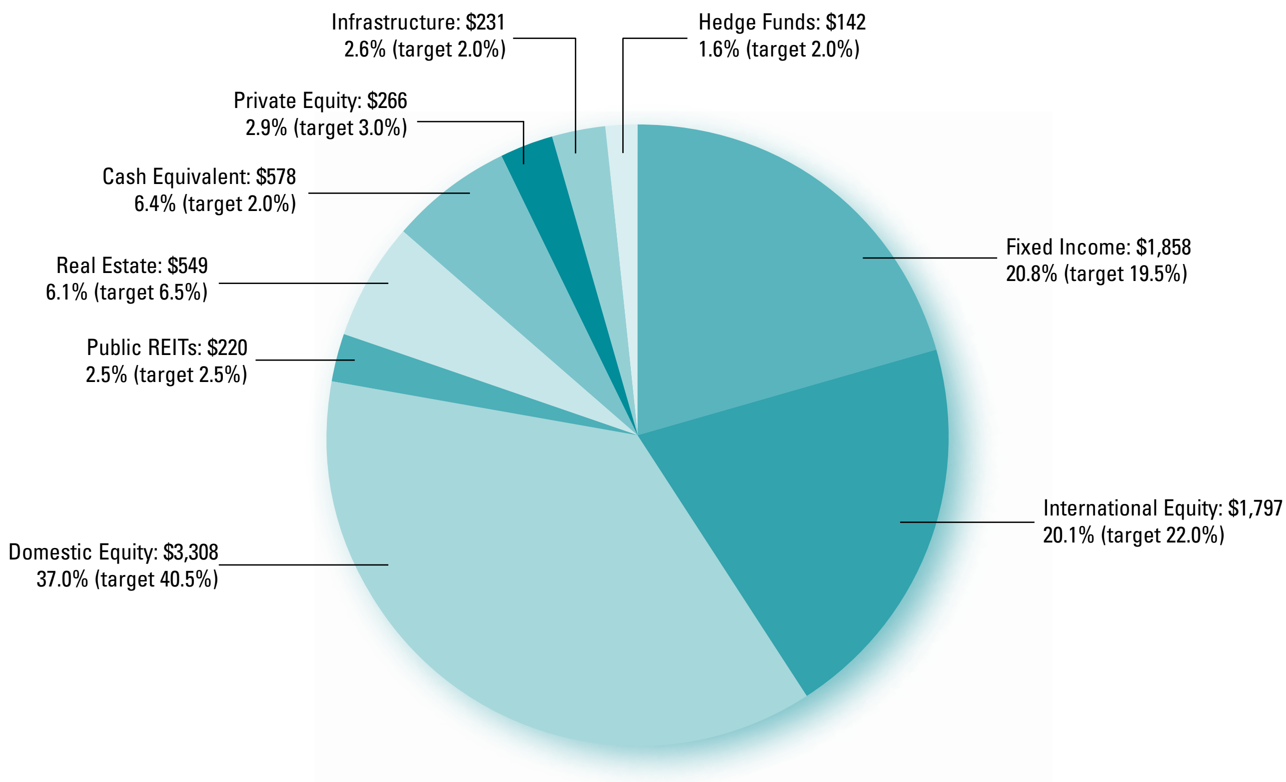
Investment Portfolio Summary

IN MILLIONS OF DOLLARS

	June 30, 2009				June 30, 2010	
	Fair Value	Purchases	Sales (Fair Value)	Fair Value Adjustments	Fair Value	Percent of Total
Fixed Income	$ 2,100.0	2,340.4	2,685.6	103.4	1,858.2	20.76%
Equity	4,902.2	3,489.3	3,820.5	753.7	5,324.7	59.50%
Real Estate	599.7	52.5	44.9	(58.0)	549.3	6.14%
Hedge Funds	–	141.9	–	–	141.9	1.59%
Infrastructure	254.7	2.7	7.9	(18.5)	231.0	2.58%
Private Equity	237.2	29.1	20.3	19.6	265.6	2.97%
Cash & Equivalents	491.7	87.2	–	–	578.9	6.47%
Total Portfolio	**$ 8,585.5**	**6,143.1**	**6,579.2**	**800.2**	**8,949.6**	**100.00%**

Asset Allocation Summary as of June 30, 2010

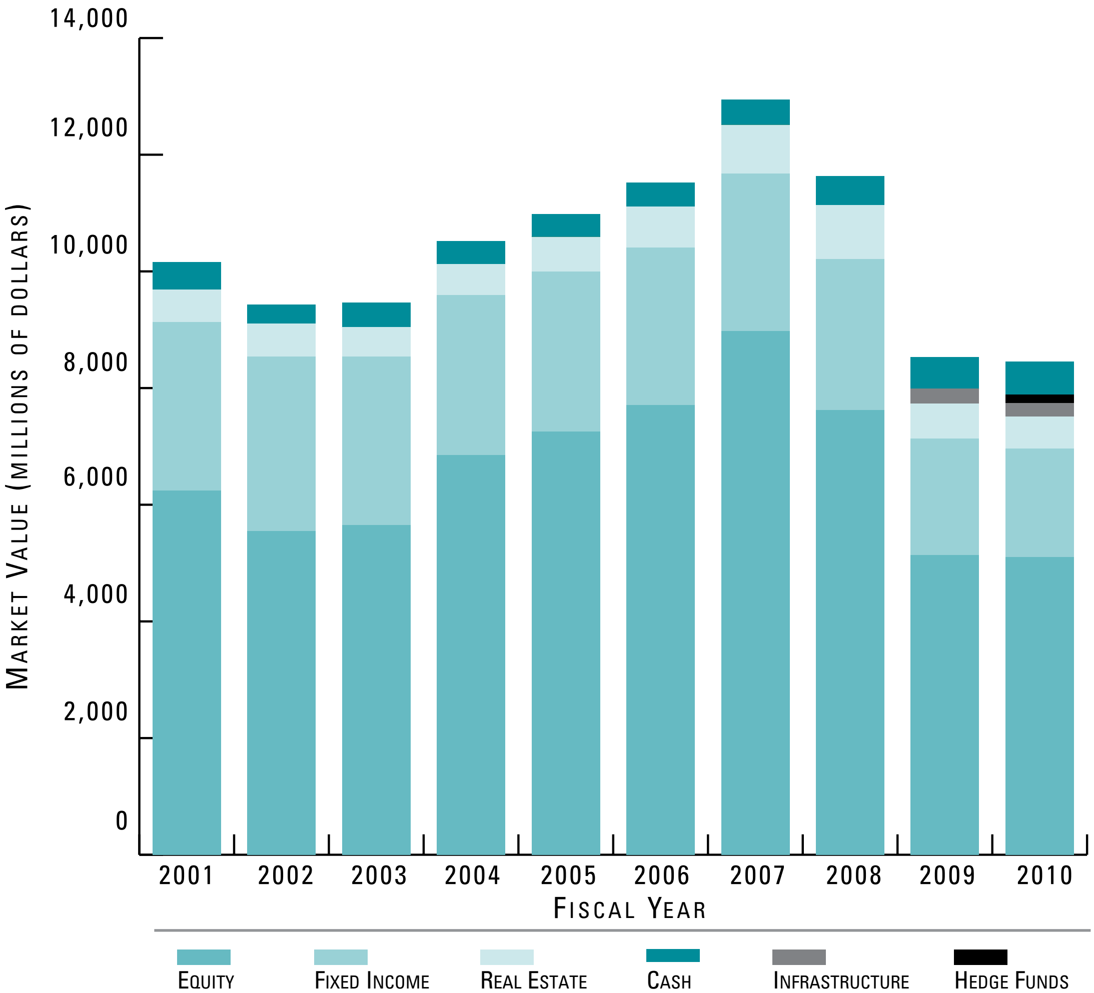
in millions of dollars



Historical Asset Allocation

	2005		2006		2007		2008		2009		2010	
	Actual	Policy	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	36.1	40.5	37.0	40.5
International	12.8	12.5	14.6	12.5	21.3	22.0	21.3	22.0	19.6	22.0	20.1	22.0
Public REITs	2.1	2.0	2.3	2.0	1.7	2.5	2.2	2.5	1.7	2.5	2.5	2.5
Private Equity	1.8	2.0	2.3	2.0	2.4	3.0	2.6	3.0	2.8	3.0	3.0	3.0
Total Equity	66.0	65.0	66.9	65.0	69.3	69.0	65.6	69.0	60.2	68.0	62.5	68.0
Fixed Income	24.9	28.0	23.4	28.0	20.8	20.5	22.2	20.5	23.4	19.5	20.8	19.5
Real Estate	5.5	5.0	6.1	5.0	6.5	6.5	7.9	6.5	7.0	6.5	20.8	19.5
Infrastructure	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.0	3.0	2.0	6.1	6.5
Hedge Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.6	2.0
Cash & Equiv.	3.6	2.0	3.6	2.0	3.4	2.0	4.3	2.0	6.4	2.0	6.4	2.0
Total Portfolio	**100.0%**	**100.0**	**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, 2010

Economic Sector Holdings

S&P Economic Sector	Number of Shares	Market Value	Percent of Total	S&P 500 Index Allocation
Information Technology	27,209,316	$ 606,387,519	18.3%	18.7%
Financials	24,640,890	479,161,131	14.5%	16.2%
Health Care	17,005,162	386,134,789	11.7%	12.1%
Consumer Staples	7,373,321	250,459,603	7.6%	11.7%
Industrials	14,822,732	379,324,338	11.5%	10.6%
Energy	8,988,363	215,037,273	6.5%	10.3%
Consumer Discretionary	19,874,202	397,585,541	12.0%	10.0%
Utilities	2,481,452	73,060,337	2.2%	3.8%
Materials	5,055,149	126,041,407	3.8%	3.4%
Telecommunication Services	3,716,551	65,796,761	2.0%	3.0%
Miscellaneous	95,409,016	328,760,141	9.9%	0.0%
Grand Total	**226,576,154**	**$ 3,307,748,840**	**100.0%**	**100.0%**

Top 10 Domestic Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Exxon Mobile	963,717	$ 54,999,325	1.7%
Apple Computer Corp.	191,188	48,089,518	1.5%
Microsoft Corp.	1,546,379	35,582,181	1.1%
IBM Corp.	274,761	33,927,488	1.0%
Johnson & Johnson Corp.	535,836	31,646,474	1.0%
Bank of America	2,186,679	31,422,577	0.9%
Wells Fargo & Co.	1,191,503	30,502,477	0.9%
JP Morgan Chase	750,024	27,458,379	0.8%
Cisco Systems	1,277,589	27,225,422	0.8%
General Electric Co.	1,871,872	26,992,395	0.8%
Total Top 10 Domestic Equity	**10,789,548**	**347,846,236**	**10.5%**
Grand Total	**226,576,154**	**$ 3,307,748,840**	**100.0%**

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

International Equity Summary

as of June 30, 2010

Country Holdings

Country	Number of Shares	Market Value	Percent of Total	MSCI ACWI ex US Index Allocation
Egypt	188,379	$ 1,640,643	0.1%	0.1%
South Africa	1,421,707	11,266,239	0.6%	1.7%
Total Africa	**1,610,086**	**12,906,882**	**0.7%**	**1.8%**
Canada	7,739,783	203,535,544	11.3%	0.0%
Bermuda	2,019,487	55,310,016	3.1%	7.9%
Brazil	11,304,024	37,455,546	2.1%	0.0%
Cayman Islands	2,565,654	32,189,886	1.8%	3.6%
Mexico	19,668,820	24,438,632	1.4%	0.0%
Colombia	1,777,876	9,736,417	0.5%	1.0%
Chile	57,800	2,897,514	0.2%	0.2%
Panama	79,296	2,391,921	0.1%	0.4%
Other	9,068,715	195,397,825	10.9%	0.2%
Total Americas	**54,281,455**	**563,353,301**	**31.4%**	**13.2%**
Japan	15,033,484	286,835,122	16.0%	16.0%
India	1,647,638	30,683,801	1.7%	3.2%
Australia	4,951,887	28,108,303	1.6%	5.6%
China	14,781,146	19,234,628	1.1%	3.5%
Singapore	10,655,402	18,715,534	1.0%	1.2%
Taiwan	4,313,464	13,761,973	0.8%	2.2%
Other	28,034,235	36,021,809	2.0%	6.7%
Total Asian/Pacific Basin	**79,417,256**	**433,361,170**	**24.1%**	**38.4%**
United Kingdom	78,100,350	276,016,739	15.4%	14.5%
Switzerland	3,079,581	79,986,870	4.5%	5.5%
France	2,568,578	127,198,899	7.1%	6.7%
Germany	1,864,321	89,025,718	5.0%	5.4%
Netherlands	2,643,419	67,015,627	3.7%	1.8%
Spain	4,180,976	33,481,536	1.9%	2.4%
Other	7,359,776	114,496,468	6.4%	10.3%
Total Europe	**99,797,001**	**787,221,857**	**43.8%**	**46.6%**
Grand Total	**235,105,798**	**$ 1,796,843,210**	**100.0%**	**100.0%**

Top 10 International Equity Holdings

Holding	Number of Shares	Market Value	Percent of Total
Nestle (Switzerland)	773,057	$ 37,421,594	2.1%
Roche Holdings GA (Switzerland)	215,349	29,775,616	1.7%
Reckitt Benckiser Group (United Kingdom)	492,792	23,091,175	1.3%
HSBC Holdings (United Kingdom)	2,482,096	22,845,230	1.3%
Novartis (Switzerland)	439,816	21,453,444	1.2%
Canon Income (Japan)	481,250	18,110,097	1.0%
British American Tobacco (United Kingdom)	559,124	17,871,939	1.0%
Hoya Corp. (Japan)	823,200	17,731,034	1.0%
Banco Santander (Spain)	1,621,748	17,361,827	1.0%
Total Top 10 International Equity	**7,888,432**	**205,661,956**	**11.4%**
Total International Equity	**235,105,798**	**$ 1,796,843,210**	**100.0%**

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

Fixed Income Summary

as of June 30, 2010

Fixed Income Holdings

Asset Category	Par Value	Market Value	Percent of Total	Barclays' Aggregate Bond Index Allocation
Government/Government Agency	$ 876,809,000	$ 930,929,524	50.0%	50.1%
Corporates	568,947,768	628,813,104	33.8%	33.9%
Mortgage Backed Securities	181,553,388	194,241,213	10.4%	10.5%
Non-Corporate	62,505,870	42,893,009	2.3%	2.3%
Cash & Short Term Investments	25,549,247	25,422,540	1.4%	1.4%
Asset Backed Securities	27,620,383	20,904,229	1.1%	1.1%
Commercial Mortgage-Backed	13,826,418	13,480,325	0.7%	0.7%
Other	5,480,068	1,455,995	0.1%	0.0%
Grand Total	**$ 1,762,292,142**	**$ 1,858,139,939**	**100.0%**	**100.0%**

Hedge Fund Summary

as of June 30, 2010

Hedge Fund Holdings

Description	Number of Shares	Market Value	Percent of Total
K2 Advisors	70,000	$ 70,392,845	49.6%
Mesirow-Absolute Return	70,000	71,565,147	50.4%
Grand Total	**140,000**	**$ 141,957,992**	**100.0%**

Public REITs Summary

As of June 30, 2010

Public REITs Holdings

Property Type	Number of Shares	Market Value	Percent of Total	NAREIT Property Index Allocation
Diversified	5,844,891	$ 39,836,519	18.1%	6.0%
Retail REITs	2,290,919	31,480,824	14.3%	22.0%
Specialized REITs	844,345	19,632,533	8.9%	6.4%
Residential REITs	402,469	18,036,003	8.2%	14.5%
Office REITs	1,315,580	16,966,108	7.7%	12.0%
Real Estate Operating Companies	2,688,770	10,313,386	4.7%	6.4%
Real Estate Development	3,770,773	6,613,665	3.0%	2.6%
Industrial REITs	359,124	3,722,651	1.7%	4.1%
Hotels, Resorts & Cruise Lines	89,128	3,389,145	1.5%	6.0%
Mortgage REITs	28,060	442,825	0.2%	7.9%
Health Care Facilities	22,027	340,459	0.2%	12.1%
Commingled REITs/Other	7,007,998	69,367,383	31.5%	0.0%
Grand Total	**24,664,084**	**$ 220,141,501**	**100.0%**	**100.0%**

Top 10 Public REITs Holdings

Holdings	Number of Shares	Market Value	Percent of Total
Simon Property Group, Inc.	114,969	$ 9,283,747	4.2%
Equity Residential	166,560	6,935,558	3.2%
Sun Hung Kai Properties	494,708	6,822,989	3.1%
Vornado Realty Trust	75,544	5,510,935	2.5%
Westfield Group	494,749	5,089,897	2.3%
Public Storage, Inc.	57,783	5,079,704	2.3%
Boston Properties, Inc.	64,984	4,635,959	2.1%
Avalonbay	42,589	3,976,535	1.8%
Mitsubishi Estate Co.	272,000	3,833,021	1.7%
HCP, Inc.	114,316	3,686,691	1.7%
Total Top 10 Public REITs	**1,898,202**	**54,855,036**	**24.9%**
Grand Total		**$ 220,141,501**	**100.0%**

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

Private Equity Summary

as of June 30, 2010

Private Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Adams Street	65,885,972	$ 68,765,115	25.9%
Harbourvest	46,916,141	55,643,856	20.9%
Hispania Partners	3,475,926	1,371,809	0.5%
ICV Capital Partners	3,429,529	3,595,063	1.4%
M2 Private Equity	4,672,926	4,237,639	1.6%
Mesirow Capital	62,413,169	64,091,465	24.1%
Muller and Monroe	14,443,990	10,546,655	4.0%
Palladium Partners	4,872,591	4,885,501	1.8%
Pantheon	47,600,859	41,679,646	15.7%
Pharos Capital	5,529,414	7,220,995	2.7%
Syncom	4,670,999	3,567,060	1.3%
Grand Total	**263,911,516**	**$ 265,604,804**	**100%**

Infrastructure Summary

as of June 30, 2010

Infrastructure Holdings

Description	Number of Shares	Market Value	Percent of Total
JP Morgan	174,059,161	$ 144,507,361	62.6%
Macquarie	75,978,128	86,514,962	37.4%
Grand Total	**250,037,289**	**$ 231,022,323**	**100.0%**

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

Real Estate Summary

as of June 30, 2010

Real Estate Holdings

Description	Number of Shares	Market Value	Percent of Total
Capri Capital	23,600,001	$ 5,790,875	1.1%
CB Richard Ellis	11,307,743	14,065,493	2.6%
DV Urban	22,173,112	15,321,938	2.8%
Europa	6,721,530	8,883,566	1.6%
Fortress Japan	579,759,054	5,843,399	1.1%
Fremont Realty	25,744,681	14,396,895	2.6%
Intercontinental	35,879,397	23,399,007	4.3%
JP Morgan	92,371	123,253,044	22.4%
Merrill Lynch	39,915,368	17,159,634	3.1%
Morgan Stanley	8,698,774	2,774,899	0.5%
Olympus	10,793,740	876,073	0.2%
Prudential Investment Management	6,307	122,012,221	22.2%
RREEF Global	25,000,000	11,376,622	2.1%
UBS Realty Investors	18,162	125,485,709	22.8%
Urban America	23,222,737	12,618,085	2.3%
Walton Street	81,670,459	45,936,837	8.4%
Grand Total	**894,603,436**	**$ 549,194,297**	**100.0%**

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

Manager Analysis

Asset Category	Market Value 6/30/2010	Percentage of Portfolio	FY 2010 Manager Fees
EQUITY			
Domestic Equity			
Ariel Capital Management	$ 89,944,221	1.0%	446,462
Attucks Asset Management	127,599,823	1.4%	967,225
Channing Capital Management	58,296,922	0.7%	363,874
Credo Capital Management	57,785,097	0.6%	338,776
Dimensional Fund Advisors	87,368,060	1.0%	522,848
Harris Investment	165,483,643	1.8%	512,096
Holland Capital Management	140,055,049	1.6%	472,404
J&W Seligman	183,529,458	2.1%	533,344
Lombardia Capital Partners	144,816,209	1.6%	582,909
Lynmar Capital	–	–	215,330
New Amsterdam Partners	168,792,669	1.9%	543,168
Northern Trust Global Investments	986,624,404	11.0%	259,762
Piedmont Investment	116,669,738	1.3%	417,338
Progress Investment Managers	129,967,743	1.5%	961,577
Rhumbline Advisors	650,021,002	7.3%	91,736
Waddell and Reed	137,129,595	1.5%	289,228
Zevenbergn Capital Management	63,665,207	0.7%	260,876
Total	**3,307,748,840**	**37.0%**	**7,778,953**
International Equity			
Acadian Asset Management	–	–	213,293
Brandywine	–	–	336,883
EARNEST Partners	160,978,381	1.8%	708,872
Leading Edge Investment Advisors	86,637,896	1.0%	181,697
Lazard Asset Management	421,023,239	4.7%	764,178
MFS Institutional Advisors	310,541,346	3.5%	1,335,115
Morgan Stanley Investment Management	382,937,645	4.3%	1,868,908
Northern Trust Global Investments	–	–	105,088
United Investment Managers	–	–	375,224
William Blair	434,724,703	4.9%	1,989,123
Total	**1,796,843,210**	**20.1%**	**7,878,381**
Public REITs			
Adelante Capital Management	48,376,987	0.5%	259,049
Morgan Stanley Investment Management	102,397,133	1.1%	667,165
Urdang Investment Management	69,367,381	0.8%	274,642
Total	**220,141,501**	**2.5%**	**1,200,856**
Fixed Income			
Lehman Brothers	–	–	43,191
LM Capital Management	113,569,008	1.3%	181,170
Northern Trust Global Investments	1,113,728,767	12.4%	114,393
Taplin, Canida & Habatch	126,707,595	1.4%	193,210
Western Asset Management Company	504,134,569	5.6%	876,693
Total	**1,858,139,939**	**20.8%**	**1,408,657**

Continued on page 66

Manager Analysis continued from page 65

Asset Category	Market Value 6/30/2010	Percentage of Portfolio	FY 2010 Manager Fees
Hedge Funds			
K2 Advisors	$ 70,392,845	0.8%	550,237
Mesirow–Absolute Return	71,565,147	0.8%	528,645
Total	**141,957,992**	**1.6%**	**1,078,882**
Private Equity			
Adams Street	71,619,351	0.8%	1,116,753
Harbourvest	58,498,092	0.7%	810,000
Hispania Partners	33,464,663	0.4%	339,475
ICV Capital Partners	22,778,994	0.3%	225,000
Mesirow Capital	13,400,891	0.1%	1,556,932
Muller and Monroe	26,941,085	0.3%	257,258
Palladium Partners	10,709,693	0.1%	150,000
Pantheon	10,075,231	0.1%	718,837
Pharos Capital	9,853,340	0.1%	16,449
Syncom	8,263,464	0.1%	159,284
Total	**265,604,804**	**3.0%**	**5,349,988**
Infrastructure			
J.P. Morgan Fleming Asset Management	144,507,361	1.6%	2,659,073
Macquarie Infrastructure Partners, Inc.	86,514,962	1.0%	2,142,193
Total	**231,022,323**	**2.6%**	**4,801,266**
Real Estate			
Capri Capital	5,790,875	0.1%	244,017
CB Richard Ellis	14,065,493	0.2%	108,156
DV Urban	15,321,938	0.2%	256,365
Europa	8,883,566	0.1%	647,268
Fortress Japan	5,843,399	0.1%	–
Fremont Realty	14,396,895	0.2%	341,468
Intercontinental	23,399,007	0.3%	436,319
JP Morgan	123,253,044	1.4%	1,271,574
Merrill Lynch	17,159,634	0.2%	1,173,802
Morgan Stanley	2,774,899	0.0%	88,055
Olympus	876,073	0.0%	–
Prudential Investment Management	122,012,222	1.4%	1,293,186
RREEF Global	11,376,622	0.1%	309,178
UBS Realty Investors	125,485,709	1.4%	756,269
Urban America	12,618,085	0.1%	290,284
Walton Street	45,936,836	0.5%	1,166,844
Total	**549,194,297**	**6.1%**	**8,382,785**
Cash and Equivalents			
Northern Trust	578,937,877	6.5%	
Grand Total	**$ 8,949,590,783**	**100.0%**	**$ 37,879,768**

Broker Commission Report

Domestic Agency Trades for the Year Ended June 30, 2010

Broker Name	Number of Shares Traded	Commission Amount	Commission per Share
Loop Capital Markets	45,926,216	$ 331,126	$ 0.01
Cabrera Capital Markets	7,771,895	256,699	0.03
Williams Capital Group	10,668,939	254,709	0.03
M. R. Beal & Company	12,700,300	237,907	0.02
International Strategy & Investment	5,908,169	200,501	0.03
Cheevers and Company, Inc.	3,636,678	124,548	0.03
Gardner Rich & Company	3,573,511	113,814	0.03
M. Ramsey King & Company	2,669,295	94,372	0.04
Barclays Corp.	2,612,542	93,167	0.04
Instinet	2,696,145	89,618	0.03
BNY Securities	2,075,693	85,068	0.04
Merrill Lynch, Pierce, Fenner & Smith Inc.	1,694,764	84,211	0.05
Liquidnet Select	2,345,603	80,633	0.03
MAGNA Securities, LLC	2,355,981	73,419	0.03
JP Morgan & Company	1,998,163	65,249	0.03
Melvin Securities	2,016,075	64,989	0.03
Credit Suisse Securities	3,280,489	62,768	0.02
Jeffries and Company	1,728,725	54,126	0.03
Deutsche Bank Securities	1,514,389	47,302	0.03
Goldman, Sachs and Co.	1,532,723	47,166	0.03
Capital Instl. Services	1,104,297	45,484	0.04
Guzman & Company	1,646,980	45,478	0.03
Brown Brothers Harriman & Co.	3,104,419	45,205	0.01
Blaylock Robert Van Securities	1,597,233	43,708	0.03
Morgan Stanley & Company	1,535,947	40,206	0.03
Pacific American Securities	1,176,815	39,822	0.03
William Blair & Company	782,558	33,589	0.04
Stifel, Nicolaus & Company, Inc.	1,037,748	33,427	0.03
Jonestrading Institutional Services LLC	1,024,118	31,197	0.03
CastleOak Securities, L.P.	883,097	27,872	0.03
UBS Securities LLC	665,335	27,225	0.04
Citigroup Global Markets Inc.	1,112,419	27,201	0.02
Sanford Bernstein & Co.	663,049	27,005	0.04
BOE Securities	784,651	26,920	0.03
Robert W. Baird & Company	1,951,567	25,125	0.01
Divine Capital Markets	536,942	21,258	0.04
Pershing LLC	531,968	19,742	0.04
Oppenheimer Capital	1,077,162	19,734	0.02
Finacorp Securities	620,139	18,604	0.03
Knight Securities, LP	1,531,829	18,021	0.01
Cantor Fitzgerald Co.	703,033	17,616	0.03
Multitrade Securities, LLC	510,827	16,390	0.03
Craig Hallum	1,185,150	15,952	0.01
Lehman Brothers	528,950	15,859	0.03
Friedman, Billings and Ramsey	331,199	15,136	0.05
RBC Capital Markets	348,302	14,963	0.04
OTHER (110)	15,597,426	334,609	0.02
Grand Total	**161,279,455**	**$ 3,508,740**	**$ 0.02**

Broker Commission Report

International Agency Trades for the Year Ended June 30, 2010

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Merrill Lynch	61,284,500	$ 1,728,713	$ 0.03
Loop Capital Markets, LLC	9,873,800	640,366	0.06
Gardner Rich & Co	19,516,271	195,996	0.01
Instinet	1,111,973	146,056	0.13
Credit Suisse	7,486,481	125,425	0.02
Cabrera Capital	13,555,724	104,685	0.01
Morgan Stanley & Company	4,321,133	102,555	0.02
Nomura Securities	2,324,841	72,609	0.03
JP Morgan & Company	3,453,488	69,686	0.02
Knight Equity Markets	2,563,570	68,795	0.03
Macquarie Equities	3,965,284	66,892	0.02
Melvin & Company	2,921,283	64,267	0.02
MR Beal & Company	8,462,925	59,784	0.01
Goldman, Sachs & Company	2,548,717	56,404	0.02
KBC Securities	867,110	52,737	0.06
Citigroup Global Markets	2,511,682	42,168	0.02
Deutsche Bank Securities	1,780,331	36,449	0.02
Liquidnet	2,447,558	31,058	0.01
ING Financial Mkts LLC	2,302,414	30,330	0.01
Daiwa Securities America, Inc.	4,744,977	26,346	0.01
Bank of New York/Mellon	2,597,996	26,058	0.01
M. Ramsey King Securities	3,317,423	22,527	0.01
UBS Securities LLC	1,060,574	17,673	0.02
Jefferies & Company	1,219,755	17,310	0.01
Barclays Capital	3,254,066	15,661	0.00
Divine Capital	485,400	14,323	0.03
Royal Bank of Scotland	102,746	13,507	0.13
ABN Amro	1,447,253	13,309	0.01
Sanford Bernstein	1,305,542	13,189	0.01
Calyon Capital Markets	221,000	12,892	0.06
Exane Inc	546,051	12,040	0.02
HSBC Securities	494,711	8,423	0.02
Evolution Securities Ltd	205,525	8,368	0.04
Kempen & Company	186,168	6,450	0.03
RBC Securities	417,941	5,925	0.01
Carnegie Inc.	329,569	5,619	0.02
Execution Ltd.	573,556	3,926	0.01
Garban Equities	84,340	3,778	0.04
Numis Security	429,914	3,695	0.01
Redburn Partners	226,460	3,657	0.02
ITG Europe	900,370	3,392	0.00
Scotia Capital	94,548	3,380	0.04
ABG Securities	106,033	3,199	0.03
NCB Stockbrokers	64,498	2,826	0.04
Cheuvreux	164,871	2,783	0.02
OTHER (23 Brokers)	2,042,889	20,832	0.01
Grand Total	**179,923,261**	**$ 3,986,063**	**$ 0.02**

Broker Commission Report

MWDBE Domestic Equity Trades for the Year Ended June 30, 2010

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Markets	45,926,216	$ 331,126	$ 0.01
Cabrera Capital Markets	7,771,895	256,699	0.03
Williams Capital Group	10,668,939	254,709	0.03
M. R. Beal & Company	12,700,300	237,907	0.02
Cheevers and Company, Inc.	3,636,678	124,548	0.03
Gardner Rich & Company	3,573,511	113,814	0.03
M. Ramsey King & Company	2,669,295	94,372	0.04
MAGNA Securities, LLC	2,355,981	73,419	0.03
Melvin Securities	2,016,075	64,989	0.03
Guzman & Company	1,646,980	45,478	0.03
Blaylock Robert Van Securities	1,597,233	43,708	0.03
Pacific American Securities	1,176,815	39,822	0.03
CastleOak Securities, L.P.	883,097	27,872	0.03
BOE Securities	784,651	26,920	0.03
Divine Capital Markets	536,942	21,258	0.04
Finacorp Securities	620,139	18,604	0.03
Multitrade Securities, LLC	510,827	16,390	0.03
Mischler Financial Group	273,423	10,203	0.04
Samuel A. Ramirez & Company	324,951	6,499	0.02
North South Capital	140,950	5,071	0.04
Greentree Brokerage Services	168,927	4,708	0.03
Toussaint Capital Partners	53,790	1,405	0.03
Andes Capital Management	16,214	542	0.03
Total Directed Domestic Commission	**100,053,829**	**1,820,063**	**0.02**
Grand Total	**161,279,455**	**$ 3,508,740**	**$ 0.02**

Directed Brokerage Program

for the Year Ended June 30, 2010

International Local Minority and Women Owned Brokers

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Markets, LLC	9,873,800	$ 640,366	$ 0.06
Gardner Rich & Co	19,516,271	195,996	0.01
Cabrera Capital	13,555,724	104,685	0.01
Melvin & Company	2,921,283	64,267	0.02
MR Beal & Company	8,462,925	59,784	0.01
M. Ramsey King Securities	3,317,423	22,527	0.01
Divine Capital	485,400	14,323	0.03
Williams Capital Group	94,405	1,229	0.01
Percival Financial	2,000	80	0.04
Total Directed International Commission	**58,229,231**	**1,103,257**	**0.02**
Grand Total	**179,923,261**	**$ 3,986,063**	**$ 0.02**

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

April 7, 2011

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, 2010. 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, Senate Bill 1946, which was signed into law on April 14, 2010 as Public Act 96-0889, created a "second tier" of reduced benefits for teachers who first become participants under the fund on or after January 1, 2011. Public Act 96-0889 also revised the funding provisions of the fund by specifying the Board of Education's required contribution for Fiscal Years 2011, 2012, and 2013 as a fixed dollar amount.

Based on the provisions of Public Act 96-0889, the Board of Education's required contribution for Fiscal Year 2012 is $192,000,000. For Fiscal Years 2014 through 2059, the Board of Education is to make annual contributions calculated as a level percent of payroll sufficient 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 2059.

The actuarial assumptions used for the June 30, 2010 actuarial valuation are the same as the assumptions that were used for the June 30, 2009 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, 2010 actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2009 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 and GASB Statement No. 43.

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, 2010.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff

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, 2010. 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	$ 16,319,743,665
2.	Actuarial Value of Assets	10,917,416,993
3.	Unfunded Actuarial Liability	5,402,326,672
4.	Funded Ratio	66.9%
5.	Employer's Normal Cost for FY 11 as a percent of payroll	5.90%
6.	Annual Required Contribution for FY 11 Based on GASB Statement No. 25	430,091,545

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, 2010, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 33,983 active contributors, 24,600 pensioners, and 2,752 vested terminated members included in the valuation. The total active payroll as of June 30, 2010, was $2,107,934,080.

Exhibit 1 Summary of Membership Data

1. Number of Members	
(a) Active Members	
(i) Vested Employees	21,983
(ii) Non-vested Employees	12,000
Total Active Members	**33,983**
(b) Members Receiving	
(i) Retirement Pensions	21,455
(ii) Disability Pensions	453
(iii) Survivor Pensions	2,692
Total Pensioners	**24,600**
(c) Vested Terminated Members	2,752
Total	**61,335**

Continued on following page

(Exhibit 1 continued from page 75)

2.	Total Annual Salaries	$ 2,107,934,080
	Average Salary	62,029
3.	Total Accumulated Contributions of Active Members	$ 1,514,213,112
4.	Annual Benefit Payments Currently Being Made	
	(a) Retirement Pensions	$ 931,214,307
	(b) Disability Pensions	13,309,241
	(c) Survivor Pensions	43,639,295
	Total Pensions	**$ 988,162,843**

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

Exhibit 2 2010 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	295	478	0	0	0	0	0	0	0	773
Avg. Salary	$14,622	45,056	0	0	0	0	0	0	0	$33,442
25-29	724	3,319	747	0	0	0	0	0	0	4,790
Avg. Salary	$12,490	45,919	60,333	0	0	0	0	0	0	$43,114
30-34	392	2,343	2,481	391	0	0	0	0	0	5,067
Avg. Salary	$15,838	46,847	62,101	77,112	0	0	0	0	0	$53,539
35-39	236	1,154	1,615	1,408	271	0	0	0	0	4,684
Avg. Salary	$12,652	45,780	62,729	78,006	87,587	0	0	0	0	$62,061
40-44	191	666	853	947	943	138	0	0	0	3,738
Avg. Salary	$12,456	43,497	62,960	77,367	86,148	92,225	0	0	0	$67,492
45-49	153	469	614	616	681	458	102	0	0	3,093
Avg. Salary	$9,872	40,624	64,356	75,511	83,014	86,648	97,528	0	0	$68,787
50-54	153	422	552	552	654	528	434	183	2	3,480
Avg. Salary	$10,105	37,941	59,769	75,021	81,930	84,015	88,990	94,003	81,104	$70,658
55-59	128	375	443	493	662	618	469	625	339	4,152
Avg. Salary	$9,526	32,705	56,061	72,298	80,182	82,814	86,228	92,279	100,749	$74,811
60-64	109	225	294	263	477	409	281	273	422	2,753
Avg. Salary	$7,652	26,451	51,959	66,087	80,227	84,448	86,123	91,641	97,025	$73,524
65-69	40	74	62	66	115	109	73	76	89	704
Avg. Salary	$2,730	15,678	47,818	67,977	82,837	85,596	86,795	87,838	99,440	$70,225
70+	22	35	18	16	25	24	10	16	43	209
Avg. Salary	$2,836	9,999	23,659	38,751	67,443	87,242	84,522	77,266	91,949	$53,940
Members	2,443	9,560	7,679	4,752	3,828	2,284	1,369	1,173	895	33,983
Avg. Salary	$12,336	$43,964	$61,227	$75,612	$82,981	$84,901	$87,942	$92,014	$98,396	$62,029

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, 2010, prepared by the Fund. The actuarial value of assets was determined by smoothing unexpected gains or losses over a period of 4 years. The resulting actuarial value of assets is $10,917,416,993. The development of this actuarial value of assets is outlined in Exhibit 3. As of June 30, 2010, the market value of the assets of the fund for pension benefits amounted to $8,947,470,332.

Exhibit 3 Actuarial Value of Assets

A. Development of Investment Gain/(Loss) for Year Ending June 30, 2010

1.	Actuarial Value of Assets as of 6/30/09	$ 11,542,947,504
2.	Employer Contributions and Miscellaneous Income	355,759,950
3.	Employee Contributions	194,621,551
4.	Expenses	1,101,288,632
5.	Expected Investment Income	901,823,447
6.	Actual Investment Income	1,107,573,753
7.	Investment Gain/(Loss) (6 – 5)	$ 205,750,306

B. Development of Actuarial Value of Assets

8.	Expected Value of Assets as of June 30, 2010 (1 + 2 + 3 – 4 + 5)	$ 11,893,863,820
9.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2007	274,065,301
10.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2008	(414,651,992)
11.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2009	(852,439,981)
12.	One-fourth of Investment Gain/(Loss) for Year Ending June 30, 2010	51,437,577
13.	**Total Actuarial Value of Assets as of 6-30-10 (8 + 9 + 10 + 11 + 12)**	**$ 10,952,274,725**
14.	Assets For Retiree Health Insurance Benefits	34,857,732
15.	**Actuarial Value of Assets for Pension Benefits (13 – 14)**	**$ 10,917,416,993**

C. Fund Provisions

Our valuation was based on the provisions of the Fund in effect as of June 30, 2010, as provided in Article 17 of the Illinois Pension Code. Senate Bill 1946, which was signed into law on April 14, 2010, as Public Act 96-0889, created a "second tier" of benefits for teachers who first become participants under the fund on or after January 1, 2011. The benefit changes for new participants are as follows:

1. Defines the highest salary for annuity purposes as being the average monthly salary obtained by dividing the participant's total salary during the 96 consecutive months of service within the last 120 months of service in which the total compensation was the highest by the number of months in that period.
2. For 2010, limits the final average salary to the Social Security wage base of $106,800. Limitations for future years shall automatically be increased by the lesser of 3% or one-half of percentage change in the Consumer Price Index-U during the preceding 12-month calendar year.
3. Allows a participant to retire with unreduced benefits after attainment of age 67 with at least 10 years of service credit. However, a participant may elect to retire at age 62 with at least 10 years of service credit and receive a retirement annuity reduced by one-half of 1% for each month that his or her age is under 67.
4. Provides an initial survivor's annuity equal to 66 2/3% of the participant's earned retirement annuity at the date of death, subject to automatic annual increases of the lesser of 3% or one-half of the increase in the Consumer Price Index-U during the preceding calendar year, based on the originally granted survivor's annuity.
5. Provides for automatic annual increases in the retirement annuity then being paid equal to the lesser of 3% or one-half the annual change in the Consumer Price Index for all Urban Consumers, whichever is less, based on the originally granted retirement annuity.

A summary of the principal provisions of the system in effect as of June 30, 2010, is provided in Appendix 2.

D. Actuarial Assumptions and Cost Method

The actuarial assumptions used for the June 30, 2010, valuation are the same as the assumptions that were used for the June 30, 2009, valuation. The actuarial assumptions used for the June 30, 2010, 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, 2010, actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2009, 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, 2010, the total actuarial liability for pension benefits provided under the fund is $16,319,743,665, the actuarial value of assets is $10,917,416,993, and the unfunded liability is $5,402,326,672. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 66.9%.

Exhibit 4 Actuarial Liability as of June 30, 2010

1. Actuarial Liability for Active Members	
(a) Basic Retirement Annuity	$ 3,358,812,151
(b) Post Retirement Increase	914,807,641
(c) Lump Sum Death Benefit	10,556,239
(d) Survivor's Pension	325,887,031
(e) Disability Pension	91,862,816
(f) Withdrawal Benefit	264,958,069
Total	**$ 4,966,883,947**
2. Actuarial Liability for Members Receiving Benefits	
(a) Retirement Pensions	$ 10,672,134,293
(b) Survivor Pensions	396,815,930
(c) Disability Pensions	131,145,566
Total	**$ 11,200,095,789**
3. Actuarial Liability for Inactive Members	152,763,929
4. Total Actuarial Liability	**$ 16,319,743,665**
5. Actuarial Value of Assets	10,917,416,993
6. Unfunded Actuarial Liability	**$ 5,402,326,672**
7. Funded Ratio	66.9%

F. Employer's Normal Cost

The employer's share of the normal cost for pension benefits for the year beginning July 1, 2010, is developed in Exhibit 5. The total normal cost is $301,617,054, employee contributions are estimated to be $177,302,867, resulting in the employer's share of the normal cost of $124,314,187.

Based on a payroll of $2,107,934,080 as of June 30, 2010, the employer's share of the normal cost can be expressed as 5.90% of payroll.

Exhibit 5 Employer's Normal Cost for Year Beginning July 1, 2010

	Dollar Amount	Percent of Payroll
1. Basic Retirement Pension	185,297,347	8.79%
2. Post Retirement Increases	50,114,952	2.38
3. Lump Sum Death Benefits	782,236	.04
4. Survivor's Pension	19,876,682	.94
5. Disability Benefits	7,369,342	.35
6. Withdrawal Benefits	29,333,646	1.39
7. Administrative Expenses	8,842,849	.42
8. Total Normal Cost	**301,617,054**	**14.31%**
9. Employee Contributions	177,302,867	8.41
10. Employer's Share of Normal Cost	**$ 124,314,187**	**5.90%**

Note. The above figures are based on a total active payroll of $2,107,934,080 as of June 30, 2010.

G. Employer Contribution Requirements for Fiscal Year 2012

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, 2010, actuarial valuation, the ratio of the actuarial value of assets to total actuarial liabilities, or funded ratio, amounts to 67.1%. Therefore, additional State contributions will be required for Fiscal Year 2012. The total payroll for FY 2012 is projected to be $2,163,809,705. This total payroll 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 $2,022,252,061. Based on this adjusted projected payroll for Fiscal Year 2012, we have determined the additional State contributions under Section 17-127 of the Pension Code to be $11,001,000.

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, 2010, is 67.1%, additional Board of Education contributions will be required for Fiscal Year 2010. Based on adjusted projected payroll of $2,022,252,061 for Fiscal Year 2012, we have determined the additional Board of Education contribution under Section 17-127.2 of the Pension Code to be $11,729,000.

Board of Education Required Contribution. Senate Bill 1946, which was signed into law on April 14, 2010, as Public Act 96-0889, revised the funding provisions that had previously been in effect. Public Act 96-0889 specifies the Board of Education's required contribution for Fiscal Years 2011, 2012, and 2013 as a fixed dollar amount. The amount specified for Fiscal Year 2012 is $192,000,000. Therefore, pursuant to Public Act 96-0889, the Board of Education's required contribution for Fiscal Year 2012 is $192,000,000.

For Fiscal Years 2014 through 2059, the Board of Education is to make annual contributions calculated as a level percent of payroll sufficient 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 2059.

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, 2010, actuarial valuation, we have therefore calculated the annual required contribution for Fiscal Year 2011. 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 2011 has been determined to be as follows:

	Fiscal Year 2011
1. Employer's normal cost	$ 124,314,187
2. Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	305,777,358
3. Annual required contribution (1 + 2)	$ 430,091,545

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, 2010, 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	$ 2,864,877,305
2. Actuarial Value of Assets	34,857,732
3. Unfunded Actuarial Liability	2,830,019,573
6. Annual Required Contribution for Year Beginning July 1, 2010	215,797,617

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, 2010, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 33,983 active employees, 16,796 retirees and beneficiaries currently receiving benefits, and 2,752 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	16,796
2. Terminated Employees Entitled to Benefits But Not Yet Receiving Them	2,752
3. Active Employees	33,983
4. **Total Number of Members**	**53,531**

Assets. According to the financial statements of the fund for the year ending June 30, 2010, the assets segregated for the payment of retiree health insurance benefits as of June 30, 2010, amount to $34,857,732. Therefore, as of June 30, 2010, the actuarial value of assets of the retiree health insurance plan can be considered to be $34,857,732.

C. Plan Provisions

Our valuation was based on the provisions of the Fund in effect as of June 30, 2010, 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. Effective January 1, 2011, the percentage reimbursement is to be reduced from the current 70% to 60%. 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, 2010, 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 1.2% 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 8.0% in 2011, gradually declines to 5.0% by the year 2017 as follows:

Year	Medical Trend
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, 2010, for each pensioner currently participating in the retiree health insurance program. We applied the pension fund's 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, 2010, 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	$ 891.90
Members over age 65	$ 494.49

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 N*orth 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	$ 646.59
55-59	$ 766.09
60-64	$ 927.57
65-69	$ 413.02
70-74	$ 473.01
75-79	$ 528.67
80-84	$ 569.49
85 and above	$ 591.16

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	78%
Over age 65	86%

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, 2010, 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, 2010, the total actuarial liability for retiree health insurance benefits provided under the fund is $2,864,877,305 the actuarial value of assets is $34,857,732 and the unfunded actuarial liability is $2,830,019,573.

Exhibit 2 Actuarial Liability as of June 30, 2010

1. Actuarial Liability for Active Members	$ 1,434,696,204
2. Actuarial Liability for Members Receiving Benefits	1,430,181,101
3. Total Actuarial Liability	**$ 2,864,877,305**
4. Actuarial Value of Assets	34,857,732
5. Unfunded Actuarial Liability	**$ 2,830,019,573**
6. Funded Ratio	1.2%

F. Normal Cost

The normal cost for the year beginning July 1, 2010, is shown below. The total normal cost is $112,705,931. Based on a payroll of $2,107,934,080 as of July 1, 2010, the total normal cost can be expressed as 5.35% of payroll.

Employer's Normal Cost for Year Beginning July 1, 2010

	Dollar Amount	Percent of Payroll
Total Normal Cost	$ 112,705,931	5.35%

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, 2010, 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, 2010, for purposes of GASB Statement No. 43 is as follows:

1. Total normal cost	$ 112,705,931
2. Annual amount to amortize the unfunded liability over 30 years as a level percent of payroll	103,091,686
3. Annual required contribution (1 + 2)	$ 215,797,617

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
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%
2010*	16,319,743,665	10,917,416,993	66.9%	5,402,326,672	2,107,934,080	256.3%

* *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%
2010	2,864,877,305	34,857,732	1.2%	2,830,019,573	2,107,934,080	134.3%

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)
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%
2010	1,514,213,112	11,200,095,789	3,605,434,764	10,917,416,993	100%	84%	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		Actuarially Determined Contribution Requirement as a Percent of Payroll
		Dollar Amount	Percent of Payroll	
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%
2010	2,107,934,080	290,759,950 *	13.79%	16.88%

* *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		Actuarially Determined Contribution Requirement as a Percent of Payroll
		Dollar Amount	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%
2010	2,107,934,080	65,000,000	3.08%	8.83%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA
PENSION FUND

VALUATION DATE	NUMBER	ANNUAL PAYROLL	ANNUAL AVERAGE PAY	% INCREASE (DECREASE) IN AVERAGE PAY
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%
6-30-10	33,983	2,107,934,080	62,029	(0.9%)

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
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%
2010	1,080	$67,630,266	698	$21,855,794	24,600	$988,162,843	$40,169	3.2%

Appendix 1

Summary of Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions. The actuarial assumptions used for the June 30, 2010, 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, 2010, with comparative totals for 9 years

	2010	2009	2008	2007	2006
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 290,759,950	$ 198,069,327	$ 164,270,412	$ 103,761,750	$ 52,789,706
Employee contributions	194,621,551	176,176,975	172,504,804	179,017,663	163,419,386
	485,381,501	**374,246,302**	**336,775,216**	**282,779,413**	**216,209,092**
Investment income:					
Net investment income	1,107,453,898	(2,464,420,944)	(738,817,587)	1,947,810,351	1,093,872,285
Miscellaneous	–	–	–	1,923	139,509
Total additions	**1,592,835,399**	**(2,090,174,642)**	**(402,042,371)**	**2,230,591,687**	**1,310,220,886**
Deductions:					
Pension Benefits					
Retirement	943,252,537	897,873,287	863,963,625	759,346,660	682,245,353
Survivors	33,738,810	31,028,747	29,037,664	27,532,256	25,854,248
Disability	11,512,123	11,673,453	11,673,773	10,898,039	10,388,393
Refunds					
Separation	9,334,950	10,615,031	5,626,786	12,829,988	10,633,789
Death	4,253,510	3,765,163	3,218,956	3,942,853	4,028,201
Other	7,495,834	5,658,269	7,884,526	19,581,668	16,023,309
Health Insurance Premium Rebate	–	–	–	–	–
Death Benefits					
Heirs of Active Teachers	496,832	514,743	486,740	554,765	535,142
Heirs of Annuitants	2,449,315	2,462,789	2,359,473	2,322,418	2,082,915
Uncollectible Receivables	–	–	–	–	–
	1,012,533,911	**963,591,482**	**924,251,543**	**837,008,647**	**751,791,350**
Administrative and miscellaneous expenses	8,800,848	8,751,945	7,827,576	8,434,688	8,320,340
Total deductions	**1,021,334,759**	**972,343,427**	**932,079,119**	**845,443,335**	**760,111,690**
Net increase (decrease)	571,500,640	(3,062,518,069)	(1,334,121,490)	1,385,148,352	550,109,196
Transfers Health Insurance	–	–	–	–	59,496,735
Net assets held in trust for benefits:					
Beginning of period, as restated	8,375,969,692	11,438,487,761	12,772,609,251	11,387,460,899	10,777,854,968
End of period	**$8,947,470,332**	**$ 8,375,969,692**	**$ 11,438,487,761**	**$12,772,609,251**	**$11,387,460,899**

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	2005	2004	2003	2002	2001
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 8,872,764	$ 13,032,273	$ 13,703,283	$ 11,805,305	$ 77,065,122
Employee contributions	175,706,081	169,598,212	159,931,110	145,498,027	149,094,964
	184,578,845	**182,630,485**	**173,634,393**	**157,303,332**	**226,160,086**
Investment income:					
Net investment income	1,034,998,497	1,477,931,294	312,557,682	(371,820,584)	(191,547,390)
Miscellaneous	561,154	86,285	35,775	829,063	70,078
Total additions	**1,220,138,496**	**1,660,648,064**	**486,227,850**	**(213,688,189)**	**34,682,774**
Deductions:					
Pension Benefits					
Retirement	617,684,571	554,975,291	509,945,240	495,238,632	421,343,859
Survivors	24,520,785	22,885,524	25,730,482	23,517,998	17,759,804
Disability	9,561,956	8,649,568	8,126,443	7,571,076	6,162,211
Refunds					
Separation	16,877,637	9,565,261	7,648,527	9,036,757	7,645,767
Death	3,572,619	3,588,032	2,747,859	4,043,552	2,697,514
Other	4,408,439	10,173,428	6,954,762	29,219,867	4,644,884
Health Insurance Premium Rebate	–	–	–	–	44,088,569
Death Benefits					
Heirs of Active Teachers	470,537	505,842	482,493	746,322	457,746
Heirs of Annuitants	2,035,334	2,095,323	2,339,000	2,070,000	2,853,167
Uncollectible Receivables	–	–	–	–	–
	679,131,878	**612,438,269**	**563,974,806**	**571,444,204**	**507,653,521**
Administrative and miscellaneous expenses	7,477,671	7,214,467	6,576,953	6,459,734	4,856,487
Total deductions	**686,609,549**	**619,652,736**	**570,551,759**	**577,903,938**	**512,510,008**
Net increase (decrease)	533,528,947	1,040,995,328	(84,323,909)	(791,592,127)	(477,827,234)
Transfers Health Insurance	–	–	–	(32,302,217)	–
Net assets held in trust for benefits:					
Beginning of period, as restated	10,244,326,021	9,203,330,693	9,287,654,602	10,111,548,946	10,589,376,180
End of period	**$ 10,777,854,968**	**$10,244,326,021**	**$ 9,203,330,693**	**$ 9,287,654,602**	**$10,111,548,946**

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets
Health Insurance Fund

For Year Ended June 30, 2010, with comparative totals for 8 years

	2010	2009	2008	2007	2006
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 65,000,000	$ 65,000,000	$ 65,000,000	$ 65,000,000	$ 65,000,000
Investment income:					
Net investment income	119,855	514,200	1,278,818	2,373,014	4,071,093
Health Insurance Premium Refund		15,000,000	—	—	—
Total additions	**65,119,855**	**80,514,200**	**66,278,818**	**67,373,014**	**69,071,093**
Deductions:					
Health Insurance Premium Rebate	79,953,873	75,811,835	68,691,191	61,028,841	58,279,900
Total deductions	**79,953,873**	**75,811,835**	**68,691,191**	**61,028,841**	**58,279,900**
Net increase (decrease)	(14,834,018)	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	49,691,750	44,989,385	47,401,758	41,057,585	89,763,127
End of period	**$ 34,857,732**	**$ 49,691,750**	**$ 44,989,385**	**$ 47,401,758**	**$ 41,057,585**

Continued from page 102

	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.*

Annuitants

Distribution of Current Annuitants by Benefit Type

Monthly Pension Amount	Retirement		Disability		Survivor		Total	
	Males	Females	Males	Females	Males	Females	Males	Females
$ 0 – 499	457	1,006	3	4	167	272	627	1,282
$ 500 – 999	360	799	14	25	281	446	655	1,270
$ 1,000 – 1,499	297	662	21	50	199	262	517	974
$ 1,500 – 1,999	246	814	12	51	169	253	427	1,118
$ 2,000 – 2,499	280	955	13	48	163	247	456	1,250
$ 2,500 – 2,999	307	1,060	17	43	15	96	339	1,199
$ 3,000 – 3,499	351	1,235	16	45	9	44	376	1,324
$ 3,500 – 3,999	449	1,315	12	41	9	33	470	1,389
$ 4,000 – 4,499	964	2,522	5	17	1	14	970	2,553
$ 4,500 – 4,999	1,127	2,868	4	3	0	8	1,131	2,879
$ 5,000 – 5,499	388	817	0	2	0	0	388	819
$ 5,500 – 5,999	277	325	3	2	0	1	280	328
$ 6,000 – 6,499	181	269	1	0	0	1	182	270
$ 6,500 – 6,999	126	190	0	0	0	0	126	190
$ 7,000 – 7,499	116	150	0	0	1	0	117	150
$ 7,500 – 7,999	84	113	1	0	0	1	85	114
$ 8,000 – 8,499	58	86	0	0	0	0	58	86
$ 8,500 – 8,999	40	61	0	0	0	0	40	61
$ 9,000 +	43	57	0	0	0	0	43	57
Total	**6,151**	**15,304**	**122**	**331**	**1,014**	**1,678**	**7,287**	**17,313**

Distribution of Pensioners with Health Insurance Reimbursements by Size of Annuity

Monthly Pension Amount	Health Insurance	
	Males	Females
$ 0 – 499	74	204
$ 500 – 999	160	429
$ 1,000 – 1,499	183	491
$ 1,500 – 1,999	172	659
$ 2,000 – 2,499	213	865
$ 2,500 – 2,999	228	935
$ 3,000 – 3,499	275	1059
$ 3,500 – 3,999	379	1133
$ 4,000 – 4,499	771	2187
$ 4,500 – 4,999	952	2498
$ 5,000 – 5,499	336	721
$ 5,500 – 5,999	229	285
$ 6,000 – 6,499	149	233
$ 6,500 – 6,999	110	164
$ 7,000 – 7,499	103	132
$ 7,500 – 7,999	77	99
$ 8,000 – 8,499	51	71
$ 8,500 – 8,999	33	49
$ 9,000 +	34	53
Total	**4,529**	**12,267**

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 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
Fiscal Year 2010							
Average Monthly Pension	307	803	1,435	2,331	2,922	3,672	5,862
Average Final Average Salary	5,954	4,909	5,408	6,139	6,275	6,413	7,978
Number of Retired Members	33	64	52	46	63	42	160

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.

Table does not include disabled members or surviving spouses.

Participating Members

Number of Active Members*

Fiscal Year	Male Participants	Female Participants	Total
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
2010	8,003	25,980	33,983

Active members consist of vested and non-vested employees.

Chicago Teachers' Pension Fund

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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.