Chicago Teachers' Pension Fund

118th Comprehensive Annual Financial Report

For the year ended June 30, 2013 ■ Chicago, Illinois

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For the year ended June 30, 2013
Chicago, Illinois

Public School Teachers' Pension and Retirement Fund of Chicago

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

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Introduction

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

Board of Trustees

As of June 30, 2013


Jay C. Rehak


Lois W. Ashford


Tina Padilla


Raymond Wohl


Carlos M. Azcoitia


Jeffery Blackwell


Jeanne Marie Freed


Walter E. Pilditch


Mary Sharon Reilly


Jerry Travlos


James F. Ward


Andrea L. Zopp

OFFICERS

President, Jay C. Rehak

Vice President, Lois W. Ashford

Financial Secretary, Tina Padilla

Recording Secretary, Raymond Wohl

MEMBERS

Representing the Contributors

Lois W. Ashford

Jeffery Blackwell

Jeanne Marie Freed

Tina Padilla

Jay C. Rehak

Raymond Wohl

Representing the Annuitants

Walter E. Pilditch

Mary Sharon Reilly

James F. Ward

Representing the Administrators/Principals

Jerry Travlos

Representing the Board of Education

Carlos M. Azcoitia

Andrea L. Zopp

Executive Staff

Executive Director,

Kevin B. Huber

Government Finance Officers Association

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, 2012

Executive Director/CEO

Consultants
As of June 30, 2013

LEGAL COUNSEL

Joseph Burns
Jacobs, Burns, Orlove, and Hernandez
150 North Michigan, suite 1000
Chicago, Illinois 60601

INVESTMENT CONSULTANTS

Gwelda Swilley-Burke and Matthew Shirilla
Callan Associates Inc.
120 North LaSalle Street, suite 2100
Chicago, Illinois 60602

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

HEALTH INSURANCE CONSULTANT

Paul Hilling
Aon Hewitt
200 East Randolph Street, suite 900
Chicago, Illinois 60601

BANK CUSTODIAN

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

AUDITORS

Kenneth Yu
Partner
Mitchell & Titus, LLP
333 West Wacker Drive
Chicago, Illinois 60606

CUSTODIAN

Stephanie D. Neely
City Treasurer
121 North LaSalle Street
Chicago, Illinois 60602

CONSULTING ACTUARY

Kim Nicholl
The Segal Company
101 North Wacker Drive, suite 500
Chicago, Illinois 60606

Consultants

As of June 30, 2013

Adams Street Partners, LLC
Adelante Capital Management, LLC
Ariel Capital Management, LLC
Attucks Asset Management, LLC
Blackstone Group
BMO Global Asset Management
Capri Capital Partners, LLC
CB Richard Ellis Investors, LLC
Channing Capital Management, LLC
Dimensional Fund Advisors, LTD
DuPont Capital Management
Earnest Partners, LLC
Europa Capital Partners LLP
Fortress Investment Group, LLC
Franklin Templeton Real Estate Advisors, LLC
Fremont Realty Capital, LP
Garcia, Hamilton & Associates, LP
Greystar Equity Partners VII, LP
HarbourVest Partners, LLC
Hispania Capital Partners, LLC
Holland Capital Management, LP
Hudson Realty Capital, LLC
ICV Capital Partners, LLC
Intercontinental Real Estate Corp.
J.P. Morgan Fleming Asset Management, Inc.
LaSalle Investment Management, Inc.
Lazard Asset Management, LLC
Leading Edge Investment Advisors, LLC
LM Capital Group, LLC
Lombardia Capital Partners, LLC
Macquarie Group
Mesirow Financial, Inc.
Morgan Stanley Investment Management, Inc.
Muller and Monroe Asset Management, LLC
Newport Capital Partners Holdings, LLC
Palladium Equity Partners, LLC
Pantheon Ventures, LLP
Pharos Capital Group, LLC
Pluscios Management, LLC
Progress Investment Management, LLC
Prudential Investment Management, Inc.
Pugh Capital Management, Inc.
RhumbLine Advisers, LP
RREEF America, LLC
Syncom Partners, LLC
Taplin, Canida and Habacht, Inc.
TCB-Broadway, LLC
The Northern Trust Company
UBS Realty Investors, LLC
Urban America Advisors, 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, 2013

Board of Trustees

Robert Jurinek
Internal Auditor

Kevin B. Huber
Executive Director

Mary Cavallaro, R.N.
Director of Health Benefits

Carmen Heredia-López, CFA
Chief Investment Officer

Kas Henry, Ph.D.
Chief Financial Officer

Eric Morel
Information Technology Manager

Frances Radencic
Director of Member and Office Services

Jerry Baker
Health Benefits Manager

Sandra Shelby
Controller

Edgar Samayoa
Benefits Manager

Sheron Banks-Fallis
Member Services Manager

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

Letter of Transmittal

May 2, 2014

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 118th Comprehensive Annual Financial Report of the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) that covers the fiscal year ended June 30, 2013. 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, investment, actuarial, and operational conditions of the Fund. It contains financial statements with some comparative data, 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 62,911 members as of June 30, 2013, reflecting a 3.9% growth over prior year membership of 60,537. The 118th year of continuous operations ended with the Fund's financial condition reflecting a slight increase over the prior year. A strong investment environment offset insufficient employer contributions for the year, although there was a long-term negative structural impact due to contributors far lower than actually required. The June 30, 2013, value of net assets held in trust for pension and health benefits amounted to $9.7 billion, a 2.5% increase from the $9.5 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 $9.4 billion. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $19.0 billion yields a 49.5% actuarial funding ratio, an 8.2% decrease from the prior year funding ratio of 53.9%.

The actuarial value of assets of the Health Insurance Fund amounted to $35.8 million. A comparison of the actuarial value of assets to the actuarial accrued liabilities of $2.4 billion yields a 1.5% actuarial funding ratio, a 36.4% increase from the prior year funding ratio of 1.1%.

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 Investments Section of this report.

As of June 30, 2013, investments at fair value plus cash totaled $9.8 billion reflecting a 2% increase from the $9.6 billion value of June 30, 2012. The Fund's investment performance for the one-year and ten-year periods ended June 30, 2013, was 13.3% and 7.0% respectively. Refer to the Investments 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 Investments Section of this report for information regarding investment professionals who provide service 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. Although these controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records, the Fund continues to recognize that the anticipated costs could not exceed the projected benefits. Constant effort is directed by the Fund administration at improving the level of internal accounting control to ensure the members of the Fund belong to a financially sound retirement system.

Economic Review

Over the past twelve months, US economic data has exhibited positive yet modest growth, coupled with low inflation. The pace of economic growth was weighed down by slightly tighter fiscal policy in early 2013, and annual GDP growth in the US was only slightly above 2% for the twelve months ending June 30th. Recovering automobile and home sales were a couple of the brighter spots in the US economy, consumer confidence had risen to its highest levels in five years, and unemployment had fallen to 7.6%, compared to 8.2% from June of 2012. On the international front, economic growth was a modest 2.4% in the 12 months ending in June 2013. The second half of 2012 saw a continued decline led by China and Developed Countries while US and Emerging Markets led the modest growth during the first half of 2013. The global fiscal landscape saw continued high debt ratios in advanced economies alongside fragile developing economies. On an overall basis, Advanced Economies focused on shrinking budget deficits with an eye towards stabilizing public debt rations in the following fiscal year and global unemployment rates saw a slight increase largely due to Europe and Asia.

While the economic data in the US provided modestly positive signs, the markets, which many view to be leading economic indicators, performed quite strongly over the past year. For example, the Dow Jones Industrial Average and the S&P 500 Index returned 16.34% and 18.27%, respectively, for the twelve months ending June 30, 2013. Likewise, the Russell 3000 Index, a measure of the broader economy since it captures performance of both large and smaller US-based companies, soared 19.31% over the past year. Looking beyond the US, developed international markets performed better than emerging markets, with the MSCI EAFE Index returning 17.00% over the past twelve months, while the MSCI Emerging Markets Index returned 2.87%.

Economic Outlook

Overall moderate growth is expected in the US, Europe and Japan for the next 12 months, while emerging market growth may continue to disappoint in the near term, challenged in part by a slowdown in credit creation and an ongoing transition to organic, consumer-led (as opposed to export-driven) economies. In the US, the Fed has signaled that it may soon begin to "taper" the extraordinary stimulus measures it has put in place over the past few years. That said, monetary policy may remain broadly accommodative across the developed world as long as unemployment rates remain elevated and inflation remains under control. Also, the political power structures across the developed world, particularly in the US, China, Japan, and Europe, appear relatively stable, whereas many of the emerging markets will be undergoing a round of election cycles, elevating some of the political risk associated with those markets.

Several years of fiscal drag induced by deficit-fighting austerity measures (lower spending, higher taxes), which tended to reduce global economic growth and inflation, should offer less of a headwind going forward. Incoming economic data suggest a more resilient US economy for the coming year. With improving global growth, and generally accommodative monetary policy, we would expect a continuation of positive activity in developed market equities as well. The outlook for economic growth, and particularly job creation, will be central to the Fed's plans to reduce bond purchases as it begins to normalize monetary policy.

On the fixed income side, interest rate spikes are serving as a key driver of market volatility. In the short term, there is some potential for negative returns in assets like investment grade fixed income assets which are normally expected to help stabilize the broader portfolio. Short duration fixed income, despite its current lack of yield, continues to fulfill a key role as the Fund's source of liquidity. Growth without severe inflationary pressures would provide the Fed more cover to continue pursuing unemployment targets. However, unanticipated strong growth might lead the markets to question how the Fed would respond, likely leading to increased volatility.

Despite the advance in equity markets, the prospects for equities remain somewhat favorable compared with other asset classes like fixed income and cash. Geographically, they believe developed market equities show more promise than emerging market equities, as the monetary policy outlook is more favorable and the growth outlook is less volatile. There is no expectation of a significant jump in interest rates over the next 12 months, but higher market volatility during the Fed's normalization process.

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 in accordance with the Illinois Compiled Statutes (Public Act 89-15).

The Chicago Board of Education (employer) is required by law 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 96-0889) 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 employer is required by law to fund over $680 million in employer contributions for fiscal year 2015, up from the $600 million in fiscal year 2014. Historically, the employer has achieved significant funding reductions through legislative measures, most recently as 2010.

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.

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, 2013, was 13.3% as performance of the portfolio mirrored the stabilizing market and improving economic conditions relative to the previous fiscal year end. The Fund maintained a diversified portfolio consisting of equities (domestic and international), fixed income, real assets and alternative investments. The Fund continued to attempt to maximize investment performance while maintaining acceptable levels of risk.

As of June 30, 2013, the Board's policy targets are domestic equity at 31.25%, international equity at 31.25%, fixed income at 19.5%, real estate at 6.5%, REITs at 2.5%, private equity at 3.0%, hedge fund of funds at 2.0%, infrastructure at 2.0%, and cash and cash equivalents at 2.0%.

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. During the year ended June 30, 2013, the Fund terminated two underperforming domestic equity managers and funded two actively managed emerging markets equity portfolios from two domestic equity managers. In alternative investments, the Fund increased its commitment to two existing private equity fund of funds managers. In the real estate asset class, the Fund increased its commitment to an existing private real estate manager and initiated an investment with minority owned private real estate manager.

The Fund continues to be committed to diversity and as of June 30, 2013, approximately 31% ($3.0 billion) of the Fund's assets were managed by qualified minority, women, and disabled owned investment managers. Additionally, the Fund directed 38% of commissions to qualified minority, women, and disabled owned broker dealers.

LEGISLATIVE

The Fund successfully sought passage of legislative changes to clarify the rules for members who return to work for a CPS covered employer.

Additional major legislative proposals that the Trustees continue to pursue include:

- Increasing State funding to the Fund on a level relative and comparable to that provided to the downstate teachers' pension fund
- Eliminating the State offset to moving forward such that any state contribution received by CTPF will be in addition to CPS contributions
- Increase employer contributions
- Improve timing of funding via the use of late fees and fines when employers delay transmittal of withheld employee contributions
- Requiring all Charter Schools to have a designated Pension Officer who owns the pension funding compliance
- Increasing State funding for retiree health insurance, and
- Regaining the property tax levy reallocated to the Board of Education in 1995

During the year, the Trustees and Fund Administrators have diligently exercised their fiduciary responsibilities and vigorously opposed legislative changes that negatively impact the financial stability and future of the Fund. The Trustees and Fund Administrators, in conjunction with the Fund's consultants, continue to work in Springfield to represent the interests of the members and maintain the financial stability of the Fund.

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 opened up a Chief Financial Officer search process to fill the open position resulting from the transition of the sitting CFO during fiscal year 2012. The new CFO, Dr. Kasthuri Henry, was hired in October 2012, during the 2013 fiscal year.

The Fund conducted an Audit Service search through an RFP process following the completion of the fiscal year 2012 audit in 2013 as KPMG's 5-year rotation came to an end. Mitchell & Titus LLP, a fully owned minority member firm of Ernst & Young Global Limited, was selected as the new external auditor for the Fund. The fiscal year 2013 audit work was conducted by Mitchell & Titus LLP. The fiscal year 2013 actuarial work was done by Segal.

The Fund continued to work with its primary employer, Chicago Public Schools, to resolve payroll system issues that impacted pension fund data while establishing a robust process to work with the growing Charter School employers.

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, 2012. This was the 22nd 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 fiscal year 2013 teacher trustee election, Lois W. Ashford and Jay C. Rehak were re-elected to three-year terms.

In the election for officers, Jay C. Rehak was elected president, Lois W. Ashford, vice president, Tina Padilla, financial secretary, and Raymond Wohl, recording secretary. Chairs of standing committees included James F. Ward, Investments; Lois W. Ashford, Pension Law and Rules; Tina Padilla, Finance and Audit; and Jeffery Blackwell, Claims and Service Credits. Andrea L. Zopp was re-appointed by the Board of Education to a two-year term. Trustee Jeanne Marie Freed retired in June 2013 and was replaced by Bernie Eshoo in July 2013.

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

Dr. Kasthuri V. Henry
Chief Financial Officer

Financial

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

Mitchell & Titus

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Chicago, IL 60606

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mitchelltitus.com

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Public School Teachers' Pension and Retirement Fund of Chicago, which comprise the statement of fiduciary net position as of June 30, 2013, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public School Teachers' Pension and Retirement Fund of Chicago at June 30, 2013, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on Fiscal Year 2012 Financial Statements

The financial statements of the Public School Teachers' Pension and Retirement Fund of Chicago for the year ended June 30, 2012, were audited by other auditors who expressed an unmodified opinion on those statements on March 29, 2013.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and the schedules of funding progress and employer contributions on pages 17 through 23 and pages 41 through 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

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&Titus

required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of administrative and miscellaneous expenses, schedule of cash receipts and disbursements, schedule of manager fees, and schedule of consultant payments for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of administrative and miscellaneous expenses, schedule of cash receipts and disbursements, schedule of manager fees, and schedule of consultant payments have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2013 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information in the schedule of administrative and miscellaneous expenses, schedule of cash receipts and disbursements, schedule of manager fees, and schedule of consultant payments is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

The Public School Teachers' Pension and Retirement Fund of Chicago's basic financial statements for the year ended June 30, 2012, were audited by other auditors whose reported thereon dated March 29, 2013, expressed an unmodified opinion on those statements. The report of the other auditors dated March 29, 2013, stated that the information in the schedule of administrative and miscellaneous expenses, schedule of cash receipts and disbursements, schedule of manager fees, and schedule of consultant payments for the year ended June 30, 2012 was subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

The supplementary information included in the introductory section, the investments section, the actuarial section, and the statistical section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mitchell & Titus, LLP

May 2, 2014

A member firm of Ernst & Young Global Limited

Management's Discussion and Analysis (Unaudited)

June 30, 2013

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, 2013. This information is intended to supplement the financial statements, which begin on page 24 of this report. We encourage readers to consider additional information and data in the Fund's *2013 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 the rebound of the financial market in 2013, the Fund returned 13.3% for the year ended June 30, 2013. The Fund is a long-term investor and results are more significant over longer periods. The Fund's compound rate of return over the past 10 years was 7.0% which is .75% less than the actuarial assumption of 7.75%.

The Fund's consulting actuary has certified the total actuarial accrued liability of the Pension Fund to be $19.0 billion as of June 30, 2013. This represents an increase in the total actuarial accrued liability of $1.6 billion when compared to the actuarial accrued liability of $17.4 billion as of June 30, 2012. The unfunded actuarial accrued liability increased from $8.0 billion to $9.6 billion during the year. The Fund's consulting actuary has also certified the total actuarial accrued liability of the Health Insurance Fund to be $2.4 billion as of June 30, 2013. This represents a decrease in the total actuarial accrued liability of $724.2 million compared to the actuarial accrued liability of $3.1 billion as of June 30, 2012. The unfunded actuarial accrued liability decreased from $3.1 billion to $2.4 billion during the year.

Financial Highlights

- Investment returns were favorable in comparison to 2012. The investment rate of return for fiscal year 2013 was 13.3% (vs. benchmark of 12.1%), following fiscal year 2012's return of 0.6% and fiscal year 2011's return of 24.8%. Five- and ten-year annualized returns were 4.6% (vs. benchmark of 4.7%), and 7.0% (vs. benchmark of 6.9%), respectively.

- Total plan fiduciary net positions increased during the fiscal year to $9.7 billion at June 30, 2013, from $9.5 billion at June 30, 2012.

- The Fund paid members $1.2 billion in service retirement, disability and survivor benefits, and an additional $71.8 million for healthcare benefits.

- Total additions to plan fiduciary net positions were $1.6 billion for fiscal year 2013. The net investment gain of $1.2 billion was more than 3.0 times member and employer contributions, which totaled $396.9 million.

- Total deductions from plan fiduciary net positions were $1.3 billion for fiscal year 2013. Benefit payments, member refunds, and administrative expenses increased 9% over fiscal year 2012.

- The funded ratio for pension benefits decreased to 49.5% as of June 30, 2013, from 53.9% 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 fiduciary net position* and the *statement of changes in fiduciary net position*. 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 fiduciary net position* 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 fiduciary net position* shows revenues (additions) and expenses (deductions) for the fiscal year. The net increase (or decrease) is the change in fiduciary net positions 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 Pension 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 and the Health Insurance Fund for the past six years. The schedule includes the ratio of actuarial value of 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 s*chedule of employer contributions* shows the amount of required employer contributions and the percentage actually contributed.

Investment Performance

For fiscal year 2013, the Fund's total investment performance resulted in a 13.3% gain. Domestic, international, and private equity as well as fixed income, real estate, public REITs, infrastructure and hedge funds generated positive returns. The Fund's portfolio of domestic equity reported a 21.6% return, international equity reported 17.4%, fixed income reported 0.4%, private equity reported a 5.3% return, real estate reported a 10.2%, public REITs reported 12.8%, infrastructure reported a 10.1% return, and hedge funds reported 11.3% gain.

1-Year Returns (2013)

Asset Category	Fund Return	Index Name	Index Return
Total Fund	13.3%	Fund Benchmark Index	12.1%
Domestic Equity	21.6	Domestic Equity Benchmark	21.5
International Equity	17.4	MSCI ACWI ex US Index	14.1
Fixed Income	0.4	Barclays Aggregate Index	(0.7)
Private Equity	5.3	N/A	–
Real Estate	11.0	NFI-ODCE Equal Weight Index	12.2
Real Estate Investment Trusts (REITs)	12.8	Custom REITs Index*	13.1
Infrastructure	12.3	Absolute Benchmark	8.0
Hedge Funds	11.3	T-Bills +5%	5.1

5-Year Returns (2013)

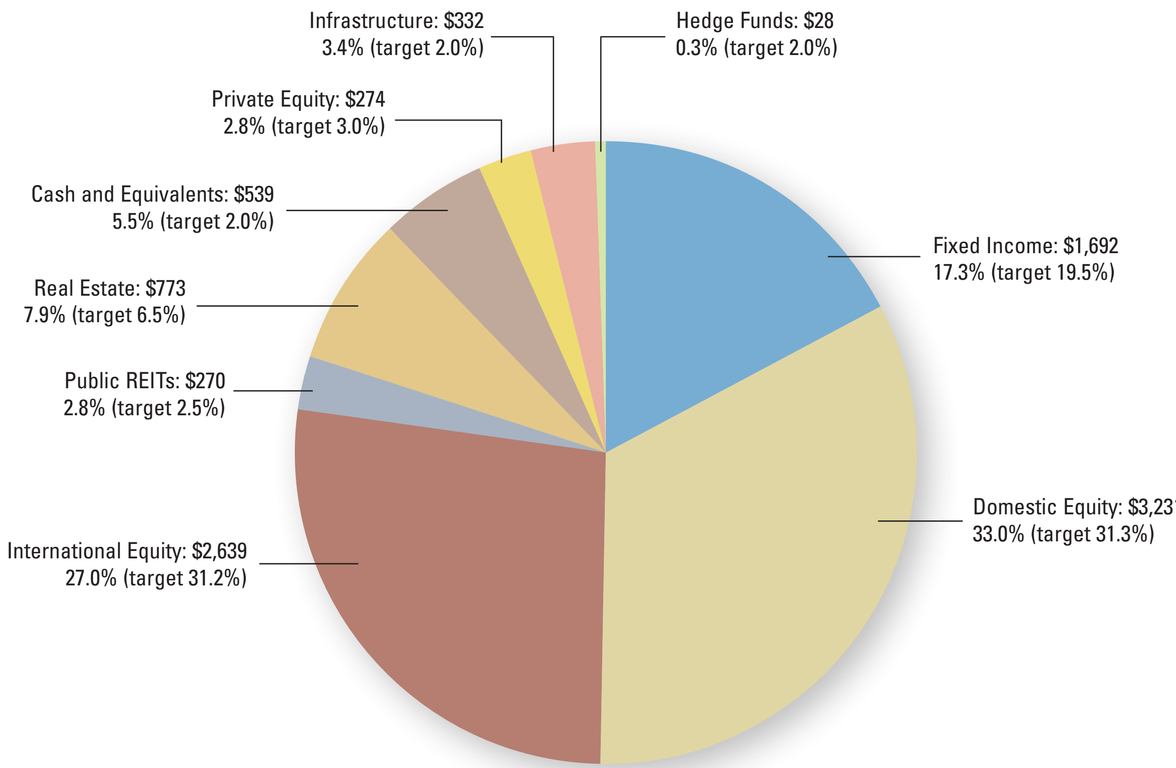
Asset Category	Fund Return	Index Name	Index Return
Total Fund	4.6%	Fund Benchmark Index	4.7%
Domestic Equity	7.0	Domestic Equity Benchmark	7.5
International Equity	2.5	MSCI ACWI ex US Index	(0.3)
Fixed Income	6.0	Barclays Aggregate Index	5.2
Private Equity	3.3	N/A	–
Real Estate	(1.9)	NFI-ODCE Equal Weight Index	(0.1)
Real Estate Investment Trusts (REITs)	6.1	Custom REITs Index*	5.7
Infrastructure	–	**N/A	–
Hedge Funds	–	**N/A	–

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

** *CTPF has not been invested in Infrastructure and Hedge Funds for 5 years*

Asset Allocation Summary as of June 30, 2013

IN MILLIONS OF DOLLARS



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

Financial Statement Analysis

PLAN FIDUCIARY NET POSITION

The plan fiduciary net positions increased $238.6 million (2.5%) during the fiscal year. This increase was due primarily to the increase in the value of investment holdings.

As of June 30, 2013, total receivables, excluding amounts due from brokers, increased by $5.7 million from 2012. The change in receivables is the result of an increase in accrued investment income, along with employee contribution receivable (from employer) at year-end. Due from brokers (the proceeds from investment sales) increased $89.8 million due to the timing of investment sales at year-end.

Refunds payable decreased $9.6 million in 2013. This decrease was due to a lessor number of refund claims pending at year end. The increase in accounts and administrative expense payable of $7.9 million is the result of an increase in the year end accrual of investment manager fees.

A loss due to the Funds' custodian on securities lending transaction of $38.2 million is included in both Securities Lending Collateral payable for $19.0 million and Due to brokers for $19.2 million. Due to brokers (the cash due for investment purchases) increased by $54.5 million due to the timing of investment purchases at year end.

The following is a summary of the plan fiduciary net positions for the years ended June 30, 2013 and 2012:

	Fiscal Year			
(in millions)		2013		2012
Cash and cash equivalents	$	3.5	$	13.4
Receivables		66.7		61.2
Due from brokers		136.4		46.6
Investments, at fair value		9,773.0		9,576.1
Securities lending collateral		648.9		588.1
Capital assets, net		1.9		2.3
Total assets		**10,630.4**		**10,287.7**
Benefits and refunds payable		15.6		24.3
Accounts and administrative expenses payable		21.4		13.5
Securities lending collateral payable		667.8		613.2
Due to brokers		215.7		165.3
Total liabilities		**920.5**		**816.3**
Net assets held in trust for benefits	**$**	**9,709.9**	**$**	**9,471.4**

ADDITIONS TO PLAN FIDUCIARY NET POSITION

Additions to plan assets which 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, 2013, additions totaled $1,579.0 million, compared to $360.0 million for the year ended June 30, 2012. Federal health insurance reimbursement represents funds from federal and health insurance companies which provide reimbursement to health plan sponsors for a portion of the costs of providing health coverage to early retirees. Federal health insurance reimbursement decreased by $6.3 million due to a reduction of funds available through the federal program for fiscal year 2013. The Fund also received reimbursement from Blue Cross Blue Shield for excess premium stabilization reserve in the amount of $7.9 million, which is also included in the $8.4 million in federal health insurance reimbursement and miscellaneous.

The slight increase of employee contributions is consistent between years. Minimum funding requirement represents additional employer contributions required by state law when the funding level drops below 90%. Amendments to the statute during fiscal year 2010 changed the funding requirements for additional employer contributions for fiscal years 2011, 2012, and 2013. Based upon the amendments to the statute, the employer made additional contributions in fiscal year 2013 in the amount of $185.1 million. Net investment income increased mainly due to the unrealized appreciation of the Fund's investment portfolio. The Fund's portfolio experienced a 13.3% gain for the year ended June 30, 2013, compared to a 0.6% gain for the year ended June 30, 2012.

The following is a summary of additions to plan fiduciary net positions for the years ended June 30, 2013 and 2012:

(In millions)	Fiscal Year 2013		Fiscal Year 2012	
Intergovernmental, net	$	22.6	$	22.2
Federal health insurance reimbursement and miscellaneous		8.4		7.2
Employee contributions		188.4		187.1
Minimum funding requirement (employer)		185.1		181.6
Net investment income		1,174.6		(38.1)
Total additions	$	1,579.1	$	360.0

DEDUCTIONS FROM PLAN FIDUCIARY NET POSITION

Deductions from plan fiduciary net position 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. The increase in benefits was offset by a decrease in the refunds due to fewer numbers of former teachers requesting resignation refunds. The health insurance premium is fairly consistent when compared to prior fiscal year, as the rebate was disbursed at 60% of covered premiums for both fiscal years 2013 and 2012. Total deductions from plan fiduciary net positions amounted to $1.3 billion for the year ended June 30, 2013, compared to $1.2 billion for the previous year.

The following is a summary of deductions from plan fiduciary net positions for the years ended June 30, 2013 and 2012:

(In millions)	Fiscal Year 2013		Fiscal Year 2012	
Pension benefits	$	1,228.3	$	1,113.9
Refunds		24.8		36.3
Death benefits		4.0		3.3
Refund of insurance premiums		71.8		69.0
Administration and miscellaneous expenses		11.5		10.1
Total deductions	$	1,340.4	$	1,232.6

FUNDING ANALYSIS

Under the funding plan established by the State of Illinois, 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 statute, the funding period was extended from 2045 to 2059.

Based upon the amended statute, the employer must make contributions of $192 million and $196 million in fiscal years 2012 and 2013, respectively. These amounts are substantially lower than the $600 million contribution in each fiscal year prior to the amendment. The contribution will increase to $600 million for fiscal year 2014. 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 $10.9 million and $11.9 million for the periods ending June 30, 2013 and June 30, 2014, respectively. The primary employer of the Fund is required to remit additional other contribution of $11.6 million and $12.7 million during the fiscal years ending June 30, 2013 and June 30, 2014, respectively. During the fiscal year 2013 the employer and state paid a total of $207.7 million, compared to the $203.7 million paid for fiscal year 2012.

Amendments to the statute which were effective during fiscal year 2011 will have a longer-term impact on funding. Public Act 96-0889, effective January 1, 2011, created a second tier of benefits for those who first participate in the system after that date. The amendment caps the salary amount that can be used in the calculation of pensions in the future, increases the minimum retirement age, and limits postretirement increases to pensions.

The funded ratio for the plan decreased from 53.9% in 2012 to 49.5% in 2013. 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. Employer contributions in 2014 are expected to be substantially greater than contributions in fiscal year 2013 and a slight increase is expected in operational and benefits costs. The rate of return for the period ended June 30, 2014, is projected at 7.75%. As a result, the funded ratio is expected to slightly increase to 50.6% in fiscal year 2014. The funded ratio of the plan has ranged from 49.5% to 89.5% 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 Fiduciary Net Position

June 30, 2013, with comparative totals for 2012

	Pension Fund	Health Insurance Fund	Total 2013	Total 2012
ASSETS:				
Cash	$ 15,666,922	–	15,666,922	13,428,219
Prepaid expense	13,174		13,174	12,220
Receivables:				
Intergovernmental	1,821,860	–	1,821,860	3,483,000
Employee	27,869,767	–	27,869,767	22,684,791
Accrued investment income	31,743,951	–	31,743,951	29,771,625
Due from brokers	136,392,013	–	136,392,013	46,593,389
Participating teachers' accounts for contributions	4,559,206	–	4,559,206	4,488,641
Other receivables	753,602	–	753,602	741,482
Total receivables	203,140,399	–	203,140,399	107,762,928
Investments, at fair value:				
U.S. government and agency fixed income	938,552,193	–	938,552,193	1,095,517,939
U.S. corporate fixed income	534,360,775	–	534,360,775	580,141,812
Foreign fixed income securities	171,608,454	–	171,608,454	172,954,270
Commingled funds	1,099,569,739	–	1,099,569,739	386,550,315
U.S. equities	3,093,982,485	–	3,093,982,485	3,114,108,811
Foreign equities	2,471,506,129	–	2,471,506,129	1,998,148,187
Public REITs	175,023,120	–	175,023,120	175,158,738
Pooled short-term investment funds	481,913,983	39,650,763	521,564,746	539,724,134
Hedge fund	–	–	–	173,505,261
Real estate	297,996,967	–	297,996,967	756,080,615
Infrastructure	182,573,109	–	182,573,109	307,980,960
Private equity	274,077,937	–	274,077,937	276,004,553
Margin cash	100,000	–	100,000	200,000
Total investments	9,721,264,891	39,650,763	9,760,915,654	9,576,075,595
Securities lending collateral	648,873,113	–	648,873,113	588,095,853
Capital assets, net of accumulated depreciation	1,934,121	–	1,934,121	2,366,332
Total assets	**10,590,892,620**	**39,650,763**	**10,630,543,383**	**10,287,741,147**
LIABILITIES:				
Benefits payable	3,576,691	–	3,576,692	2,569,689
Refunds payable	12,004,775	–	12,004,775	21,757,021
Accounts and administrative expenses payable	17,565,015	3,853,859	21,418,874	13,516,156
Securities lending collateral payable	667,849,650	–	667,849,650	613,185,665
Due to brokers	215,707,926	–	215,707,926	165,271,632
Total liabilities	**916,704,057**	**3,853,859**	**920,557,917**	**816,300,163**
Fiduciary Net Position	$ 9,674,188,563	35,796,904	9,709,985,466	9,471,440,984

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position

For fiscal year ended June 30, 2013, with comparative totals for 2012

	Pension Fund	Health Insurance Fund	Total 2013	Total 2012
ADDITIONS:				
Contributions				
Intergovernmental, net	$ 22,585,000	–	22,585,000	22,178,011
Employee	188,356,294	–	188,356,294	187,141,384
Minimum funding requirement (employer)	120,069,000	65,000,000	185,069,000	181,551,000
Total contributions	331,010,294	65,000,000	396,010,294	390,870,395
Investment income:				
Net appreciation (depreciation) in fair value	961,784,065	–	961,784,065	(239,806,743)
Interest	108,021,022	82,822	108,103,844	102,147,448
Dividends	141,538,821	–	141,538,821	136,080,771
Miscellaneous	1,468,191	–	1,468,191	560,553
Securities lending gain	4,006,659	–	4,006,659	5,011,510
Less investment expense:				
Investment advisory and custodial fees	(42,318,757)	–	(42,318,757)	(42,076,606)
Total investment income (loss), net	1,174,500,001	82,822	1,174,582,823	(38,083,067)
Federal insurance reimbursement	–	432,997	432,997	6,770,651
Insurance company reimbursement	–	7,919,650	7,919,650	–
Miscellaneous	–	–	–	431,790
Total additions	1,505,510,295	73,435,469	1,578,945,764	359,989,769
DEDUCTIONS:				
Pension benefits	1,228,318,994	–	1,228,318,994	1,113,884,747
Refunds	22,263,409	–	22,263,409	33,923,690
2.2 Legislative refunds	2,523,654	–	2,523,654	2,370,946
Refund of insurance premiums	–	71,763,523	71,763,523	69,011,323
Death benefits	3,994,309	–	3,994,309	3,324,381
	1,257,100,364	71,763,523	1,328,863,889	1,222,515,087
Administrative and miscellaneous expenses	11,537,394	–	11,537,394	10,120,434
Total deductions	1,268,637,758	71,763,523	1,340,401,282	1,232,635,521
Net increase (decrease)	236,872,537	1,671,946	238,544,482	(872,645,752)
Fiduciary Net Position Beginning of Year	9,437,316,026	34,124,958	9,471,440,984	10,344,086,736
End of Year	**$ 9,674,188,563**	**35,796,904**	**9,709,985,466**	**9,471,440,984**

The accompanying notes are an integral part of these 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, 2013, the Fund had 77 participating employers consisting of the primary employer, Chicago Public Schools, 75 charter schools and the Fund itself. As of June 30, 2013 and 2012, the Fund membership consisted of the following

	2013	2012
Retirees and beneficiaries currently receiving benefits	27,440	25,926
Terminated members entitled to benefits but not yet receiving them	4,502	4,245
Current members:		
Vested	20,185	21,063
Nonvested	10,784	9,303
	62,911	60,537

The State of Illinois Public Act (P.A.) 96-0889 created a second tier of benefits for teachers who first become participants in the Fund, or other public pension funds in the State of Illinois, after January 1, 2011. Plan provisions for the two tiers are described below:

(I) Tier I

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 upon 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. P.A. 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 non-duty 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.

(II) TIER II

A member with at least 10 years of service and who has attained 67 years of age is entitled to an unreduced pension. A member with at least 10 years of service and who has attained 62 years of age is entitled to a reduced pension. In the case of retirement prior to age 67, the retirement pension is reduced one-half of 1% for each month that the member is under age 67.

A retirement pension is determined by applying a flat 2.2% to the average of the eight highest years of salary earned for each year of service. P.A. 96-0889 established an annual cap totaling $108,883 on the amount of salary that can be used in any year in calculating pension amounts.

Tier II members who retire receive an automatic annual increase, equal to the lesser of 3% of the annual pension or one-half the increase in the Consumer Price Index for all Urban Consumers. The automatic annual increase is paid 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 66 $^{2}/_{3}$% of earned pension or an amount based on the average of the eight highest years of salary in the last 10 years of service or on the average salary for the total service, if less than eight years, with certain qualifications. An automatic annual increase, equal to the lesser of 3% of the annual pension or one-half the increase in the Consumer Price Index for all Urban Consumers, is paid on survivor pensions after the first anniversary of the pension. A single-sum death benefit is also payable on the death of a contributor or retired member of the Fund, with certain qualifications.

A disability pension is payable in the event of total or permanent disability with certain qualifications and service requirements. A duty disability benefit, equal to 75% of final salary, is provided upon the total incapacity for further teaching as a result of an injury sustained while in teaching service. A non-duty disability is payable after 10 or more years of service and is determined by applying a flat 2.2% to the average of the eight highest years of salary earned. An automatic annual increase, equal to the lesser of 3% of the annual pension or one half the increase in the Consumer Price Index for all Urban Consumers, 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 60% for fiscal year 2013 and 2012. 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 years' amounts authorized but not expended. Of the plan net position in the health insurance fund, previous years' amounts authorized but not expended at June 30, 2013 and 2012 are $35,796,904 and $34,124,958, respectively. The Fund has total discretion over the program, and no employee or employer contributions are made for the subsidy.

As of June 30, 2013 and 2012, health insurance membership consisted of the following:

	2013	2012
Retirees and beneficiaries currently receiving health insurance benefits	18,140	17,091
Terminated employees entitled to benefits but not yet receiving them	4,502	4,245
Retirees and beneficiaries entitled to health benefits but not currently receiving them	9,300	8,835
Active Members	30,969	30,366
	62,911	60,537

(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 equity security 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, real estate, infrastructure, and hedge funds are valued based on amounts established by the fund managers or general partners 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) RECLASSIFICATIONS

Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

(G) 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 fiduciary net position.

(H) 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.

(I) COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

(J) GASB STATEMENT NO. 67

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and GASB Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of GASB Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of GASB Statement No. 67. For defined benefit pension plans, GASB Statement No. 67 specifies the required approach to measure the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Under GASB Statement No. 67, defined benefit pension plans are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB Statement No. 67 also improves financial reporting through accountability, enhanced note disclosures, and required supplementary information. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013. The Fund will adopt GASB Statement No. 67 in fiscal year 2014.

(3) Receivables

As of June 30, 2013 and 2012, intergovernmental receivables include appropriations due from the State of Illinois in the amount of $1,821,860 and $3,483,000, respectively. Employee receivables include retirement contributions deducted from employees' compensations by 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 $24,966,356 and $19,536,244, on behalf of the employees, at June 30, 2013 and 2012, respectively. Employees owed the fund $2,903,411 and $3,148,547 for the 2.2 pension formula upgrade at June 30, 2013 and 2012, 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, 2013		
Carrying amount	$	15,666,922
Bank balance		18,274,957
Amount exposed to custodial credit risk	$	5,460,678

INVESTMENTS

The following table presents a summary of the Fund's investments at fair values at June 30, 2013:

Investments		Fair Value
U.S. government and agency fixed income	$	938,552,193
U.S. corporate fixed income		534,360,775
Foreign fixed income securities		171,608,454
Commingled common stock		136,504,541
Commingled emerging markets		167,887,260
Commingled public REITs		95,417,191
Commingled corporate bonds		47,220,095
Commingled Hedge Fund		27,786,236
Commingled Infrastructure		149,378,988
Commingled Real Estate		475,375,428
U.S. equities		3,093,982,485
Foreign equities		2,471,506,129
Public REITs		116,191,511
Foreign public REITs		58,831,609
Pooled short-term investment funds		521,564,746
Real estate		297,996,967
Infrastructure		182,573,109
Private equity		274,077,937
Margin cash		100,000
Total investments	**$**	**9,760,915,654**

(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, 2013, 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, 2013
Margin cash	$ 100,000

(B) CONCENTRATION OF CREDIT RISK

There are no investments in any issuer that represent 5% or more of fiduciary net positions as of June 30, 2013.

(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, 2013:

S&P Credit Ratings	Asset Backed	Commercial Mortgage -Backed	Commingled Fixed Income Funds	Corporate Bonds	Gov't Agencies	Gov't Bonds	Gov't Mortgage Backed	Municipal Prov Bonds	Sukuk
A	$ 23,005	1,718,837	–	269,334,357	4,770,630	29,156,572	–	9,684,440	–
AA	5,301,007	4,102,902	–	64,284,360	98,219,407	1,172,500	–	11,149,129	1,137,500
AAA	5,938,184	4,401,460	–	3,155,775	21,805,881	273,653	–	2,061,527	–
B	370,296	–	–	2,886,447	–	–	–	–	–
BB	1,049,924	1,008,412	–	17,903,320	–	2,385,500	–	–	–
BBB	557,021	3,055,647	–	228,842,062	1,214,175	9,567,631	–	–	–
CC	303,971	1,046,605	–	–	–	–	–	–	–
CCC	252,155	13,728,872	–	–	–	–	–	–	–
D	1,028,669	614,074	–	–	–	–	–	–	–
Not Rated	4,079,221	4,607,497	47,220,095	7,824,324	810,538	6,231,855	1,322,504	212,959	–
US Gov't Agency	–	–	–	–	4,684,534	544,699,016	246,543,067	–	–
	$ 18,903,453	**34,284,306**	**47,220,095**	**594,230,645**	**131,505,165**	**593,486,727**	**247,865,571**	**23,108,055**	**1,137,500**

(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, 2013:

Investment Type	Fair Value	Effective Duration (years)
Asset-backed securities	$ 18,903,453	0.02
Commercial mortgage-backed	34,284,306	0.08
Commingled fixed income funds	47,220,095	0.13
Corporate bonds	594,230,645	2.07
Government agencies	131,505,165	0.29
Government bonds	593,486,727	6.26
Government mortgage-backed securities	247,865,571	0.81
Municipal/provincial bonds	23,108,055	0.12
Sukuk	1,137,500	0.01
Total	**$ 1,691,741,517**	

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, 2013:

Currency	Fair Value	Percentage
Foreign equities:		
Australian dollar	$ 60,572,098	2.45%
Brazilian real	26,592,690	1.08%
British pound sterling	569,706,672	23.05%
Canadian dollar	39,173,126	1.58%
Chilean peso	4,011,347	0.16%
Czech krone	9,219,187	0.37%
Danish krone	23,871,251	0.97%
Euro	474,449,532	19.20%
Hong Kong dollar	123,033,182	4.98%
Indian rupee	33,005,978	1.34%
Indonesian rupiah	16,015,497	0.65%
Israeli sheqel	2,022,971	0.08%
Japanese yen	417,381,363	16.89%

Currency	Fair Value	Percentage
Kenyan shilling	$ 556,631	0.02%
Korean won	52,694,022	2.13%
Malaysian ringgit	5,051,772	0.20%
Mexican peso	10,379,583	0.42%
New Taiwan dollar	26,627,762	1.08%
New Zealand dollar	5,800,257	0.23%
Norwegian krone	52,580,827	2.13%
Philippine peso	598,934	0.02%
Polish zloty	7,812,370	0.32%
Qatari rial	66,272	0.00%
Singapore dollar	17,207,716	0.70%
South African rand	15,806,804	0.64%
Sri Lankan rupee	485,341	0.02%
Swedish krona	50,122,030	2.03%
Swiss franc	185,291,746	7.50%
Thai bath	11,821,327	0.48%
Turkish lira	12,266,949	0.50%
United States dollar	217,280,892	8.79%
Total	**2,471,506,129**	**100.00%**
Foreign fixed income		
Mexican peso	3,427,318	2.00%
U.S. dollar	168,181,136	98.00%
Total	**171,608,454**	**100.00%**
Foreign Public REITs		
Australian dollars	7,570,725	12.87%
Brazilian real	689,537	1.17%
Canadian dollar	2,532,959	4.31%
Czech koruna	943,663	1.60%
Euro	5,922,148	10.07%
British pound sterling	5,940,473	10.10%
Hong Kong dollar	13,141,528	22.34%
Japanese yen	15,148,311	25.75%
Norwegian krone	156,919	0.27%
Swedish krona	719,078	1.22%
Singapore dollar	3,601,798	6.12%
U.S. dollar	2,464,469	4.19%
Total	**58,831,609**	**100%**

(5) Derivatives

The Fund accounts for its derivative instruments in accordance with 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, 2013:

Derivative Type	Notional Amounts	Fair Value
Foreign currency contracts purchased	$ –	282,918,997
Foreign currency contracts sold	–	(283,818,765)
Futures:		
Long fixed income	62,840,372	191,449
Long equity	9,373,660	(27,584)
Short fixed income	(74,270,828)	14,039
Options		
Margined options/put purchased:	(13,941)	46,384
Rights	–	15,081
Warrants	–	27,966
Swaps		
Credit default:		
Pay coupon/buy protection	(2,368,161)	221,698
Receive coupon/buy protection	1,543,287	93,706
Total	**$ (2,895,611)**	**(317,029)**

(A) 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, 2013, is as follows:

Currency	Fair Value
Foreign currency exchange purchases:	
Australian dollars	$ 2,154,095
British pound sterling	49,512,357
Danish krone	220,142
Euro	14,497,927
Japanese yen	25,654,117
Norwegian krone	33,705
Philippine peso	1,933,387
Singapore dollar	142,586
Swiss franc	4,893,325
U.S. dollar	183,877,356
Total Purchases	**282,918,997**
Foreign currency exchange sales:	
Australian dollars	(2,296,844)
British pound sterling	(65,723,701)
Czech koruna	(147,654)
Euro	(24,961,982)
Japanese yen	(82,295,590)
Norwegian krone	(169,557)
Singapore dollar	(11,311)
Swedish krona	(95,744)
Swiss franc	(4,994,393)
U.S. dollar	(103,121,989)
Total Sales	**$ (283,818,765)**

(B) 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.

(C) 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.

(D) 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. 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.

(E) CHANGES IN FAIR VALUE

The following table summarizes the changes in fair value, which were recognized as investment income (loss) in the Fund's statement of changes in fiduciary net position for the year ended June 30, 2013:

Derivative Type	Changes in Fair Value	
Foreign currency contracts	$	(1,572,266)
Options		106,662
Rights and warrants		(3,528)
Swaps		(15,755)
Total	$	(1,484,887)

CREDIT RISK

Credit risk is the risk that the Fund will not recover its investments due to the inability 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, 2013, was approximately $350,524. Also, the credit risks are rated "A" 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, 2013:

Derivative Type	Fair Value		Effective Duration (years)
Futures fixed income (long and short, net)	$	205,488	.35
Options		46,384	–
Total	$	251,872	

(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 and non-cash collateral 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 48 days. Cash collateral is invested in the lending agent's short-term investment pool, which at June 30, 2013, has a weighted average maturity of 48 days. The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities without borrower default.

Loans Outstanding	2013	2012
Fair value of securities loaned for cash collateral	$ 630,946,626	583,299,932
Fair value of securities loaned for noncash collateral	104,278,740	77,675,438
Total fair value of securities loaned	735,225,366	660,975,370
Fair value of cash collateral from borrowers	648,873,113	588,095,853
Fair value of noncash collateral from borrowers	110,403,448	80,328,944
Total fair value of collateral from borrowers	$ 759,276,561	668,424,797

(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 amendments to the statute during fiscal year 2010, the employer and the state were required to make contributions in the amount of $218.6 and $214.2 million in fiscal years 2013 and 2012, respectively. During fiscal years 2013 and 2012 the employer and state paid $207.7 million and $203.7 million, respectively. The unpaid portion for fiscal years 2013 is currently under litigation with the employer through an action filed for FY 2011. The final ruling in the fiscal year 2011 litigation will determine if the employer will be liable for the unpaid portion for fiscal year 2012 and 2013.

During the year ended June 30, 2013, the Fund did not receive state funding for the health insurance plan. As a result, the Fund allocated $65 million of the employer contribution to the Health Insurance Fund to pay health benefits to Fund retirees in accordance with the certification sent to the employer.

(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. Contribution made by the Fund for Fund employees totaled $298,379 and $262,443 for the years ended June 30, 2013 and June 30, 2012, 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, which are included in the employer minimum funding requirement, 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. Federal insurance reimbursement represents funds from Federal programs providing reimbursement to health plan sponsors for a portion of the costs of providing health coverage to early retirees.

(8) Funded Status and Funding Progress

As of June 30, 2013, 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	$ 19,044,533,016	2,386,105,927
Less actuarial value of assets	9,422,519,190	35,796,904
Unfunded actuarial accrued liability	$ 9,622,013,826	2,350,309,023
Funded ratio	49.48%	1.50%
Annual covered payroll	$ 2,239,347,051	2,239,347,051
Unfunded actuarial accrued liability as a percentage of annual covered payroll	429.68%	104.96%

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 returns, and healthcare cost trends. 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 fiduciary net position 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, 2013:

	Pension Plan	Health Insurance Plan
Valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll
Amortization approach	Closed	Closed
Amortization period	30 years	30 years
Asset valuation method	4-year smoothed market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75% per year	4.5% per year
Projected salary increases*	Rate of increase is age based ranging from 15.75% to 4.25%	N/A
Inflation rate*	2.75% per year	3.5% per year
	Postretirement benefit increase:	Medical trend rate:
2014	3% per year	8.0% per year
2015	3% per year	7.5% per year
2016	3% per year	7.0% per year
2017	3% per year	6.5% per year
2018	3% per year	6.0% per year
2019	3% per year	5.5% per year
2020 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 position 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	
2014	$	525,307
2015		537,965
2016		550,623
2017		563,281
2018		575,939
2019-2020		1,189,852
2021		510,539
Total minimum future rental payments	**$**	**4,453,506**

Rent expense was $512,649 and $499,991 in fiscal years 2013 and 2012, respectively.

(12) Subsequent Event

On August 8, 2013, the Fund and the Chicago Board of Education (employer) settled a lawsuit arising from Fiscal Year 2010 legislative contribution from the employer. The General Counsel authorized payment of $37,716,141.59 to the Fund and payment was received on August 9, 2013.

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 percentage of annual covered payroll (b-a)/c
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
June 30, 2011	10,109,314	16,940,626	6,831,312	59.67	2,090,132	326.84
June 30, 2012	9,364,077	17,375,660	8,011,584	53.89	2,224,903	360.09
June 30, 2013	9,422,519	19,044,533	9,622,014	49.48	2,239,347	429.68

(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 report of independent auditors.

Schedule of Funding Progress (Unaudited)

Health Insurance Plan

Last six 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 percentage of annual covered payroll (b-a)/c
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
June 30, 2011	31,325	3,071,517	3,040,192	1.02	2,090,132	145.45
June 30, 2012	34,125	3,110,316	3,076,191	1.10	2,224,903	138.26
June 30, 2013	35,797	2,386,106	2,350,309	1.50	2,239,347	104.96

See accompanying report of independent auditors.

Required Supplementary Information
Schedule of Employer Contributions (Unaudited) Pension Plan
Last six fiscal years

SCHEDULE 3

Period Ended	Employer Contributions: Annual Required Contributions	Employer Contributions: Actual	Employer Contributions: Percentage Contributed	Employee Contributions: Annual Required Contributions	Employee Contributions: Actual	Employee Contributions: Percentage Contributed	Total contributions as a % of annual required contributions
June 30, 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	91.04
June 30, 2011	430,091,545	143,589,994	33.39	175,805,483	185,882,636	105.73	54.38
June 30, 2012	510,101,466	138,729,011	27.20	190,846,835	187,141,384	98.06	46.49
June 30, 2013	585,444,539	142,654,000	24.37	195,809,979	188,356,294	96.19	42.37

See accompanying report of independent auditors.

Schedule of Employer Contributions (Unaudited) Health Insurance Plan
Last six fiscal years

SCHEDULE 4

Period Ended	Employer Contributions: Annual Required Contributions	Employer Contributions: Actual	Percentage Contributed
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
June 30, 2011	215,797,617	65,000,000	30.12
June 30, 2012	218,842,221	65,000,000	29.70
June 30, 2013	216,163,148	65,000,000	30.07

See accompanying report of independent auditors.

Schedules of Administrative and Miscellaneous Expenses

Years ended June 30, 2013 and 2012

SCHEDULE 5

	2013	2012
Salaries	$ 5,277,646	4,817,572
Accrued leave	364,746	130,799
Actuary fees	174,388	94,680
Auditing	210,750	201,130
Banking fees	52,663	60,478
Consulting	5,297	5,819
Data processing	40,626	45,227
Depreciation	580,623	568,102
Election expense	197,117	242,885
Employees' health insurance	867,640	759,732
Field services/pension rep	43,739	49,134
Health insurance consulting	50,000	30,000
Insurance premium	40,093	32,164
Legal fees	514,024	384,373
Legislative expense	164,800	153,144
Maintenance of equipment, systems, software, and support	181,135	167,733
Medical fees	54,065	43,513
Membership, dues, and subscriptions	13,761	13,006
Office forms and supplies	60,760	61,254
Office rent and utilities	914,977	882,661
Postage	194,384	202,901
Publications/communication	316,979	197,958
Records management	8,234	8,254
Studies and evaluation	5,624	5,343
System consulting	947,196	747,198
Trustee conferences, seminars, and meetings	136,052	125,778
Tuition and training/educational conference	46,080	36,629
Miscellaneous	73,995	52,967
Total	**$ 11,537,394**	**10,120,434**

See accompanying report of independent auditors.

Schedules of Cash Receipts and Disbursements

Years ended June 30, 2013 and 2012

SCHEDULE 6

	2013	2012
Cash and cash equivalents at beginning of period	$ 553,152,353	505,359,738
Add receipts:		
Member contributions	183,100,753	214,216,771
Public revenues	217,667,787	212,334,505
Interest and dividends	251,676,998	244,829,128
Miscellaneous	1,456,071	437,919
Net investment sales	718,803,044	609,390,611
Total cash receipts	**1,372,704,653**	**1,281,208,934**
Less disbursements:		
Pension benefits	1,231,306,299	1,097,784,316
Refunds	32,015,655	18,331,417
2.2 legislative refunds	2,523,654	2,370,946
Refund of insurance premiums	72,819,890	64,101,097
Investment and administrative expenses	49,959,839	50,828,543
Total cash disbursements	**1,388,625,337**	**1,233,416,319**
Net increase (decrease) in cash and cash equivalents	(15,920,685)	47,792,615
Cash and cash equivalents at end of period	**$ 537,231,668**	**553,152,353**

See accompanying report of independent auditors.

Schedules of Manager Fees

Years ended June 30, 2013 and 2012

SCHEDULE 7

	2013	2012
Manager Fees	$ 39,317,322	39,449,113
Consultant Fees	1,042,662	1,030,918
Banking and Foreign Exchange Fees	1,689,915	991,808
Litigation Fees - DV Reality Advisors, LLC	222,256	604,767
Foreign Audit and Legal Fees (Tax Filings)	46,602	–
Total	$ 42,318,757	42,076,606

See accompanying report of independent auditors.

Schedule of Consultant Payments

Years ended June 30, 2013 and 2012

SCHEDULE 8

	2013	2012
Anselmo and Associates	$ 103,000	98,144
Aon Consulting	50,000	30,000
Aspen Marketing	24,605	58,836
Bogfire, Inc.	45,922	28,985
Bradley Consulting Group, Inc.	547,200	547,200
Chicago Press Corporation	59,936	45,168
Comgraphic Inc.	153,939	152,630
Data Consultants	47,613	32,206
Election Service Corporation	152,678	198,405
Goldstein & Associates	9,635	94,680
Michelle Holleman	99,696	64,732
Imaging Office Systems	34,623	30,569
Integrated Pension Solution	399,996	199,998
Jacobs, Burns, Orlove and Hernandez	436,639	312,828
Kirkland & Ellis, LLP	76,385	66,438
KPMG LLP	210,750	201,130
North Shore Printers	68,429	73,681
Rider Dickerson	33,111	–
The Segal Company	164,753	–
Vision Mai, LLC	61,800	55,000
Total	**$ 2,780,710**	**2,290,630**

See accompanying report of independent auditors.

Investments

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

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

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Public School Teachers' Pension and Retirement Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period July 1, 2012 through June 30, 2013.

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 performance returns and compliance monitoring pursuant to documents separate from the Custody Agreement.
13. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: Kathryn M Stevenson

Kathryn M. Stevenson, Senior Vice President

Callan

Callan Associates Inc.
120 North LaSalle Street
Suite 2100
Chicago, IL 60602

Main 312.346.3536
Fax 312.346.1356

www.callan.com

September 27th, 2013

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

Dear Trustees:

Callan Associates, Inc. is pleased to present the Public School Teachers' Pension and Retirement Fund of Chicago's ("Fund") results for fiscal year ended June 30, 2013. The fiscal year ending June 30th was a period a meaningful advances in the global equity markets driven by stabilizing economies in the US and Europe. Emerging market equities were weak due to a concern of a slowing China and some social unrest, and the US Bond market began showing weakness on expectations of rising interest rates. The development and event impacted the returns of all investors including the Chicago Teachers' Pension Fund.

As of June 30, 2013, the Fund's market value totaled $9.7 billion, an approximate $226 million increase since June 30, 2013. During the past twelve month period:

- Domestic equity markets advanced significantly over the trailing 12 months. The S&P 500 Index, an index of domestic large capitalization stocks, increased 20.60% during the one-year period, and smaller stocks, as measured by the Russell 2000 advanced by 24.21%. Over the past year growth stocks outperformed value stocks across all capitalizations.
- Developed international equity markets trailed their domestic equity counterparts during their one-year period, returning 18.62% as measured by the MSCI EAFE (Europe, Australasia, Far East) Index. Emerging markets returned 3.23%, as measured by the MSCI Emerging Markets Index.
- The fixed income market produced modest returns during the year, declining -0.69% as measured by the Barclays Aggregate Bond Index.

Within this environment the Fund returned 12.97% net-of-fees (13.28% gross-of-fees) during the 12 month period ending June 30, 2013. The Fund exceeded its benchmark during the fiscal year by 0.84% on a net-of-fee basis. Over the trailing three- year periods the Fund outperformed its benchmark by 29 basis points, while over the trailing five-year period the Fund trailed its benchmark by 40 basis points. Since inception, the Fund has returned 8.31% net-of-fees outperforming its benchmark by 28 basis points annually.

The Fund's domestic equity managers gained 21.32% on a net-of fee basis during the fiscal year, trailing the benchmark return of 21.46%. Manager performance was the largest detractor from performance as several of the Fund's domestic equity managers significantly trailed their respective benchmarks.
The Fund's international equity allocation outperformed the passive benchmark during the fiscal year, advancing 16.99% net-of-fees versus the benchmark return of 14.14%.

The fixed income composite returned 0.28% compared to the benchmark return of -0.69%. Credit exposure benefited the fixed income composite and investment grade and non-investment grade credit significantly outperformed like duration treasuries for over the trailing 12 months.

Manager changes over the past year are summarized below:

New Manager	Asset Class	Inception Date
DuPont	Emerging Markets Equity	March-13
Earnest	Emerging Markets Equity	March-13
Adams St. 2013 Global Fund LP	Private Equity	April-13
Harborvest Dover VII 5 LP	Private Equity	May-13

Terminated Manager	Asset Class	Termination Date
Credo	Domestic Equity	February-13
Piedmont	Domestic Equity	November-12

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

All performance returns for the Public School Teachers' Pension & Retirement Fund of Chicago presented in this report have been calculated by Callan Associates, Inc using a time weighted rate of return calculation for accounts with daily pricing and using a modified BAI calculation for accounts without daily pricing.

Sincerely,

Gwelda Swilley-Burke Matt Shirilla

Gwelda Swilley-Burke Matt Shirilla

The Townsend Group

Skylight Office Tower, 1660 West Second Street, Suite 450
Cleveland, Ohio 44113 ▪ Telephone 216-781-9090 ▪ Facsimile 216-781-1407

October 15, 2013

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

Re: CTPF Real Assets Investment Program

Dear Trustees,

We are pleased to present the performance results for the real assets investment program of the Chicago Teachers' Pension Fund ("CTPF") for fiscal year 2013. Real assets are primarily private market investments, each of which is backed by a hard asset, such as a commercial property or a public or private infrastructure facility. CTPF invests in such assets in order to diversify its stock and bond portfolio and to serve as a potential hedge against inflation. In total, CTPF had $1,396,751,913 invested in real assets ($67 million more than last year), which made up 14.4% of CTPF's total plan assets as of June 30, 2013.

CTPF's real assets are diversified across a wide variety of investments, including private real estate ($787 million), public real estate securities or REITs ($273 million) and infrastructure ($337 million). Through partnerships, trusts and other corporate structures, CTPF has exposure to more than 1,000 individual investments including office buildings, apartment complexes, retail centers, public utilities, sustainable and traditional power facilities, industrial and other niche property types. Its portfolio is diversified across locations in the U.S., including major gateway cities such as New York, Washington DC, Chicago and San Francisco. It also has exposure to international markets with 22% of real asset investments located overseas.

Real assets have contributed meaningfully to CTPF's investment objectives. Since the Global Financial Crisis in 2008/2009, CTPF's real assets portfolio has generated total annualized returns of 13.7% per year (for three straight years). Investments have benefitted from price appreciation, while at the same time generating strong income and cash distributions. CTPF invests in real assets for the long term. Since the program's inception in 1995, CTPF's real assets have generated annualized returns after all fees of 8.4% per year, compared to a benchmark return of 8.1%.

In real assets, CTPF has invested in 36 distinct investment portfolios managed by 23 investment firms. Because the program is relatively mature and fully funded, only two new investments were initiated during the last year, totaling less than $20 million. A follow-on commitment was made to a successful Fortress Japan Opportunity Fund series, and an investment was initiated with Newport Capital Partners, an emerging manager. To date, both new investments are generating annualized returns of 15% or more.

In particular, we are proud to work diligently with CTPF to extend opportunities to emerging managers in real estate. We believe the added diversity of viewpoint and investment styles will enhance overall performance results over the long run. From our perspective, CTPF oversees one of the most successful emerging manager programs among U.S. pension plans investing in real assets. Through June 30, 2013, CTPF had committed over $210 million to 6 separate emerging managers in real assets (more than 25% of CTPF's investment managers).

We thank you for the opportunity to serve CTPF and look forward to working collectively with the Board and your investment team to meet the challenges ahead. As real assets markets continue to strengthen domestically and abroad, we are confident that CTPF is well positioned for another successful year in 2014.

With kindest regards,

The Townsend Group

Rob M Kochis

Rob Kochis
Principal

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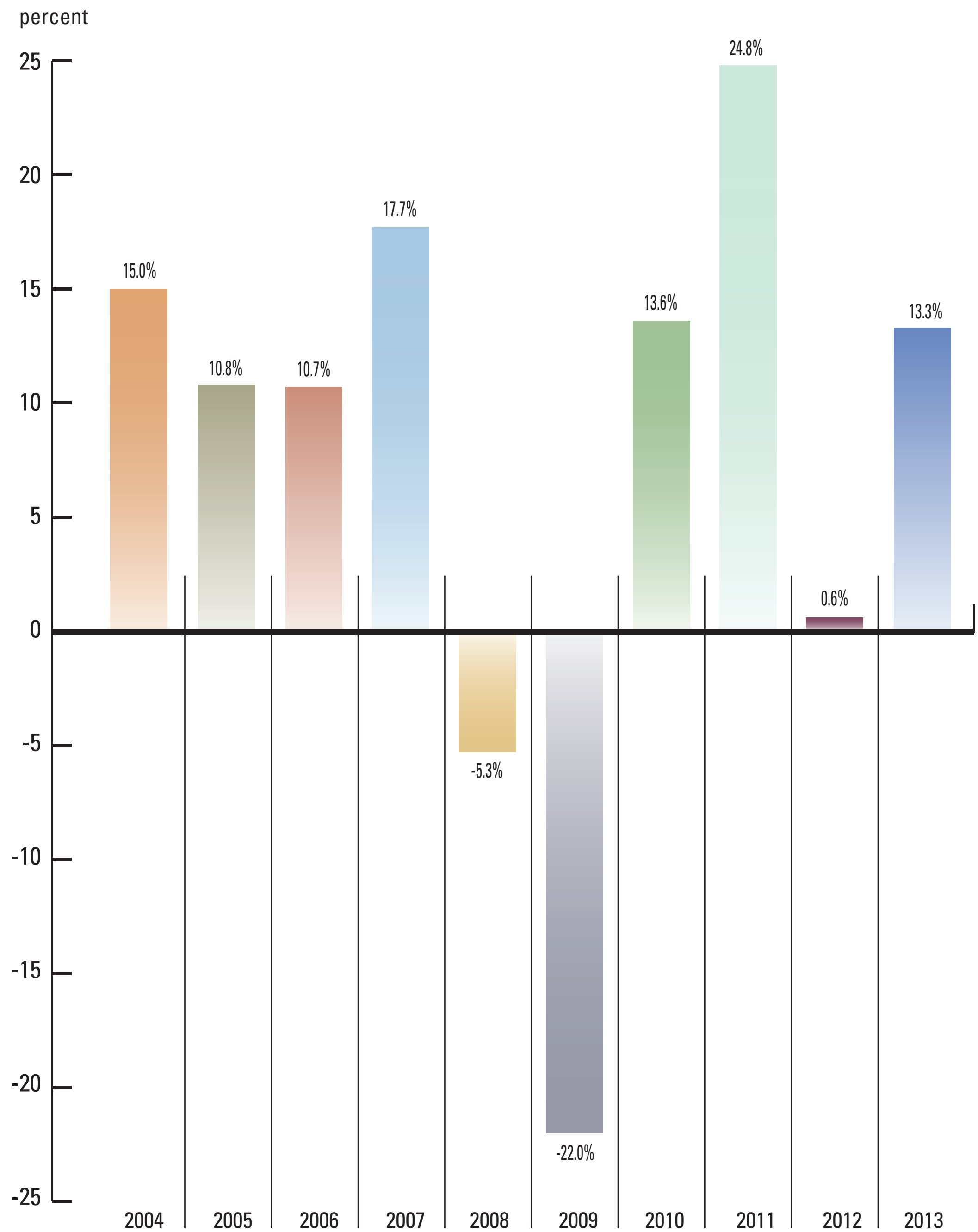
Total Annual Fund Rate of Return*

as of June 30, 2004-2013



*Time-weighted rate of return.

Schedule of Investment Results

	2009	2010	2011	2012	2013	Annualized Returns 3 Year	5 Year	10 Year
Total Fund	(22.0%)	13.6%	24.8%	0.6%	13.3%	12.4%	4.6%	7.0%
Large Cap	(26.6%)	13.6%	32.6%	3.4%	21.7%	18.4%	7.0%	7.9%
Russell 1000 Index	(26.7%)	15.2%	31.9%	4.4%	21.2%	18.6%	7.1%	7.7%
S&P 500	(26.2%)	14.4%	30.7%	5.5%	20.6%	18.5%	7.0%	7.3%
Mid Cap Equity	(29.7%)	21.7%	39.8%	–	–	–	–	–
S&P Mid Cap	(28.0%)	24.9%	39.4%	–	–	–	–	–
Small Cap Equity	(24.1%)	24.4%	39.9%	(3.3%)	20.9%	17.9%	8.1%	9.8%
Russell 2000 Index	(25.0%)	21.5%	37.4%	(2.1%)	24.2%	18.7%	8.8%	9.5%
International Equity	(28.9%)	14.4%	31.2%	(9.7%)	17.4%	11.6%	2.5%	9.3%
MSCI ACWI ex US	(30.5%)	10.9%	30.3%	(14.2%)	14.1%	8.5%	(0.3%)	9.1%
Fixed Income	4.1%	12.3%	5.1%	8.4%	0.4%	4.6%	6.0%	4.8%
Barclays Aggregated Index	6.1%	9.5%	3.9%	7.5%	(0.7%)	3.5%	5.2%	4.5%
REITs	(37.8%)	38.7%	33.0%	4.1%	12.8%	16.0%	6.1%	11.3%
Custom REITs Index**	(39.6%)	38.7%	33.2%	4.6%	13.1%	16.4%	5.7%	9.6%
Real Estate (Private)	(34.7%)	(4.7%)	20.1%	9.7%	11.0%	13.4%	(1.9%)	6.1%
Custom Private RE Index***	(19.6%)	(1.5%)	16.7%	12.2%	12.2%	13.7%	3.1%	8.8%
NFI-ODCE Equal Weight Index	(30.4%)	(6.0%)	20.5%	12.4%	12.2%	15.0%	(0.1%)	6.9%
Private Equity*	(24.7%)	15.4%	21.5%	5.6%	5.3%	10.6%	3.3%	10.6%
N/A	–	–	–	–	–	–	–	–
Infrastructure	12.1%	(3.2%)	16.9%	7.4%	12.3%	12.1%	–	–
Absolute Benchmark	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	–	–
Hedge Funds	–	–	6.9%	(2.6%)	11.3%	–	–	–
T-Bills +5%	–	–	5.2%	5.1%	5.1%	–	–	–

* *Returns for Private Equity are based on 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.*

*** *Custom Private Real Estate Index is the NCREIF Property Index up to 3Q11 and the NFI-ODCE Index thereafter.*

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

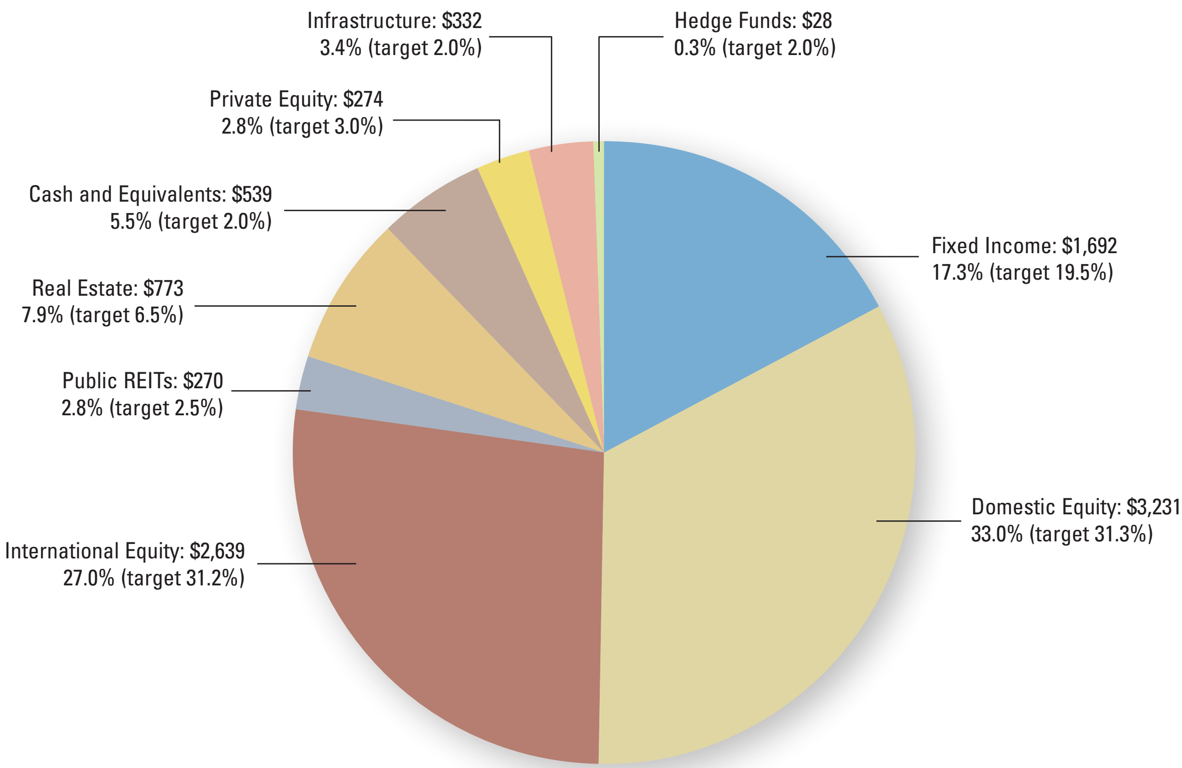
Investment Portfolio Summary

IN MILLIONS OF DOLLARS

	June 30, 2012 Fair Value	Purchases	Sales (Fair Value)	Fair Value Adjustments	June 30, 2013 Fair Value	Percent of Total
Fixed Income	$ 1,909.5	2,500.5	2,522.8	(195.5)	1,691.7	17.30%
Equity	5,354.0	2,564.3	2,899.3	850.9	5,869.9	60.03%
Public REITs	259.1	78.5	95.8	28.6	270.4	2.77%
Real Estate	756.1	66.0	84.3	35.6	773.4	7.91%
Hedge Funds	173.5	0.0	0.0	(145.7)	27.8	0.28%
Infrastructure	308.0	12.9	12.7	23.7	331.9	3.39%
Private Equity	276.0	40.6	11.0	31.5	274.1	2.80%
Cash & Equivalents	553.3	5,417.0	5,299.0	(131.7)	539.6	5.52%
Total Portfolio	**$ 9,589.5**	**10,679.8**	**10,924.9**	**434.4**	**9,778.8**	**100.00%**

Asset Allocation Summary as of June 30, 2013

in millions of dollars

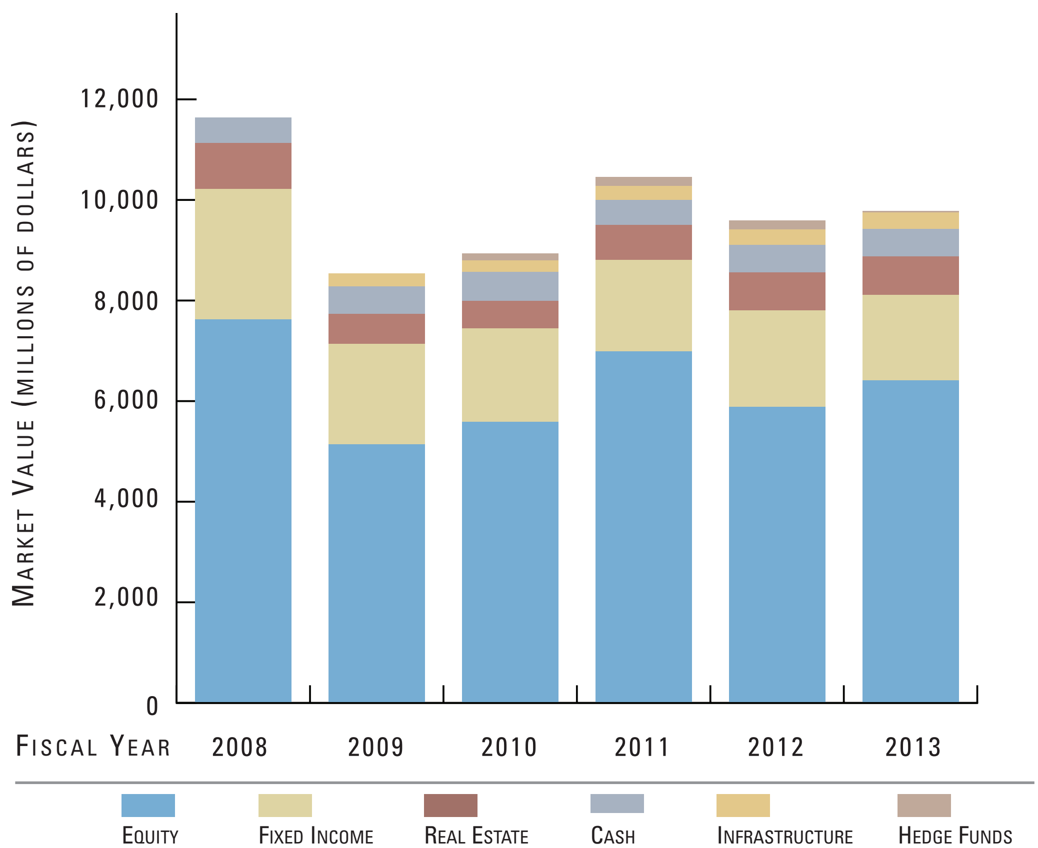


Note: Percentage indicates actual category weight as a percentage of the entire portfolio.

Historical Asset Allocation

	2008		2009		2010		2011		2012		2013	
	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy	Actual	Policy
Equity:												
Domestic	39.5	41.5	36.1	40.5	37.0	40.5	40.1	40.5	33.6	31.3	33.0	31.3
International	21.3	22.0	19.6	22.0	20.1	22.0	22.9	22.0	22.2	31.2	27.0	31.2
Public REITs	2.2	2.5	1.7	2.5	2.5	2.5	3.0	2.5	2.7	2.5	2.8	2.5
Private Equity	2.6	3.0	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	2.8	3.0
Total Equity	65.6	69.0	60.2	68.0	62.5	68.0	68.9	68.0	61.4	68.0	65.6	68.0
Fixed Income	22.2	20.5	23.4	19.5	20.8	19.5	17.7	19.5	19.9	19.5	17.3	19.5
Real Estate	7.9	6.5	7.0	6.5	20.8	19.5	6.7	8.5	7.9	6.5	7.9	6.5
Infrastructure	0.0	2.0	3.0	2.0	6.1	6.5	2.7	0.0	3.2	2.0	3.4	2.0
Hedge Funds	0.0	0.0	0.0	2.0	2.6	2.0	1.7	2.0	1.8	2.0	0.3	2.0
Cash & Equiv.	4.3	2.0	6.4	2.0	6.4	2.0	2.3	2.0	5.8	2.0	5.5	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, 2013

Economic Sector Holdings

S&P Economic Sector	Number of Shares	Market Value	Percent of Total	S&P 500 Index Allocation
Information Technology	12,687,105	$ 555,392,322	17.2%	17.8%
Financials	15,931,767	522,542,365	16.2%	16.7%
Health Care	7,663,072	365,016,161	11.3%	12.7%
Consumer Discretionary	10,211,859	476,163,989	14.7%	12.2%
Energy	5,923,725	316,632,215	9.8%	10.5%
Consumer Staples	5,273,117	275,979,722	8.5%	10.5%
Industrials	7,558,006	341,290,445	10.6%	10.1%
Utilities	2,089,126	73,351,851	2.3%	3.3%
Materials	2,326,886	116,883,796	3.6%	3.3%
Telecommunication Services	1,681,129	50,754,729	1.6%	2.8%
Miscellaneous	8,444,043	136,479,432	4.2%	0.0%
Grand Total	**79,789,835**	**$ 3,230,487,027**	**100.0%**	**100%**

Top 10 Domestic Equity Holdings

Description	Number of Shares	Market Value	Percent of Total
Apple Inc.	139,003	$ 55,056,306	1.7%
Exxon Mobil Corp.	583,374	52,707,840	1.6%
Google Inc. CL A	49,850	43,886,444	1.4%
Microsoft Corp.	1,245,544	43,008,633	1.3%
Chevron Corp. New	362,816	42,935,644	1.3%
Cisco Systems Inc.	1,674,975	40,718,641	1.3%
JP Morgan Chase & Co.	704,375	37,183,957	1.2%
IBM Corporation	171,030	32,685,543	1.0%
Pfizer	1,157,139	32,411,464	1.0%
Johnson & Johnson	359,303	30,849,756	1.0%
Total Top 10 Domestic Equity	**6,447,409**	**$ 411,444,228**	**12.7%**
Grand Total	**79,789,835**	**$ 3,230,487,027**	**100%**

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

International Equity Summary

as of June 30, 2013

Country Holdings

Country	Number of Shares	Market Value	Percent of Total	MSCI ACWI ex US Index Allocation
Egypt	20,730	$ 58,251	0.0%	0.1%
South Africa	2,547,763	17,191,750	0.7%	1.6%
Other	1,843,619	1,822,264	0.1%	0.0%
Total Africa	**4,412,112**	**19,072,265**	**0.7%**	**1.7%**
Bermuda	1,861	13,697	0.0%	0.0%
Brazil	4,102,227	35,938,224	1.4%	2.5%
Canada	2,554,884	64,483,583	2.4%	7.2%
Cayman Islands	–	–	0.0%	0.0%
Chile	2,452,594	6,001,631	0.2%	0.4%
Colombia	204,324	11,544,306	0.4%	0.3%
Mexico	6,438,358	10,604,453	0.4%	1.2%
Panama	–	–	0.0%	0.0%
Other	862,818	10,236,793	0.4%	0.1%
Total Americas	**16,617,066**	**138,822,687**	**5.3%**	**11.7%**
Australia	7,106,042	68,390,449	2.6%	5.7%
China	81,490,679	129,511,582	4.9%	4.0%
Hong Kong	16,080,127	41,409,618	1.6%	2.1%
India	3,459,573	40,864,026	1.5%	1.5%
Japan	21,884,641	417,820,496	15.8%	16.0%
Republic of Korea	562,430	53,217,981	2.0%	3.2%
Singapore	8,444,185	17,207,716	0.7%	1.2%
Taiwan	18,896,356	34,769,847	1.3%	2.6%
Other	63,326,607	205,072,373	7.8%	3.3%
Total Asia/Pacific Basin	**221,250,640**	**1,008,264,088**	**38.2%**	**39.6%**
Belgium	344,546	26,243,850	1.0%	0.8%
France	3,261,900	143,490,618	5.4%	6.7%
Germany	1,912,967	125,795,055	4.8%	6.1%
Ireland	1,615,658	28,370,815	1.1%	0.2%
Netherlands	2,525,664	44,416,671	1.7%	1.8%
Norway	4,933,979	64,252,214	2.4%	0.6%
Spain	2,399,836	35,759,582	1.4%	2.0%
Sweden	1,766,824	50,202,953	1.9%	2.2%
Switzerland	3,395,890	212,215,695	8.0%	6.5%
United Kingdom	105,942,431	601,656,423	22.8%	15.3%
Other	9,769,060	140,830,474	5.3%	4.8%
Total Europe	**137,868,755**	**$ 1,473,234,350**	**55.8%**	**47.0%**
Grand Total	**380,148,573**	**$ 2,639,393,390**	**100.0%**	**100.0%**

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

Top 10 International Equity Holdings

as of June 30, 2013

Holding	Number of Shares	Market Value	Percent of Total
British American Tobacco	8,578,189	$ 259,485,461	9.8%
MFRO Lazard FDS Inc. Emerging Markets (commingled)	7,408,347	132,535,332	5.0%
Roche Holdings	178,250	44,272,843	1.7%
Novartis	612,327	43,425,611	1.6%
Sanofi	379,265	39,251,675	1.5%
Sumitomo Mitsui Financial Group	796,802	36,497,197	1.4%
Earnest Partners China Fund (commingled)	40,607	35,351,928	1.3%
Diageo	1,212,692	34,578,650	1.3%
Reckitt Benckiser Group	479,657	33,814,002	1.3%
Prudential	2,045,411	33,349,453	1.3%
Total Top 10 International Equity	**21,731,548**	$ **692,562,152**	**26.2%**
Grand Total	**380,148,573**	$ **2,639,393,390**	**100%**

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

Fixed Income Summary

as of June 30, 2013

Fixed Income Holdings

Asset Category	Par Value	Market Value	Percent of Total	Barclays' Aggregate Bond Index Allocation
Treasury	$ 547,860,000	$ 572,429,831	33.8%	36.4%
Mortgage Backed Securities	8,310,000	8,305,769	0.5%	29.4%
Corporates	555,304,454	635,772,683	37.6%	21.5%
Government/Government Agency	369,782,696	392,121,863	23.2%	10.5%
Commercial Mortgage-Backed	37,139,611	34,284,306	2.0%	1.8%
Asset Backed Securities	20,394,955	18,903,452	1.1%	0.4%
Other	11,272,227	6,815,558	0.4%	0.0%
Municipal/Provincial Bonds	20,192,639	23,108,055	1.4%	0.0%
Grand Total	**$ 1,570,256,582**	**$ 1,691,741,517**	**100%**	**100%**

Public REITs Summary

as of June 30, 2013

Public REITs Holdings

Property Type	Number of Shares	Market Value	Percent of Total	NAREIT Property Index Allocation
Retail REITs	2,868,110	$ 44,417,238	16.4%	35.1%
Industrial & Office REITs	2,322,960	47,520,841	17.6%	33.0%
Residential (apartment) REITs	955,137	26,549,853	9.8%	11.1%
Residential (development) REITs	6,730,117	35,483,986	13.1%	6.1%
Health Care Facilities	343,188	7,380,896	2.7%	5.1%
Hotel & Lodging REITs	413,330	10,032,678	3.7%	4.6%
Other	8,524,702	99,054,819	36.6%	5.0%
Grand Total	**22,157,544**	**$ 270,440,311**	**100%**	**100.0%**

Top 10 Public REITs Holdings

Holdings	Number of Shares	Market Value	Percent of Total
Urdang Global Equity REITs (Commingled)	6,191,901	$ 95,417,189	35.3%
Equity Residential	154,765	8,985,656	3.3%
AvalonBay Communities Inc.	54,509	7,353,809	2.7%
HCP, Inc.	143,665	6,528,138	2.4%
Boston Properties, Inc.	57,814	6,097,643	2.3%
General Growth Properties Inc., New	228,043	4,531,214	1.7%
Host Hotels and Resorts, L.P.	178,522	3,011,666	1.1%
Digital Realty TR Inc.	39,459	2,406,999	0.9%
Apartment Invt & Management Co.	65,500	1,967,620	0.7%
Essex Property TR Inc.	11,580	1,840,294	0.7%
Total Top 10 Public REITs	**7,125,758**	**$ 138,140,228**	**51.1%**
Grand Total	**22,157,544**	**$ 270,440,311**	**100%**

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

Private Equity Summary

as of June 30, 2013

Private Equity Holdings

Description	Total Capital Called	Market Value	Percent of Total
Adams Street Partners Multiple Funds	$ 79,483,397	$ 74,784,892	27.3%
Harbourvest Partners VI	35,882,940	27,934,047	10.2%
Harbourvest Partners VIII Dover St.	1,069,926	956,525	0.3%
Hispania Partners	7,745,699	4,578,977	1.7%
ICV Partners II	5,575,242	5,850,975	2.1%
Mesirow Capital Partners Multiple Funds	64,586,160	89,282,322	32.6%
Muller and Monroe Private Equity Fund-of-Funds	23,182,106	20,590,142	7.5%
Palladium Equity Partners III	3,897,272	7,445,280	2.7%
Pantheon Multiple Funds	42,403,357	29,116,121	10.6%
Pharos Capital Partners Multiple Funds	6,821,462	8,903,042	3.2%
Southwest Multi-Family Partners	2,641,258	1,989,708	0.7%
Syncom Partners V	6,945,406	2,645,906	1.0%
Grand Total	**$ 280,234,225**	**$ 274,077,937**	**100%**

Infrastructure Summary

as of June 30, 2013

Infrastructure Holdings

Description	Number of Units	Market Value	Percent of Total
JP Morgan Infrastructure Investments Fund	165,640,683	$ 149,378,988	45.0%
Total Commingled Funds	**165,640,683**	**$ 149,378,988**	**45.0%**

Description	Total Capital Called	Market Value	Percent of Total
Macquarie Infrastructure Partners II US	77,505,359	$ 113,357,231	34.1%
Macquarie European Infrastructure Fund III (MEIF 3)	37,166,042	69,215,878	20.9%
Total Closed - End Funds	**114,671,401**	**$ 182,573,109**	**55.0%**
Grand Total		**$ 331,952,097**	**100.0%**

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

Hedge Fund Summary

as of June 30, 2013

Hedge Fund Holdings

Description	Number of Shares	Market Value	Percent of Total
Pluscios Offshore Fund	25,000	$ 27,786,236	100%
Grand Total	**25,000**	**$ 27,786,236**	**100.0%**

Real Estate Summary

as of June 30, 2013

Real Estate Holdings

Description	Number of Shares	Market Value	Percent of Total
JP Morgan Strategic Property Fund	72,407	$ 145,945,713	18.9%
LaSalle Property Fund	49,318	59,961,886	7.8%
PRISA	2,947	106,866,787	13.8%
PRISA II	774	15,372,767	2.0%
UBS Trumbull Property Fund	16,930	147,228,275	19.0%
Total Commingled Funds	**142,376**	**$ 475,375,428**	**61.5%**

Description	Total Capital Called	Market Value	Percent of Total
Capri Select Income II	$ 20,800,000	$ 4,662,863	0.6%
CB Richard Ellis Strategic Partners III	2,966,324	1,254,643	0.2%
DV Urban Realty Partners I	24,463,224	3,060,790	0.4%
Europa Fund III	20,150,515	26,669,251	3.4%
Fortress Japan Opportunity Domestic Fund (C-I) L.P.	659,385,588	18,679,864	2.4%
Fortress Japan Opportunity Fund II (Dollar) L.P.	3,717,404	4,326,187	0.6%
Emerging Manager Real Estate Fund of Funds	14,890,922	15,465,301	2.0%
Fremont Strategic Property Partners II	25,744,681	17,610,049	2.3%
Greystar Equity Partners VII	27,441,606	32,058,104	4.1%
Hudson Realty Capital Fund V (Partnership A)	22,500,000	24,941,361	3.2%
Intercontinental Real Estate Investment Fund III	35,879,397	33,357,991	4.3%
ML Asian R.E. Fund (T.E.)	27,233,493	10,596,217	1.4%
Morgan Stanley Real Estate Mezzanine Partners A	5,987,497	23,258	0.0%
Olympus Real Estate Fund II	10,240,691	–	0.0%
RREEF Global Opportunities Fund II	28,672,404	17,494,511	2.3%
TCB - Broadway	5,000,000	5,293,750	0.7%
Urban America, LP II	23,222,737	11,114,518	1.4%
Walton Street Capital Multiple Funds	80,153,143	71,388,309	9.2%
Total Closed - End Funds	**$ 1,038,449,626**	**$ 297,996,967**	**38.5%**
Grand Total		**$ 773,372,395**	**100.0%**

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

Manager Analysis

as of June 30, 2013

Asset Category	Market Value as of 6/30/2013	Percent of Portfolio	FY 2013 Manager Fees	Percent of Market Value
Domestic Equity	$ 3,230,487,027	33.0%	$ 6,299,539	0.2%
International Equity	2,639,393,390	27.0%	9,938,903	0.4%
REITs	270,440,311	2.8%	1,678,754	0.6%
Fixed Income	1,691,741,517	17.3%	1,688,309	0.1%
Real Estate	773,372,395	7.9%	8,695,917	1.1%
Infrastructure	331,952,097	3.4%	3,792,226	1.1%
Hedge Funds	27,786,236	0.3%	400,228	1.4%
Private Equity	274,077,937	2.8%	5,622,093	2.1%
Cash and Equivalent (redeemed Hedge Funds)	539,588,699	5.5%	1,201,355	0.2%
Grand Total	**$ 9,778,839,610**	**100.0%**	**$ 39,317,322**	

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

Broker Commission Report

Domestic Agency Trades

for the Year Ended June 30, 2013

Broker Name	Number of Shares Traded	Commission Amount	Commission per Share
Loop Capital Markets, LLC	10,069,468	$ 247,103	$ 0.02
Williams Capital Group, L.P.	4,411,290	123,367	0.03
Cabrera Capital Markets	3,509,557	107,020	0.03
CastleOak Securities	2,862,697	96,523	0.03
M. R. Beal & Company	2,762,031	81,441	0.03
Interstate Group	1,289,519	62,515	0.05
Cheevers and Company, Inc	2,125,626	62,467	0.03
North South Capital	1,491,454	59,423	0.04
Instinet Corp	4,854,895	46,193	0.01
Goldman, Sachs & Co.	947,813	37,128	0.04
Blaylock Robert Van	871,999	33,963	0.04
ITG Inc	1,353,234	26,424	0.02
BNY Brokerage	724,093	26,182	0.04
J. P. Morgan Securities, Inc.	2,040,295	25,723	0.01
M. Ramsey King Securities, Inc.	887,119	25,048	0.03
Capital Institutional Services, Inc	487,419	19,100	0.04
Barclays Capital Inc	719,423	17,798	0.02
Liquidnet, Inc.	798,818	16,109	0.02
Bank of America Merrill Lynch	586,757	15,302	0.03
Citigroup Global Markets Inc.	544,935	14,548	0.03
William Blair & Company	316,724	13,849	0.04
Piper Jaffray, Inc.	565,013	13,195	0.02
Credit Suisse First Boston	420,063	13,157	0.03
Jefferies & Company, Inc.	296,626	11,719	0.04
Weeden and Co.	86,439	11,644	0.13
Direct Access Partners LLC	266,554	11,571	0.04
Baird, Robert W., & Company, Inc.	286,981	11,217	0.04
Jonestrading Institutional Services	395,877	10,427	0.03
Deutsche Bank Securities	338,362	9,859	0.03
RBC Capital Markets	505,404	9,390	0.02
Topeka Capital Mkts	275,569	9,210	0.03
Morgan Stanley & Co. Inc.	291,330	8,673	0.03
Vandham Securities	190,052	7,602	0.04
Stifel, Nicolaus & Company	184,239	7,036	0.04
Bernstein, Sanford & Co	235,116	6,983	0.03
Stephens, Inc.	171,293	6,852	0.04
Bloomberg Soft	169,665	6,787	0.04
International Strategy & Investment Group	190,634	6,588	0.03
BTIG	235,712	6,010	0.03
Cantor Fitzgerald & Co.	175,527	5,788	0.03
Mischler Financial	219,963	5,677	0.03
Johnson Rice & Co	145,013	5,546	0.04
Guzman & Co	384,108	5,263	0.01
BOE Securities	201,604	4,640	0.02
UBS Securities, Inc.	179,030	4,471	0.02
Other (98 Brokers)	4,294,775	117,430	0.03
Grand Total	**54,360,115**	**$ 1,473,961**	**$ 0.03**

Broker Commission Report

MWDBE Domestic Agency Trades

for the Year Ending June 30, 2013

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Markets, LLC	10,069,468	$ 247,103	$ 0.02
Williams Capital Group, L.P.	4,411,290	123,367	0.03
Cabrera Capital Markets	3,509,557	107,020	0.03
Castle Oak Securities	2,862,697	96,523	0.03
M. R. Beal & Company	2,762,031	81,441	0.03
Cheevers and Company, Inc	2,125,626	62,467	0.03
North South Capital	1,491,454	59,423	0.04
Blaylock Robert Van	871,999	33,963	0.04
M. Ramsey King Securities, Inc.	887,119	25,048	0.03
Mischler Financial	219,963	5,677	0.03
Guzman & Company	384,108	5,263	0.01
Greentree Brokerage	11,687	397	0.03
Total Directed Domestic Commission	**29,606,999**	**$ 842,032**	**$ 0.03**
Grand Total	**54,360,115**	**$ 1,473,961**	**$ 0.03**

Broker Commission Report

International Agency Trades

for the Year Ended June 30, 2013

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Markets LLC	44,840,406	$ 414,617	$ 0.01
Cabrera Capital Markets	43,558,050	314,240	0.01
Morgan Stanley International	46,443,275	198,683	0.00
JP Morgan Securities LTD	19,229,069	173,048	0.01
UBS Securities	47,126,926	164,494	0.00
Credit Suisse First Boston	31,880,743	146,920	0.00
Mischler Financial	12,775,244	145,101	0.01
Bank of America Merrill Lynch	15,573,589	139,738	0.01
Cheevers & Company	17,395,138	125,473	0.01
Deutsche Securities Inc	13,566,063	123,691	0.01
Goldman Sachs International	11,406,356	112,077	0.01
Liquidnet International	26,574,585	88,437	0.00
Citigroup Global Markets Inc	5,884,425	84,777	0.01
Macquarie Securities	20,332,464	77,610	0.00
Barclays Capital, Inc.	5,631,580	66,936	0.01
Daiwa Securities America, Inc.	5,707,730	54,389	0.01
Nomura Securities	3,888,779	42,742	0.01
Williams Capital Group	4,985,310	41,429	0.01
Credit Lyonnais Securities	3,980,884	39,546	0.01
BNY International	15,180,120	38,656	0.00
CLSA Asia	5,805,011	33,957	0.01
HSBC Securities	6,500,581	33,901	0.01
Numis Security	2,303,824	26,755	0.01
Jeffries & Co., Inc.	13,153,947	24,053	0.00
Sanford C. Bernstein & Co. Inc.	651,563	23,819	0.04
Instinet International	19,073,760	21,600	0.00
Redburn Partners LLC	1,666,975	17,545	0.01
Investment Technology Group	24,069,411	16,936	0.00
Societe Generale	14,134,527	15,291	0.00
ITG Inc.	2,507,871	14,746	0.01
BNP Paribas	3,076,231	14,557	0.00
Santander Investment Securities	1,369,439	14,287	0.01
SEB Enskilda	734,927	13,328	0.02
Liberum Capital	1,298,042	12,402	0.01
M.R. Beal and Company	314,488	11,007	0.03
China Intl Capital Corp. HK	4,451,000	10,967	0.00
RBC Capital Markets	548,041	9,741	0.02
Oriel Securities Limited	748,766	8,962	0.01
RenCap Securties	1,549,021	8,907	0.01
Larrain Vial S.A.	8,337,564	8,889	0.00
Standard Chartered Bank	2,743,500	6,021	0.00
Lehman Brothers - International	747,006	5,460	0.01
Auerbach Grayson	892,811	4,560	0.01
CIMB Securities International PTE LTD	1,321,027	4,108	0.00
DBS Vickers Securities	2,562,200	3,792	0.00
SC Bernstein	549,000	2,721	0.00
OTHER (82 Brokers)	18,817,722	515,054	0.03
Grand Total	**535,339,991**	**$ 3,473,249**	**$ 0.01**

Broker Commission Report

MWDBE International Equity Trades
for the Year Ending June 30, 2013

Broker Name	Number of Shares Traded	Commission Amount	Commission Per Share
Loop Capital Markets LLC	44,840,406	$ 414,617	$ 0.01
Cabrera Capital Markets	43,558,050	314,240	0.01
Cheevers & Company	17,395,138	125,473	0.01
Mischler Financial	12,775,244	145,101	0.01
Wlilliams Capital Group	4,985,310	41,429	0.01
M.R. Beal & Company	314,488	11,007	0.03
Guzman and Company	223,255	406	0.00
Greentree Brokerage	1,450	145	0.10
Total Directed International Commission	**124,093,341**	**$ 1,052,418**	**$ 0.01**
Grand Total	**535,339,991**	**$ 3,473,249**	**$ 0.01**

SECTION 5/17-146. TO MAKE INVESTMENTS

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

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

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

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

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

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

SECTION 5/17-146.2. TO LEND SECURITIES

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

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

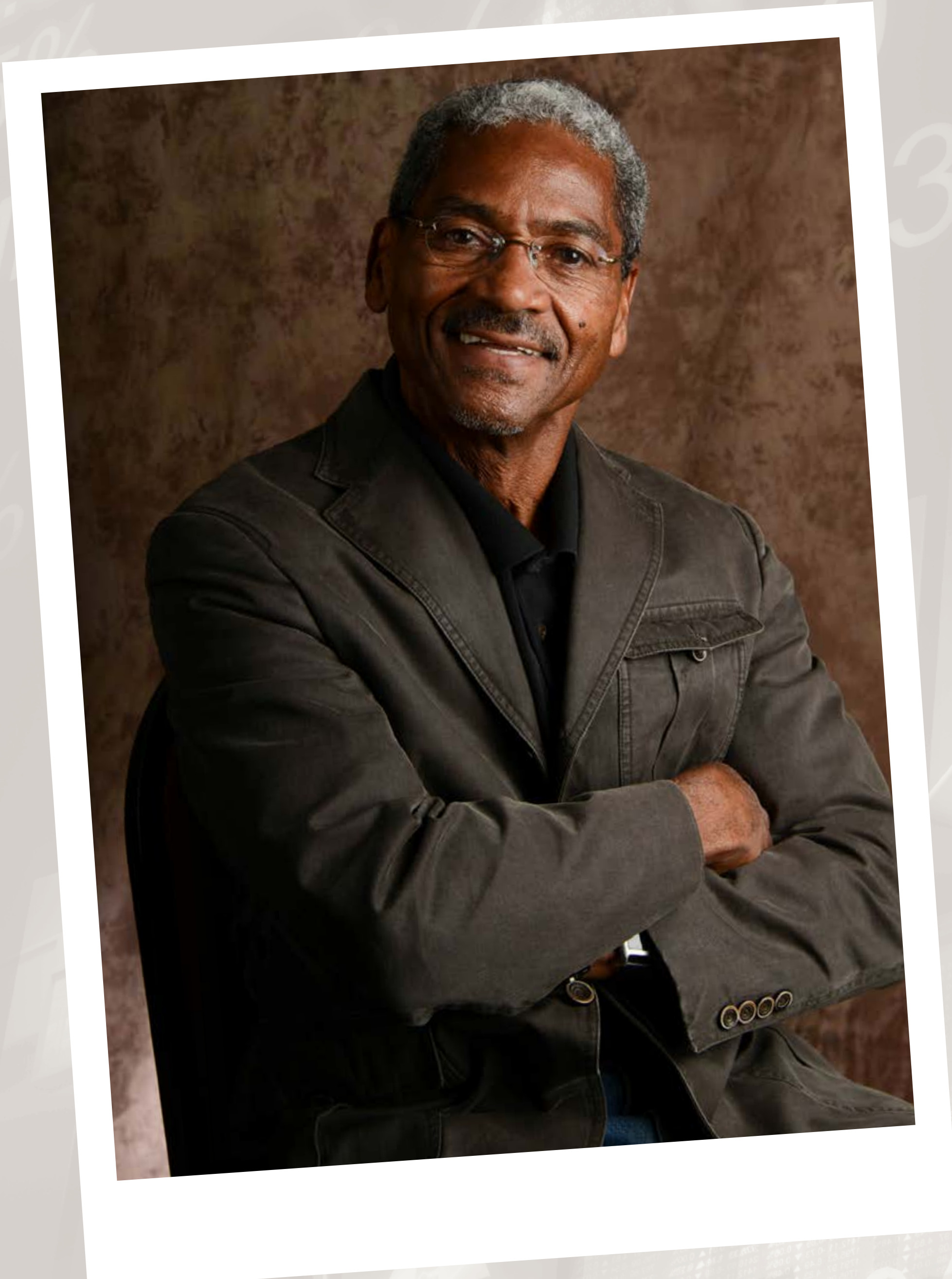
SECTION 5/17-147. CUSTODY OF FUND-BONDS-LEGAL PROCEEDINGS

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

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

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

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



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.

SEGAL

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December 13, 2013

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

ACTUARIAL CERTIFICATION

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2013. It summarizes the actuarial data used in the valuation, establishes the actuarially determined contribution under Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 43 for the fiscal year ending June 30, 2014, and analyzes the preceding years' experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Public School Teachers' Pension and Retirement Fund of Chicago. The census and financial information on which our calculations were based was prepared by the Fund staff. That assistance is gratefully acknowledged. We have not subjected the census data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

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

Based on the provisions of Public Act 96-0889, 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 the fiscal year ending June 30, 2059.

The actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Fund's actuary. The assumptions and methods used for the June 30, 2013 actuarial valuation were based on an experience analysis covering the five-year period ending June 30, 2012 and were adopted by the Board, effective for the June 30, 2013 valuation.

The funding plan currently in effect does not meet the requirements for amortizing the unfunded actuarial liability provided under GASB 25. In all other respects, the assumptions and methods used for funding purposes meet the paremeters set forth for financial statement disclosure in GASB 25 and 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 actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. 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, 2013.

Sincerely,

SEGAL CONSULTING

By:

Kim Nicholl, FSA, MAAA, EA, FCA	*Matthew A. Strom, FSA, MAAA, EA*	*Barbara Zaveduk, MAAA, EA*
Senior Vice President and Actuary	*Consulting Actuary*	*Vice President and Actuary*

ACTUARIAL REPORT
PENSION FUND

PURPOSE

This report has been prepared by Segal Consulting to present a valuation of the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) as of June 30, 2013. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The actuarially determined contribution requirements presented in this report are based on:

- The benefit provisions of the Fund, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of June 30, 2013, provided by CTPF staff;
- The assets of the Plan as of June 30, 2013, provided by CTPF staff;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.

SIGNIFICANT ISSUES IN VALUATION YEAR

The following key findings were the result of this actuarial valuation:

1. The following assumption and method changes were approved by the Board of Trustees and are reflected in this valuation:

    a. The investment return assumption was lowered from 8.00% to 7.75%.

    b. The inflation assumption was lowered from 3.00% to 2.75%.

    c. The payroll growth rate was lowered from 4.00% to 3.50%.

    d. The assumption for future salary increases was revised from age-based rates ranging from 13.7% to 4.0% to age-based rates ranging from 15.75% to 4.25%.

    e. The healthy mortality assumption changed from the UP-1994 Mortality Table, set back 3 years for males and set back 2 years for females to the RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA.

    f. Disabled mortality changed from the RP-2000 Disabled Mortality Table set back 2 years for males and set forward 5 years for females to the RP-2000 Disabled Mortality Table set back 3 years for males and females.

    g. The turnover rate assumption was revised from a 5-year service-based select table and separate age-based ultimate tables (one for at least 5 but less than 10 years of service and another for at least ten years of service) to a 10-year service-based select table and an age-based ultimate table.

    h. The retirement rate assumption was changed from using age-based rates for less than 33 years of service and for 33 or more years of service to age-based rates for less than 34 years of service and for 34 or more years of service. These rates were also revised to better reflect anticipated future experience.

    i. The disability incidence rate assumption was revised to be 80% of the previous rates.

    j. The amortization method for GASB was changed from a 30-year open period, level percentage of pay to a 30-year closed period that began July 1, 2013, level percentage of pay.

2. As shown in Chart 13, for the fiscal year beginning July 1, 2013, the actuarially determined contribution amount (the Annual Required Contribution, or ARC) is $719,781,746. Public Act 96-0889 specifies that the required Board of Education contribution for Fiscal Years 2014 through 2059 must be a level percentage of payroll sufficient to bring the funded percentage of the Fund up to 90% by the end of Fiscal Year 2059. The Fiscal Year 2014 contribution amount was determined to be $600,009,000 as a part of the June 30, 2012 valuation. Given that $65,000,000 is expected to be used to pay health insurance subsidies, the required Board of Education contribution for the pension plan is $535,009,000. Also, Sections 17-127 and 17-127.2 of the Pension Code specify additional State contributions of 0.544% of payroll and additional Board of Education Contributions of 0.58% of payroll, which were determined as part of the June 30, 2012 valuation to be $11,903,000 and $12,691,000, respectively. Therefore, the total employer contributions for Fiscal 2014 are expected to be $559,603,000. Compared to the Annual Required Contribution of $719,781,746, the contribution deficiency will be $160,178,746 for fiscal year 2014. Each year there is a contribution deficiency leads to an increased deficiency in all future years.

3. The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of June 30, 2013, is 49.5%, compared to 53.9% as of June 30, 2012. This ratio is a measure of funding status, its history is a measure of funding progress, and is the ratio required to be reported under GASB 25. Prior to reflecting the assumption and method changes described previously, the funded ratio as of June 30, 2013, is 52.3%.

4. For the year ended June 30, 2013, Segal has determined that the asset return on a market value basis was 13.1%. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 11.2%. This represents an experience gain when compared to the assumed rate of 8%. As of June 30, 2013, the actuarial value of assets ($9.423 billion) represented 97.4% of the market value ($9.674 billion).

5. The portion of deferred investment gains and losses recognized in the calculation of the June 30, 2013, actuarial value of assets resulted in a gain of $284,448,947. Additionally, the demographic and liability experience resulted in a $251,389,004 loss, primarily due to more retirements than expected.

6. As mentioned above, the current method used to determine the actuarial value of assets yields an amount that is 97.4% of the market value of assets as of June 30, 2013. Guidelines in Actuarial Standard of Practice No. 44 (Selection and Use of Asset Valuation Methods for Pension Valuations) recommend that asset values fall within a reasonable range around the corresponding market value. We believe the actuarial asset method currently complies with these guidelines.

7. This actuarial valuation report as of June 30, 2013, is based on financial data as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the cost of the plan, while increases in asset values (in excess of expected) will decrease the cost of the plan.

Summary of Key Valuation Results

	July 1, 2013		July 1, 2012
Contributions for fiscal year beginning July 1:	Before Assumption and Method Changes	After Assumption and Method Changes	
Actuarially determined contribution requirement	$ 625,254,640	$ 719,781,746	$ 585,444,539
Expected employer contributions provided by the Fund	559,594,000	559,603,000	153,585,000
Actual employer contribution	–	–	142,654,000
Funding elements for fiscal year beginning July 1:			
Normal cost, including administrative expenses	$ 98,706,982	$ 129,928,449	$ 108,787,026
Market value of assets	9,674,188,563	9,674,188,563	9,437,316,026
Actuarial value of assets	9,422,519,190	9,422,519,190	9,364,076,672
Actuarial accrued liability	18,022,595,509	19,044,533,016	17,375,660,369
Unfunded/(overfunded) actuarial accrued liability	8,600,076,319	9,622,013,826	8,011,583,697
GASB 25 information for fiscal year beginning July 1:			
Annual Required Contributions (ARC)	$ 625,254,640	$ 719,781,746	$ 585,444,539
Actual employer contributions	–	–	142,654,000
Percentage of ARC contributed	–	–	24.34%
Funded ratio	52.28%	49.48%	53.89%
Covered payroll	–	–	2,239,347,051
Demographic data for plan year beginning July 1:			
Number of retirees and beneficiaries		27,440	25,926
Number of vested former participants		4,502	4,245
Number of active members		30,969	30,366
Total salary supplied by the Fund		$ 2,146,811,972	$ 2,118,235,482
Average salary		$ 69,321	$ 69,757

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive members, retirees, and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.

Chart 1: Member Population 2004 – 2013

Year Ended June 30	Active Members	Vested Terminated Members	Retirees and Beneficiaries	Ratio Actives to Retirees and Beneficiaries
2004	37,362	1,930	19,266	1.94
2005	37,521	2,059	20,954	1.79
2006	34,682	2,408	22,105	1.57
2007	32,968	2,752	23,623	1.40
2008	32,086	3,479	23,920	1.34
2009	31,905	3,056	24,218	1.32
2010	31,012	3,554	24,600	1.26
2011	30,133	4,253	25,199	1.20
2012	30,366	4,245	25,926	1.17
2013	30,969	4,502	27,440	1.13

ACTIVE MEMBERS

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 30,969 active participants with an average age of 41.2, average years of service of 10.0 years and average salary of $69,321. The 30,366 active participants in the prior valuation had an average age of 42.6, average years of service of 11.2 years and average salary of $69,757.

INACTIVE PARTICIPANTS

In this year's valuation, there were 4,502 members with a vested right to a deferred or immediate vested benefit.

CHART 2: Distribution of Active Members by Age

as of June 30, 2013

These graphs show a distribution of active members by age and by years of service.

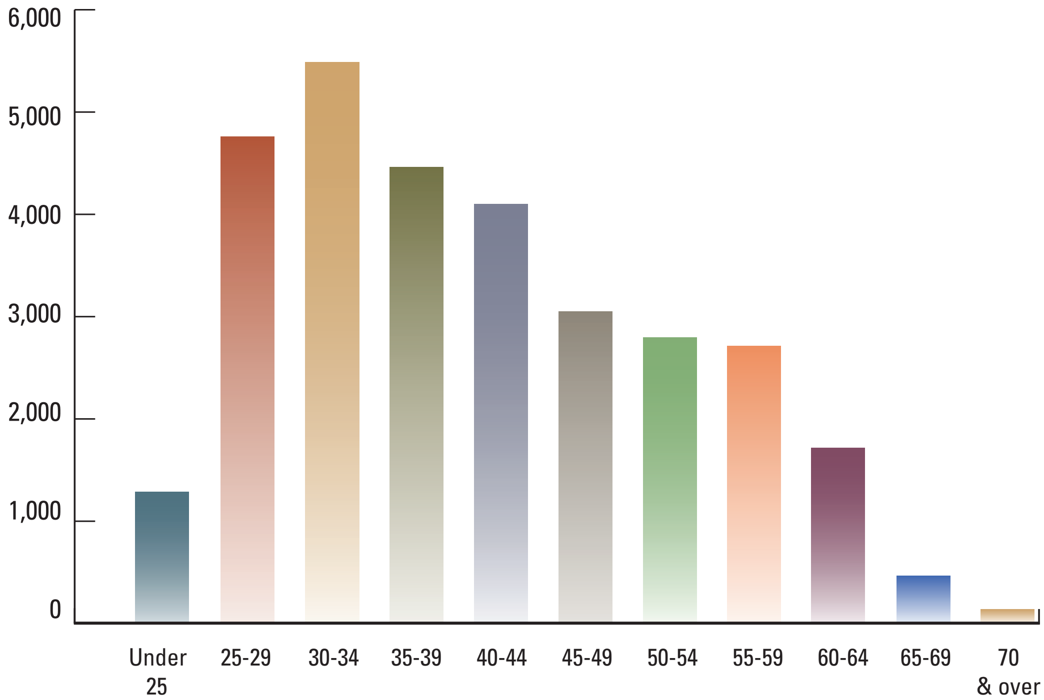
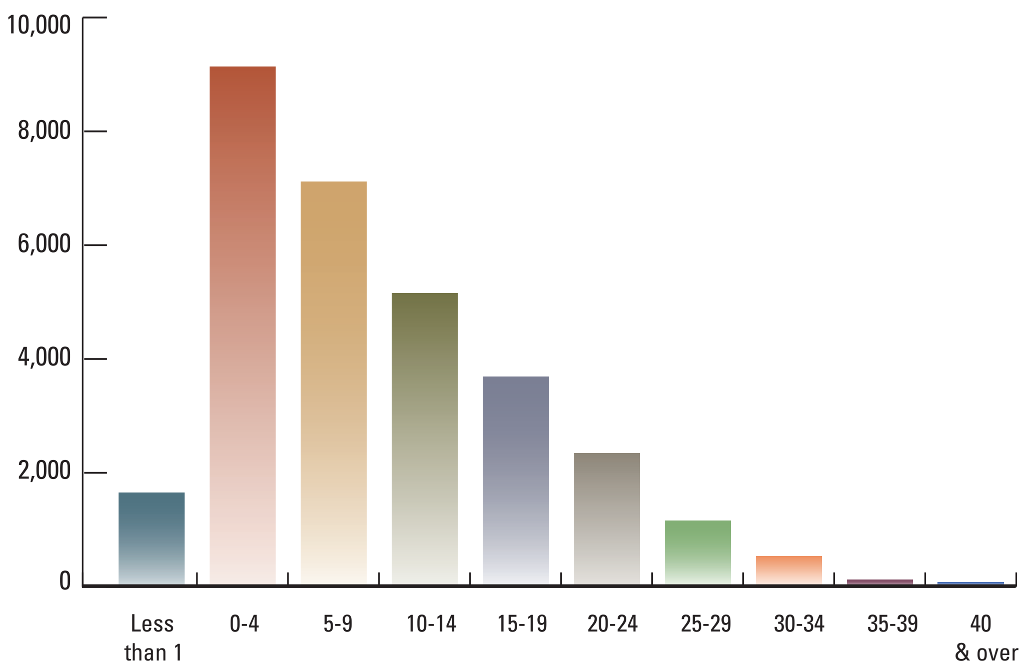


CHART 3: Distribution of Active Members by Years of Service

as of June 30, 2013



RETIREES AND BENEFICIARIES

As of June 30, 2013, 24,042 retirees, 2,920 beneficiaries, and 478 disabled retirees were receiving total monthly benefits of $102,072,460. For comparison, in the previous valuation there were 22,636 retirees, 2,822 beneficiaries, and 468 disabled retirees receiving total monthly benefits of $93,006,741.

These graphs show a distribution of the current retirees based on their monthly amount and age, by type of pension.

CHART 4: DISTRIBUTION OF RETIREES BY MONTHLY AMOUNT

AS OF JUNE 30, 2013

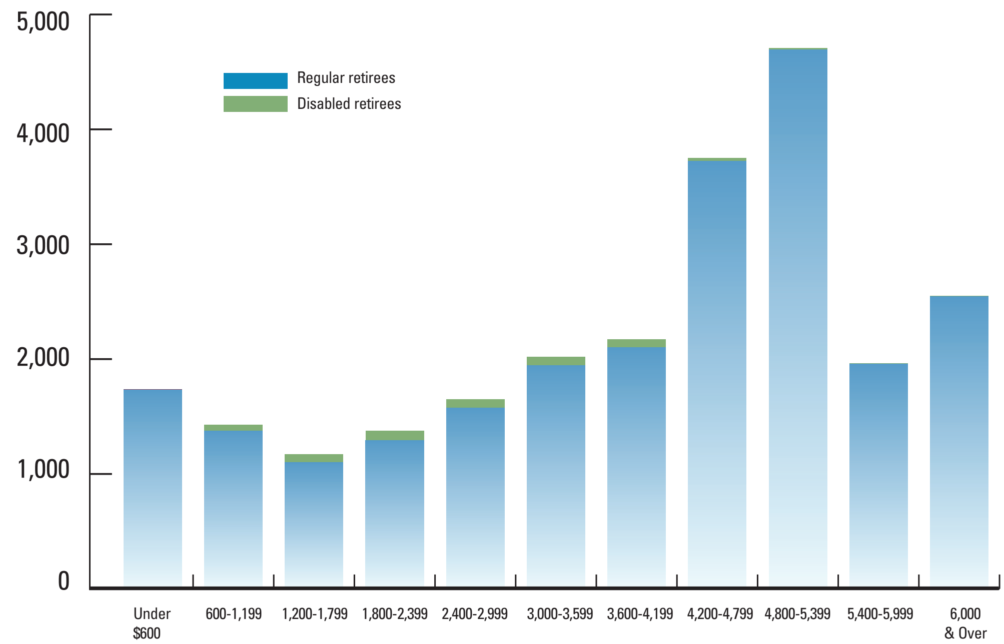
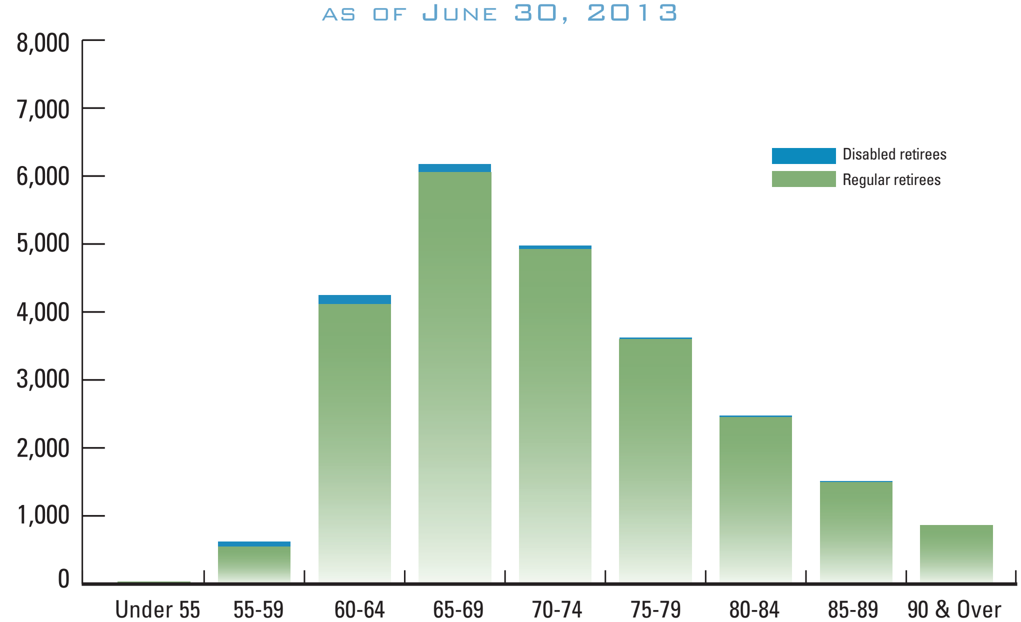


CHART 5: DISTRIBUTION OF RETIREES BY AGE

AS OF JUNE 30, 2013



B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

CHART 6: Determination of Actuarial Value of Assets

for Years Ended June 30, 2013 and June 30, 2012

		2013		2012	
1. Actuarial value of assets as of prior June 30			$ 9,398,201,630		$ 10,140,639,494
2. Employer and employee contributions and miscellaneous income			404,362,941		398,072,836
3. Benefits and expenses			1,340,401,281		1,232,635,521
4. Expected investment income			714,414,597		777,868,652
5. Total investment income, including income for securities lending			1,174,582,823		(38,083,067)
6. Investment gain/(loss) for the year ended June 30: (5) – (4)			460,168,226		(815,951,719)
7. Expected actuarial value of assets: (1) + (2) - (3) + (4)			9,176,577,887		10,083,945,461
8. Calculation of unrecognized return	**Original Amount***	**% Recognized**		**% Recognized**	
(a) Year ended June 30, 2013	$ 460,168,226	25%	$ 115,042,057		–
(b) Year ended June 30, 2012	(815,951,719)	25%	(203,987,930)	25%	$ (203,987,930)
(c) Year ended June 30, 2011	1,276,986,010	25%	319,246,503	25%	319,246,503
(d) Year ended June 30, 2010	205,750,306	25%	51,437,577	25%	51,437,577
(e) Year ended June 30, 2009	(3,409,759,924)		–	25%	(852,439,981)
(f) Total recognized return			281,738,207		(685,743,831)
9. Total actuarial value of assets as of June 30: (7) + (8f)			9,458,316,094		9,398,201,630
10. Assets for retiree health insurance benefits			35,796,904		34,124,958
11. Actuarial value of assets for pension benefits (9) - (10)			$ 9,422,519,190		$ 9,364,076,672

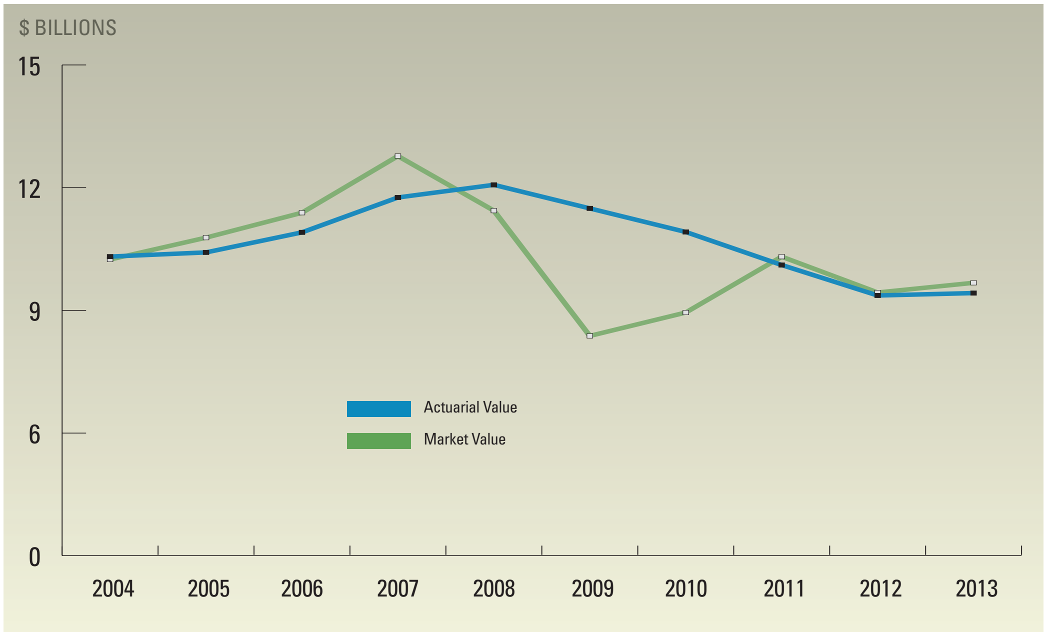
**Total return minus expected return on actuarial value*

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Chart 7: Actuarial Value of Assets vs. Market Value of Assets

as of June 30, 2004 – 2013

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.



C. Actuarial Experience

To calculate the actuarially required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total net gain is $33,059,943; $284,448,947 from investment gains offset by $251,389,004 in losses from all other sources. The net experience variation from individual sources other than investments was approximately 1.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

CHART 8: Actuarial Experience

for Year Ended June 30, 2013

This chart provides a summary of the actuarial experience during the past year.

1. Net gain/(loss) from investments*	$	284,448,947
2. Net gain/(loss) from administrative expenses		(516,403)
3. Net gain/(loss) from other experience**		(250,872,601)
4. Net experience gain/(loss): (1) + (2) + (3)	$	33,059,943

* *Details in Chart 9, see below*

** *Details in Chart 12, see page 81*

INVESTMENT RATE OF RETURN

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on CTPF's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets for the year ending June 30, 2013, is 8.00%. The actual rate of return on an actuarial basis for the year ending June 30, 2013, was 11.20%.

Since the actual return for the year was greater than the assumed return, the CTPF experienced an actuarial gain during the year ended June 30, 2013, with regard to its investments.

CHART 9: Actuarial Value Investment Experience

for Year Ended June 30, 2013

This chart shows the gain/(loss) due to investment experience.

1. Actual return	$	996,069,982
2. Average value of actuarial assets		8,895,262,940
3. Actual rate of return: (1) ÷ (2)		11.20%
4. Assumed rate of return		8.00%
5. Expected return: (2) x (4)	$	711,621,035
6. Actuarial gain/(loss): (1) – (5)	$	284,448,947*

**Actuarial gain/(loss) on pension assets only.*

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages.

Chart 10: Investment Return

Year Ended June 30	Market Value	Actuarial Value*
2004	15.0%	3.2%
2005	10.8%	6.0%
2006	10.7%	9.6%
2007	17.7%	13.3%
2008	(5.3)%	7.9%
2009	(22.4)%	0.2%
2010	13.6%	(0.4)%
2011	24.8%	(0.5)%
2012	(0.4)%*	1.0%
2013	13.1%*	11.2%
Average Returns		
Last 5 years:	4.1%	2.0%
Last 10 years:	6.7%	5.0%

** As determined by Segal*

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling the actuarially required contribution.

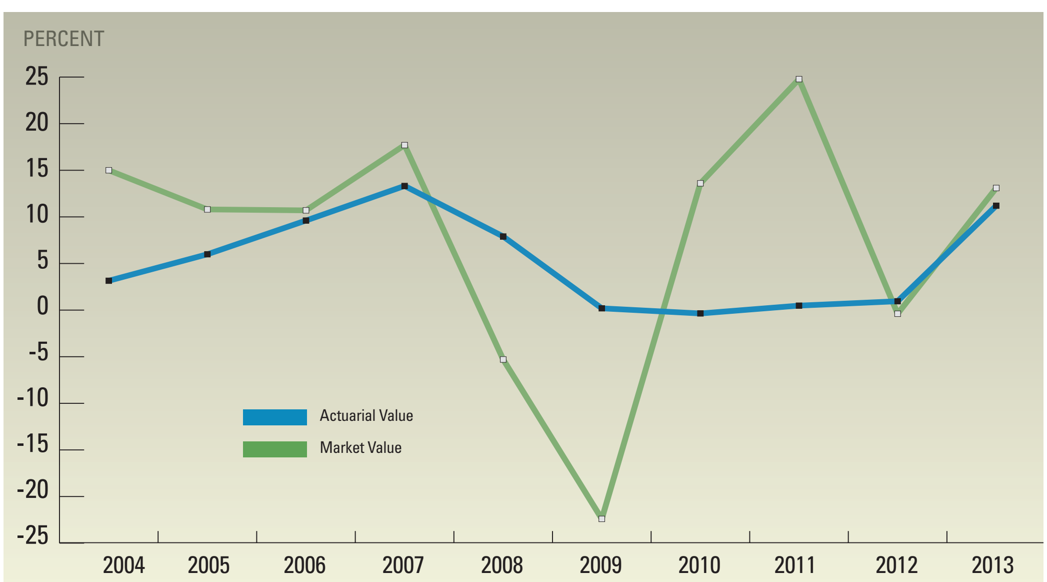
ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended June 30, 2013, totaled $11,537,394 compared to the assumption of $10,626,456. This resulted in a loss of $516,403 for the year, when adjusted for timing.

Chart 11: Market and Actuarial Rates of Return

for Years Ended June 30, 2004 - 2013

This chart illustrates how this leveling effect has actually worked over the years 2004 - 2013.



OTHER EXPERIENCE

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2013, amounted to $250,872,601, which is approximately 1.4% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the CTPF for the year ended June 30, 2013, is shown in the chart below.

CHART 12: EXPERIENCE DUE TO CHANGES IN DEMOGRAPHICS

FOR YEAR ENDED JUNE 30, 2013

The chart shows elements of the experience gain/(loss) for the most recent year.

1. Turnover	$	(2,209,156)
2. Retirement		(185,542,626)
3. Deaths among retired members and beneficiaries		(45,728,994)
4. Salary/service increase for continuing actives		45,620,196
5. Miscellaneous*		(63,012,021)
6. Total	$	(250,872,601)

** Primarily due to retirements for inactive vested participants.*

D. DEVELOPMENT OF EMPLOYER COSTS

The amount of Annual Required Contribution as defined by the Governmental Accounting Standards Board (GASB) is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the Annual Required Contribution of 30.92% of payroll.

The annual required contribution is based on a closed 30-year level percentage-of-pay amortization of the unfunded actuarial accrued liability. The Board of Trustees elected to close the amortization period, effective July 1, 2013, as part of the changes from the most recent experience review.

The chart compares this valuation's actuarially determined contribution with the prior valuation.

CHART 13: ANNUAL REQUIRED CONTRIBUTION

	Year Beginning June 30			
	2013		2012	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$ 313,624,165	13.47%	$ 289,007,405	12.74%
2. Administrative expenses	12,114,263	0.52%	10,626,456	0.47%
3. Expected employee contributions	(195,809,979)	(8.41)%	(190,846,835)	(8.41)%
4. Employer normal cost: (1) + (2) + (3)	$ 129,928,449	5.58%	$ 108,787,026	4.80%
5. Employer normal cost, adjusted for timing*	134,838,147	5.79%	113,027,092	4.98%
6. Actuarial accrued liability	19,044,533,016		17,375,660,369	
7. Actuarial value of assets	9,422,519,190		9,364,076,672	
8. Unfunded actuarial accrued liability: (6) – (7)	$ 9,622,013,826		$ 8,011,583,697	
9. Payment on unfunded actuarial accrued liability, adjusted for timing*	584,943,599	25.13%	472,417,447	20.82%
10. Annual Required Contribution, adjusted for timing*: (5) + (9)	$ 719,781,746	30.92%	$ 585,444,539	25.80%
11. Projected payroll	$ 2,327,963,064		$ 2,268,956,806	

* *Recommended contributions are assumed to be paid at the middle of every month.*

The Annual Required Contribution as of July 1, 2013, is based on all of the data described in the previous sections, the actuarial assumptions described in the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

RECONCILIATION OF ANNUAL REQUIRED CONTRIBUTION

The chart below details the changes in the Annual Required Contribution from the prior valuation to the current year's valuation.

The chart reconciles the Annual Required Contribution from the prior valuation to the amount determined in this valuation.

CHART 14: Reconciliation of GASB Annual Required Contribution

from July 1, 2012 to July 1, 2013

Annual Required Contribution as of July 1, 2012	**$**	**585,444,539**
Effect of plan changes		0
Effect of expected change in amortization payment due to payroll growth		18,896,698
Effect of rolling amortization period		(9,089,298)
Effect of change in administrative expense assumption		1,544,028
Effect of change in other actuarial assumptions		106,378,976
Effect of contributions (more)/less than recommended contribution		27,283,387
Effect of investment (gain)/loss		(16,452,794)
Effect of other gains and losses on accrued liability		14,537,568
Effect of net other changes*		(8,761,358)
Total change	**$**	**134,337,207**
Annual Required Contribution as of July 1, 2013	**$**	**719,781,746**

* *Primarily due to Tier 2 members with a lower normal cost replacing Tier 1 members with a higher normal cost*

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, 2013, actuarial valuation, the ratio of the actuarial value of assets to total actuarial liabilities, or funded ratio, amounts to 49.7%. Therefore, additional State contributions will be required for Fiscal Year 2015. The total payroll for FY 2015 is projected to be $2,388,750,909. 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 $2,232,477,485. Based on this adjusted projected payroll for Fiscal Year 2015, we have determined the additional State contributions under Section 17-127 of the Pension Code to be $12,145,000.

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, 2013, is 49.7%, additional Board of Education contributions will be required for Fiscal Year 2015. Based on adjusted projected payroll of $2,232,477,485 for Fiscal Year 2015, we have determined the additional Board of Education contribution under Section 17-127.2 of the Pension Code to be $12,948,000.

BOARD OF EDUCATION REQUIRED CONTRIBUTIONS

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 that, 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. Based on our projection, we have determined that the Board of Education's required contribution for Fiscal Year 2015 is $683,574,000.

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 15 below presents a graphical representation of this information for the Fund.

The other critical piece of information regarding the CTPF's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Fund as calculated under the GASB standards. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found on pages 97, 98 and 99, in Exhibits 2, 3, and 4.

Chart 15: Required Versus Actual Employer Contributions

Years Ended June 30

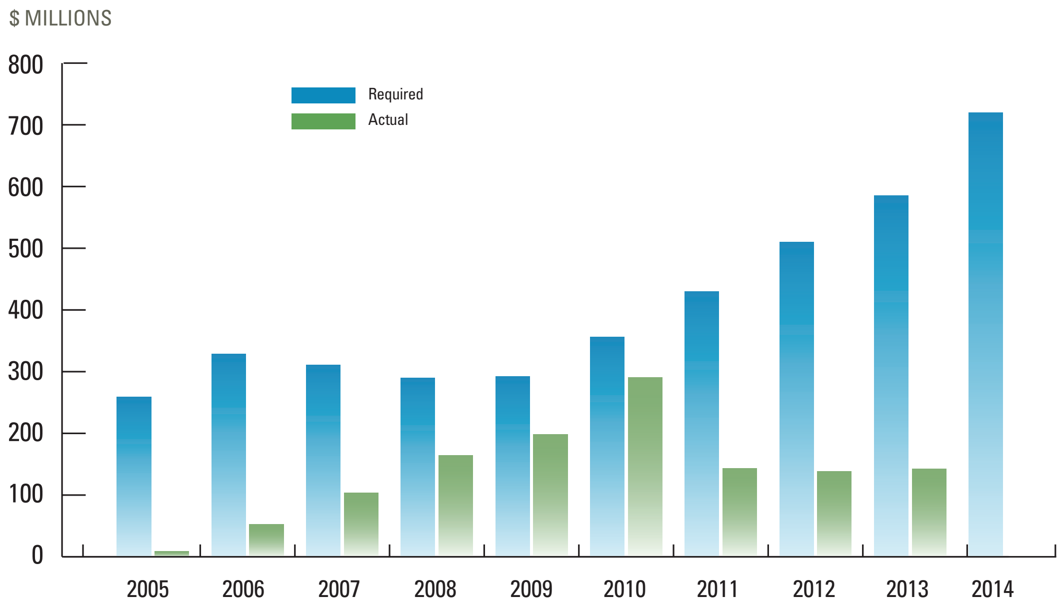


Chart 16: Funded Ratio

Years Ended June 30

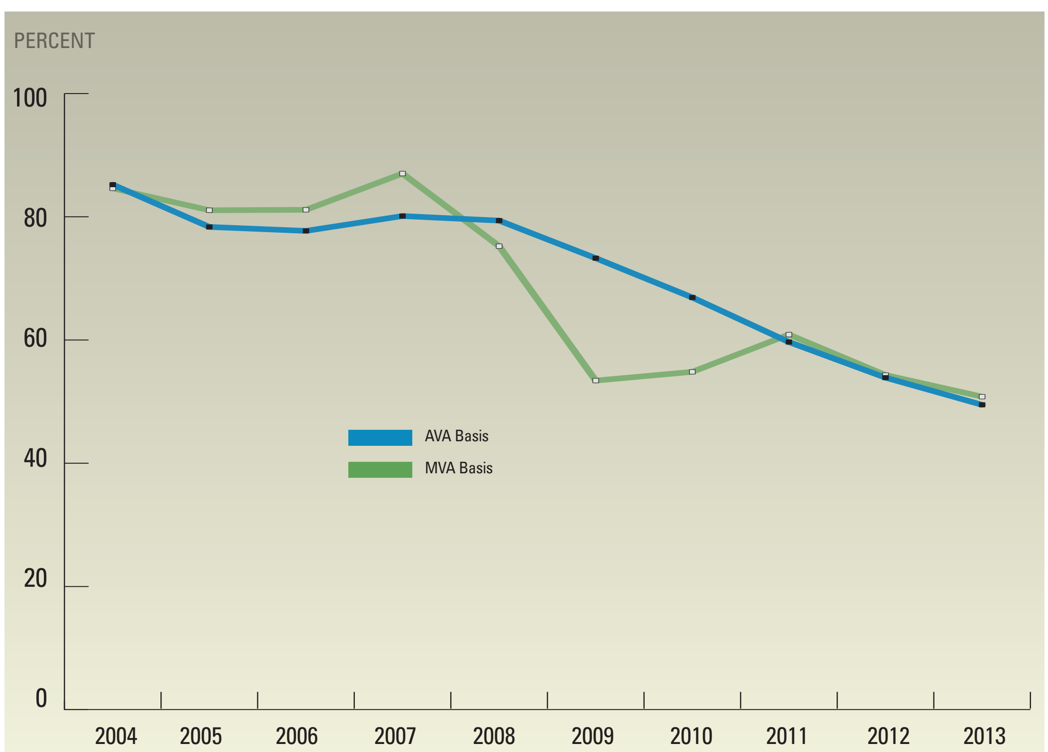


EXHIBIT A: Table of Plan Coverage

Category	Year Ended June 30				Change From Prior Year
	2013		2012		
ACTIVE MEMBERS IN VALUATION					
Number		30,969		30,366	2.0%
Average age		41.2		42.6	(3.3)%
Average years of service		10.0		11.2	(10.7)%
Total salary supplied by the Fund	$	2,146,811,972	$	2,118,235,482	1.3%
Average salary	$	69,321	$	69,757	(0.6)%
Total active vested participants		20,185		21,063	(4.2)%
Male members		7,253		7,048	2.9%
Female members		23,716		23,318	1.7%
Vested terminated members		**4,502**		**4,245**	**6.1%**
SERVICE RETIREES					
Number in pay status		24,042		22,636	6.2%
Average age		72.1		72.1	0.0%
Average monthly benefit	$	4,003	$	3,870	3.4%
Total annual benefit	**$**	**1,154,757,533**	**$**	**1,051,090,534**	**9.9%**
DISABLED RETIREES					
Number in pay status		478		468	2.1%
Average age		65.8		65.6	0.3%
Average monthly benefit	$	2,714	$	2,621	3.5%
Total annual benefit	**$**	**15,565,791**	**$**	**14,717,767**	**5.8%**
BENEFICIARIES (INCLUDING CHILDREN) IN PAY STATUS					
Number in pay status		2,920		2,822	3.5%
Average age		74.7		74.1	0.8%
Average monthly benefit		$1,557	$	1,485	4.8%
Total annual benefit	**$**	**54,546,193**	$	**50,272,587**	**8.5%**
Total number of members		**62,911**		**60,537**	**3.9%**

EXHIBIT B: Participants in Active Service

as of June 30, 2013

By Age, Years of Service, and Average Salary

		Years of Service									
Age	**Total**	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	1,287	308	978	1	–	–	–	–	–	–	–
	$ 39,479	$ 15,061	$ 47,154	$ 54,627	–	–	–	–	–	–	–
25-29	4,758	459	3,510	789	–	–	–	–	–	–	–
	50,181	17,811	51,023	65,265	–	–	–	–	–	–	–
30-34	5,488	291	2,066	2,565	566	–	–	–	–	–	–
	61,855	18,529	53,115	69,355	$ 82,046	–	–	–	–	–	–
35-39	4,460	157	934	1,495	1,608	266	–	–	–	–	–
	72,481	18,106	53,826	71,344	85,867	$ 95,551	–	–	–	–	–
40-44	4,098	127	625	825	1,156	1,155	210	–	–	–	–
	79,085	19,433	53,981	71,596	85,489	94,072	$ 101,609	–	–	–	–
45-49	3,052	86	362	495	600	757	652	100	–	–	–
	80,576	17,908	52,387	70,738	83,787	90,856	94,556	$ 96,993	–	–	–
50-54	2,797	67	245	400	452	584	554	392	102	1	–
	81,719	15,337	46,467	66,629	83,242	88,858	93,505	96,502	$ 101,183	$ 34,206	–
55-59	2,711	81	191	292	396	507	499	382	309	54	–
	81,758	11,873	44,142	64,356	82,356	87,055	90,454	95,140	96,837	98,314	–
60-64	1,716	45	143	187	270	321	336	221	101	57	35
	78,123	9,245	29,738	59,624	77,987	84,209	91,654	93,192	95,870	94,974	$ 104,729
65-69	465	20	53	48	84	71	77	50	21	6	35
	70,062	5,796	20,675	48,425	67,862	84,190	89,834	90,422	90,403	98,793	98,154
70 & over	137	9	27	17	21	23	12	12	4	5	7
	55,882	1,397	16,696	22,696	61,948	73,190	99,947	92,881	92,265	81,351	104,659
Total	30,969	1,650	9,134	7,114	5,153	3,684	2,340	1,157	537	123	77
	$ 69,321	$ 16,721	$ 50,748	$ 68,806	$ 83,817	$ 90,545	$ 93,521	$ 95,162	$ 97,195	$ 95,579	$ 101,734

EXHIBIT C: Reconciliation of Participant Data

	Active Members	Vested Terminated Members	Retirees	Disabled Retirees	Beneficiaries	Total
Numbers as of June 30, 2012	30,366	4,245	22,636	468	2,822	60,537
New participants	3,970	N/A	N/A	N/A	N/A	3,970
Terminations	(2,181)	716	0	0	0	(1,465)
Retirements	(1,695)	(182)	1,877	N/A	N/A	0
New disabilities	(19)	(5)	N/A	24	N/A	0
Died with beneficiary	0	0	0	0	195	195
Died without beneficiary	(34)	(20)	(500)	(15)	(99)	(668)
Refunds	(123)	(61)	0	0	0	(184)
Rehire	684	(193)	0	0	N/A	491
Certain period expired	N/A	N/A	0	0	0	0
Data adjustments	1	2	29	1	2	35
Number as of June 30, 2013	30,969	4,502	24,042	478	2,920	62,911

EXHIBIT D: Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Fiscal Year	Added to Rolls		Removed from Rolls		Rolls – End of Year		Average Annual Allowances	% Increase in Avg. Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
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
2011	1,394	86,404,558	795	26,694,342	25,199	1,047,873,059	41,584	3.5
2012	1,579	96,719,811	852	28,511,983	25,926	1,116,080,887	43,049	3.5
2013	2,129	130,553,477	615	21,764,846	27,440	1,224,869,518	44,638	3.7

Exhibit F: Schedule of Average Benefit Payments

	Years of Credited Service							
	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Fiscal Year 2012								
Average Monthly Pension	$ 348	$ 842	$1,452	$2,522	$3,308	$4,142	$5,788	$3,846
Average Final Salary	$6,690	$5,457	$5,509	$6,696	$7,049	$7,173	$7,887	$7,114
Number of Retired Members	72	114	84	134	221	157	538	1,320
Average Age								63.2
Fiscal Year 2013								
Average Monthly Pension	$ 275	$ 856	$1,645	$2,761	$3,567	$4,422	$5,976	$4,294
Average Final Salary	$5,623	$5,491	$6,180	$7,136	$7,495	$7,688	$8,157	$7,535
Number of Retired Members	56	114	91	186	380	256	824	1,907
Average Age								63.2

Table does not include disabled members or surviving spouses.

EXHIBIT G: Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended June 30, 2013		Year Ended June 30, 2012	
Net assets at market value at the beginning of the year		$ 9,437,316,026		$ 10,312,762,164
Contribution income:				
Employer contributions	$ 142,654,000		$ 138,729,011	
Employee contributions	188,356,294		187,141,384	
Administrative expenses	(11,537,394)		(10,120,434)	
Net contribution income		$ 319,472,900		$ 315,749,961
Miscellaneous income		–		431,790
Investment income:				
Interest, dividends and other income	$ 251,028,034		$ 238,747,714	
Asset appreciation	961,784,065		(239,806,743)	
Securities lending income	4,006,659		5,011,510	
Less investment and administrative fees	(42,318,757)		(42,076,606)	
Net investment income (loss)		1,174,500,001		(38,124,125)
Total income available for benefits		$ 1,493,972,901		$ 278,057,626
Less benefit payments:				
Annuity payments	$ (1,228,318,994)		$ (1,113,884,747)	
Death	(3,994,309)		(3,324,381)	
Refund of contributions	(24,787,063)		(36,294,636)	
Net benefit payments		$ (1,257,100,364)		$ (1,153,503,764)
Change in reserve for future benefits		$ 236,872,537		$ (875,446,138)
Net assets at market value at the end of the year		$ 9,674,188,563		$ 9,437,316,026

EXHIBIT H: Summary Statement of Plan Position

	Year Ended June 30, 2013		Year Ended June 30, 2012	
Cash		$ 15,666,922		$ 13,428,219
Accounts receivable		203,140,399		107,762,928
Investments, at fair value:				
Equities	$ 5,565,488,614		$ 5,121,676,573	
Fixed income	1,644,521,422		2,235,479,657	
Commingled funds	1,099,569,739		0	
Short-term investments	481,913,983		500,688,950	
Real estate	297,996,967		727,399,447	
Private equity	274,077,937		304,685,721	
Infrastructure	182,573,109		307,980,960	
Public REITs	175,023,120		165,423,842	
Margin cash	100,000		200,000	
Hedge fund	0		173,505,261	
Total investments at market value		9,721,264,891		9,537,040,411
Invested securities lending collateral		648,873,113		588,095,853
Capital assets		1,934,121		2,366,332
Prepaid expenses		13,174		12,220
Total assets		$ 10,590,892,620		$ 10,248,705,963
Less accounts payable:				
Benefits payable	$ (3,576,692)		$ (2,569,689)	
Refunds payable	(12,004,775)		(21,757,021)	
Accounts and administrative expenses payable	(17,565,015)		(8,605,930)	
Securities lending collateral	(667,849,650)		(613,185,665)	
Due to broker for securities purchased	(215,707,926)		(165,271,632)	
Total accounts payable		$ (916,704,057)		$ (811,389,937)
Net positions at market value		$ 9,674,188,563		$ 9,437,316,026
Net positions at actuarial value		$ 9,422,519,190		$ 9,364,076,672

EXHIBIT I: Development of the Fund

Through June 30, 2013

	Employer Contributions	Employee Contributions	Net* Investment Return	Miscellaneous	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2004	$ 13,032,273	$ 169,598,212	$ 321,457,265	$ 86,285	$ 7,214,467	$ 612,438,269	$ 10,314,963,645
2005	8,872,764	175,706,081	603,213,991	561,154	7,477,671	679,131,878	10,416,708,086
2006	52,789,706	163,419,386	1,033,995,851**	139,509	8,320,340	751,791,350	10,906,940,848
2007	103,761,750	179,017,663	1,415,420,214	1,923	8,434,688	837,008,647	11,759,699,063
2008	164,270,412	172,504,804	905,021,878	–	7,827,576	924,251,543	12,069,417,038
2009	198,069,327	176,176,975	21,935,841	–	8,751,945	963,591,482	11,493,255,754
2010	290,759,950	194,621,551	(39,885,503)	–	8,800,848	1,012,533,911	10,917,416,993
2011	143,589,994	185,882,636	(50,121,733)	55,307	9,527,938	1,077,980,337	10,109,314,922
2012	138,729,011	187,141,384	92,083,763	431,790	10,120,434	1,153,503,764	9,364,076,672
2013	142,654,000	188,356,294	996,069,982	–	11,537,394	1,257,100,364	9,422,519,190

** Net of investment fees*

*** Includes $59,496,735 transferred from health insurance assets*

EXHIBIT J: Development of Unfunded Actuarial Accrued Liability

	Year Ending June 30			
	2013		2012	
1. Unfunded actuarial accrued liability at beginning of year		$ 8,011,583,697		$ 6,831,311,523
2. Normal cost at beginning of year		299,633,862		299,247,550
3. Total contributions		331,010,294		325,870,395
4. Interest				
(a) Unfunded actuarial accrued liability and normal cost	$ 664,897,405		$ 570,444,726	
(b) Total contributions	11,968,408		11,782,564	
(c) Total interest: (4a) – (4b)		652,928,997		558,662,162
5. Expected unfunded actuarial accrued liability: (1) + (2) – (3) + (4c)		$ 8,633,136,262		$ 7,363,350,840
6. Changes due to (gain)/ loss from:				
(a) Investments	$ (284,448,947)		$ 683,168,550	
(b) Demographics and other	251,389,004		34,399,754	
(c) Total changes due to (gain)/loss: (6a) + (6b)		$ (33,059,943)		$ 717,568,304
7. Change to due plan changes		–		(69,335,447)*
8. Change in actuarial assumptions		1,021,937,507		–
9. Unfunded accrued liability at end of year: (5) + (6c) + (7) + (8)		$ 9,622,013,826		$ 8,011,583,697

**Due to pension overpayment settlement*

Exhibit 1: Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:		
1. Pensioners as of the valuation date (including 2,920 beneficiaries and 478 disabled retirees)		27,440
2. Members inactive during year ended June 30, 2013 with vested rights		4,502
3. Members active during the year ended June 30, 2013		30,969
Fully vested	20,185	
Not vested	10,784	
The actuarial factors as of the valuation date are as follows:		
1. Actuarial accrued liability		$ 19,044,533,016
Service retirees	$13,331,092,731	
Disabled retirees	171,361,841	
Beneficiaries	483,031,519	
Inactive participants with vested rights	293,604,039	
Active participants:		
Retirement	4,138,050,117	
Turnover	437,709,651	
Mortality	101,051,882	
Disability	88,631,236	
Total	4,765,442,886	
2. Actuarial value of assets ($9,674,188,563 at market value)		9,422,519,190
3. Unfunded actuarial accrued liability		$ 9,622,013,826
4. Funded ratio: (2) ÷ (3)		49.5%
Components of the normal cost:	**% of Payroll**	**Amount**
1. Retirement	10.77%	$ 250,822,405
2. Turnover	2.07%	48,102,607
3. Mortality	0.33%	7,756,890
4. Disability	0.30%	6,942,263
5. Total normal cost: (1) + (2) + (3) + (4)	13.47%	$ 313,624,165
6. Administrative expenses	0.52%	12,114,263
7. Total normal cost, including administrative expenses: (5) + (6)	13.99%	$ 325,738,428
8. Expected employee contributions	(8.41)%	(195,809,979)
9. Employer normal cost: (7) + (8)	5.58%	$ 129,928,449
The determination of the Annual Required Contribution (GASB 25) is as follows:		
1. Total normal cost		$ 313,624,165
2. Administrative expenses		12,114,263
3. Expected employee contributions		(195,809,979)
4. Employer normal cost: (1) + (2) + (3)		$ 129,928,449
5. Employer normal cost projected, adjusted for timing*		134,838,147
6. Payment on projected unfunded/(overfunded) actuarial accrued liability, adjusted for timing*		584,943,599
7. Total Annual Required Contribution: (5) + (6)		$ 719,781,746
8. Expected employer contributions		$ 559,603,000
9. Projected payroll		$ 2,327,963,064
10. Total Annual Required Contribution as a percentage of projected payroll: (7) ÷ (9)		30.92%

**Recommended contributions are assumed to be paid at the middle of every month.*

Exhibit 2: Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2004	$ 202,971,485	$ 13,032,273	6.42%
2005	258,883,211	8,872,764	3.43%
2006	328,365,821	52,789,706	16.08%
2007	311,139,800	103,761,750	33.35%
2008	290,072,885	164,270,412	56.63%
2009	292,145,359	198,069,327	67.80%
2010	355,846,125	290,759,950	81.71%
2011	430,091,545	143,589,994	33.39%
2012	510,101,466	138,729,011	27.20%
2013	585,444,539	142,654,000	24.37%

Exhibit 3: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
06/30/2004	$ 10,392,193,115**	$ 12,105,680,577	$ 1,713,487,462	85.85%	$ 1,767,631,306	96.9%
06/30/2005	10,506,471,213**	13,295,876,206	2,789,404,993	79.02%	1,968,612,235	141.7%
06/30/2006	10,947,998,433**	14,035,627,452	3,087,629,019	78.00%	1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%

* *Not less than zero*

** *Includes Health Insurance Fund assets*

Exhibit 4: Solvency Test
Pension Fund

	June 30, 2013	June 30, 2012
1. Actuarial accrued liability (AAL)		
a. Active member contributions	$ 1,463,781,268	$ 1,538,160,937
b. Retirees and beneficiaries	13,985,486,091	12,320,263,633
c. Active and inactive members (employer financed)	3,595,265,657	3,517,235,799
d. Total	$ 19,044,533,016	$ 17,375,660,369
2. Actuarial value of assets	9,422,519,190	9,364,076,672
3. Cumulative portion of AAL covered		
a. Active member contribution	100.0%	100.0%
b. Retirees and beneficiaries	56.9%	63.5%
c. Active and inactive members (employer financed)	0.0%	0.0%

Exhibit 5: Supplementary Information Required by the GASB

Valuation date	June 30, 2013
Actuarial cost method	Projected unit credit cost method
Amortization method	Level percent of payroll
Amortization period	30 years (closed period)
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	2.75%
Payroll growth	3.50%
Projected salary increases	Age-based ranging from 15.75% to 4.25%
Cost of living adjustments	3% compounded for Tier 1 retirees; the lesser of 3% or one-half CPI, simple, for Tier 2 retirees
Plan membership:	
Retirees and beneficiaries receiving benefits	27,440
Terminated members entitled to, but not yet receiving benefits	4,502
Active members	30,969
Total	62,911

Exhibit 6: Actuarial Assumptions and Actuarial Cost Method

MORTALITY RATES

Healthy: The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA. (adopted June 30, 2013).

Disabled: The RP-2000 Disabled Mortality Table, set back 3 years (adopted June 30, 2013).

The mortality tables specified above without future generational improvement reasonably reflect the projected mortality experience of the Fund as of the measurement date. The healthy mortality table was then adjusted to future years using additional generational improvement using Scale AA to anticipate future mortality improvement.

TERMINATION RATES

Select and ultimate termination rates are based on recent experience of the Fund were used (adopted June 30, 2013). Ultimate rates after the tenth year are shown for sample ages in the table on the next page. Select rates are as follows:

Years of Service	Rate (%)
Less than 1	25.0
1 - 1.99	15.0
2 - 2.99	10.0
3 - 3.99	9.0
4 - 4.99	8.0
5 - 5.99	7.0
6 - 6.99	6.0
7 - 7.99	5.0
8 - 8.99	4.5
9 - 9.99	4.0

	Rate (%)
Age	10+ Years of Service
30	2.5
35	2.5
40	2.3
45	2.0
50	2.0
55	2.0

RETIREMENT RATES:

For employees first hired prior to January 1, 2011, rates of retirement for each age from 55 to 75 based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown in the following chart:

	Rate (%)	
Age	<33 Years of Service	33+ Years of Service
55	5.0	20.0
60	9.0	22.5
65	15.0	25.0
70	20.0	30.0
75	100.0	100.0

For employees first hired on or after January 1, 2011, rates of retirement for each age from 62 to 75 were used (adopted June 30, 2011). Sample rates are shown below.

Age	Rate (%)
62	40.0
64	25.0
67	30.0
70	20.0
75	100.0

DISABILITY RATES: Disability rates are based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

Age	Rate (%)
30	0.06
40	0.08
50	0.16
60	0.20

SALARY INCREASES: Assumed salary increases are based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

Age	Rate (%)
25	10.8
30	7.3
35	7.3
40	5.8
45	5.3
50	4.8
55	4.3

VALUATION OF INACTIVE VESTED PARTICIPANTS

The liability for an inactive member is equal to his or her existing account balance, loaded by 35%.

UNKNOWN DATA FOR PARTICIPANTS

Same as those exhibited by Participants with similar known characteristics. If not specified, Participants are assumed to be female.

SPOUSES

80% of participants were assumed to be married and females are assumed to be 2 years younger than males.

NET INVESTMENT RETURN

7.75% per year

INFLATION

2.75% per year

PAYROLL GROWTH

3.50% per year

ADMINISTRATIVE EXPENSES

Equal to actual expenses for the prior year, increased by 5%.

TOTAL SERVICE AT RETIREMENT

Total service at retirement is assumed to be 103.3% of the teacher's regular period of service at retirement.

ACTUARIAL VALUE OF ASSETS

The actuarial value of assets was determined by smoothing unexpected gains and losses over a period of 4 years. The gain or loss for a year is calculated as the total investment income on the market value of assets, minus expected investment return on the prior actuarial value of assets. The final actuarial value is equal to the expected actuarial value plus (or minus) 25% of the calculated gain (or loss) in the prior 4 years.

ACTUARIAL COST METHOD

Projected Unit Credit (adopted August 31, 1991). Under this method, the projected benefits of each individual included in the 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 accrued liability.

CHANGES IN ASSUMPTIONS

Investment return: 7.75% (previously, 8.00%).

Inflation rate: 2.75% (previously, 3.00%).

Payroll growth: 3.50% (previously, 4.00%).

Salary increases: Age-based ranging from 15.75% to 4.25% (previously, age-based ranging from 13.7% to 4.0%).

Healthy mortality: RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA (previously, UP-1994 Mortality Table, set back 3 years for males and set back 2 years for females).

Disabled mortality: RP-2000 Disabled Mortality Table, set back 3 years (previously, RP-2000 Disabled Mortality Table set back 2 years for males and set forward 5 years for females).

Termination rates: 10-year service-based select table and an ultimate age-based table (previously, a 5-year service-based select table and separate age-based ultimate tables [one for at least 5 but less than 10 years of service and another for at least ten years of service]).

Retirement rates: Age-based rates for less than 34 years of service and for 34 or more years of service, with revised rates to better reflect anticipated future experience (previously, age-based rates for less than 33 years of service and for 33 or more years of service).

Disability incidence: 80% of the rates in the previous table.

Exhibit 7: Summary of Plan Provisions

This exhibit summarizes the major provisions of the CTPF included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

MEMBERSHIP

Any teacher and certain other employees of the Chicago Public Schools, approved charter schools, and the Chicago Teachers' Pension Fund are members of this pension plan.

EMPLOYEE CONTRIBUTIONS

All members of the Fund are required to contribute 9% of salary to the Fund as follows: 7.5% for the retirement pension, 1% for the spouse's pension, and 0.5% for the automatic increases in the retirement pension. 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.

SERVICE RETIREMENT PENSION

a. Eligibility – An employee may retire at age 55 with at least 20 years of service or at age 62 with 5 years of service. If retirement occurs before age 60, the service retirement pension is reduced ½ of 1% of each month that the age of the member is below 60. However, there is no reduction if the employee has at least 34 years of service.

b. Amount – For service earned before July 1, 1998, the amount of the service retirement pension is 1.67% of highest average salary for the first 10 years, 1.90% for each of the next 10 years, 2.10% for each of the following 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the amount of the service retirement pension is 2.2% of highest 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, up to a maximum of 20%, which upgrades all service years. 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 highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years.

The maximum pension payable is 75% of the highest annual salary or $1,500 per month, whichever is greater.

An employee who first becomes a participant on or after January 1, 2011, is subject to the following provisions:

1. The highest salary for annuity purposes is equal to 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 2013, the salary is limited to $109,971, as determined by the Illinois Department of Insurance. The limit for future years shall automatically be increased by the lesser of 3% or one-half the percentage change in the Consumer Price Index-U during the preceding calendar year.

3. A participant is eligible 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 ½ of 1% for each month that the age of the member is below 67.

POST-RETIREMENT INCREASE

An annuitant is entitled to automatic annual increases of 3% of the current pension starting the later of attainment of age 61 and receipt of one year's pension payments.

Automatic annual increases in the retirement annuity for employees who first become a participant on or after January 1, 2011, is equal to the lesser of 3% or one-half the annual change in the Consumer Price Index-U, whichever is less, based on the originally granted retirement annuity. This automatic annual increase starts the later of attainment of age 67 and receipt of one year's pension payments.

SURVIVOR'S PENSION

A surviving spouse or unmarried minor child is entitled to a pension upon the death of an employee while in service or on retirement. The minimum survivor's pension is 50% of the deceased employee's or retired employee's pension at the date of death. If the 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 increases of 3% per year based on the current amount of pension starting the later of when the member would have attained age 61 and receipt of one year's pension payments.

For employees who first become a participant on or after January 1, 2011, the initial survivor's pension is 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. This automatic annual increase starts the later of when the member would have attained age 67 and receipt of one year's pension payments.

SINGLE SUM DEATH BENEFIT

Upon the death of an employee in service, a refund equal to the total contributions less contributions for survivor's pensions is payable.

A death benefit is payable upon the death of an employee in service in addition to any other benefits payable to the surviving spouse or minor children. The death benefit payable is the lesser of $10,000 and salary earned for the most recent six months.

Upon the death of a retired member, the death benefit is the lesser of $10,000 and the most recent salary earned for a 6 month period less 20% of the death benefit for each year that the member has been on pension, to a minimum of $5,000.

NON-DUTY DISABILITY BENEFIT

A non-duty disability pension is payable in the event of total or permanent disability with 10 or more years of service. The benefit is the unreduced service retirement pension. However, if the participant has 20 or more and less than 25 years of service and is under age 55, the benefit is reduced by ½ of 1% for each month that the age of the member is below 55 down to a minimum age of 50, but not less than the unreduced service retirement pension with 20 years of service.

DUTY DISABILITY BENEFIT

Upon disability resulting from an injury incurred while working, an employee is entitled to a disability benefit of 75% of final average salary until age 65. At age 65, the disabled employee shall receive a service retirement pension, which includes service earned while disabled.

REFUNDS

An employee who terminates employment before qualifying for a pension is entitled to a refund of employee contributions, without interest.

An employee who is unmarried at date of retirement is entitled to a refund of the full amount contributed for the survivor's pension, without interest.

PLAN YEAR

July 1 through June 30

CHANGES IN PLAN PROVISIONS

There have been no changes in plan provisions since the last valuation

Exhibit 8: DEFINITIONS OF PENSION TERMS

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability For Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability For Pensioners:	The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the Annual Required Contribution.
Actuarial Gain or Actuarial Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., CTPF's assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield in actuarial liabilities that are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.
Actuarially Equivalent:	Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is: **a.** Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) **b.** Multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and **c.** Discounted according to an assumed rate (or rates) of return to reflect the time value of money.
Actuarial Present Value of Future Plan Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB Statement No. 25, such as the funded ratio and the ARC.
Actuarial Value of Assets:	The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ARC, that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Annual Required Contribution (ARC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB Statement No. 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Fund is calculated including: (a) Investment return – the rate of investment yield that the Fund will earn over the long-term future; (b) Mortality rates - the death rates of employees and pensioners; life expectancy is based on these rates; (c) Retirement rates - the rate or probability of retirement at a given age; (d) Turnover rates - the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; (e) Salary increase rates - the rates of salary increase due to inflation and productivity growth.
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Fund that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.
Funded Ratio:	The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.
GASB:	Governmental Accounting Standards Board.
GASB 25 and GASB 27:	Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.
GASB 67 and GASB 68:	Governmental Accounting Standards Board Statements No. 67 and No. 68 are the successor statements to GASB Statements No. 25 and No. 27.
Investment Return:	The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Margin:	The difference, whether positive or negative, between the statutory employer contribution rate and the Annual Required Contribution (ARC) as defined by GASB 25.
Normal Cost:	That portion of the Actuarial Present Value of pension plan benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount, or in relation to covered payroll, if the actuarial assumptions are realized.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

ACTUARIAL REPORT HEALTH INSURANCE

PURPOSE

This report presents the results of our actuarial valuation of the Public School Teachers' Pension and Retirement Fund of Chicago as of June 30, 2013, to be used for the fiscal year ending June 30, 2014. The results are in accordance with Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

The following assumption and method changes were approved by the Board of Trustees and are reflected in this valuation:

- Assumed rates of enrollment were decreased.
- Mortality, disability, turnover, and retirement rates were modified.
- The payroll growth rate was lowered from 4.00% to 3.50%.
- The amortization method for GASB was changed from a 30-year open period, level percentage of pay to a 30-year closed period, level percentage of pay.

In addition, valuation-year per capita health costs were updated based on recent data.

- The Unfunded Actuarial Accrued Liability (UAAL) is $2.35 billion as of June 30, 2013, compared to $3.08 billion the prior year.
- The Annual Required Contribution (ARC) is $165.1 million as of July 1, 2013; the ARC was $216.2 million as of July 1, 2012.
- $65 million was contributed towards postretirement medical benefits in the year ending June 30, 2013.

The plan complies with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) as of the valuation date. This valuation includes the effect of the excise tax beginning in 2018. The effect on the obligation of any other future aspects of the Acts is assumed to be *de minimis*.

EXHIBIT A: Summary of Participant Data

Retirees and Beneficiaries	June 30, 2013	June 30, 2012
Number currently receiving health benefits	18,140	17,091
Average age	73.1	72.7
Number entitled to health benefits but not currently receiving them	9,300	8,835
Terminated employees who may be entitled to future benefits		
Number	4,502	4,245
Average age	48.0	48.5
Active Participants		
Number	30,969	30,366
Average age	41.2	42.6
Average years of service	10.0	11.2

EXHIBIT B: Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

Participant Category	June 30, 2013	June 30, 2012
Current retirees and beneficiaries	$ 1,350,519,247	$ 1,516,900,072
Terminated employees who may be entitled to future benefits	29,155,744	85,062,764
Current active members	1,006,430,936	1,508,353,427
Total actuarial accrued liability (AAL)	**$ 2,386,105,927**	**$ 3,110,316,263**
Effect of Assets		
Employer actuarial accrued liability (AAL)	$ 2,386,105,927	$ 3,110,316,263
Actuarial value of assets	35,796,904	34,124,958
Unfunded actuarial accrued liability (UAAL)	$ 2,350,309,023	$ 3,076,191,305

Required Supplementary Information

CHART 1: Summary of Required Supplementary Information

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Amortization period	30 years (closed period)
Asset valuation method	Market
Actuarial assumptions:	
Discount rate	4.50%
Inflation	3.50%
Heath care cost trend rate	8.0% graded to 5% over 6 years
Plan membership:	
Current retirees and beneficiaries currently receiving health benefits	18,140
Retirees and beneficiaries entitled to health benefits but not currently receiving them	9,300
Terminated employees who may be entitled to future benefits	4,502
Current active members	30,969
Total	**62,911**

CHART 2: Determination of Annual Required Contribution (ARC)

Cost Element	July 1, 2013		July 1, 2012	
	Amount	Percent of Payroll	Amount	Percent of Payroll
1. Normal cost	$ 75,361,817	3.24%	$ 106,333,213	4.78%
2. Amortization of the unfunded actuarial accrued liability (30 years)	89,753,586	3.85%	109,829,935	4.94%
3. Total Annual Required Contribution (ARC)	$ 165,115,403	7.09%	$ 216,163,148	9.72%
4. Projected Payroll	$ 2,327,963,064		$ 2,224,903,121	

CHART 3: Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contributions (ARC)	Actual Contributions	Percentage Contributed
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%
June 30, 2011	215,797,617	65,000,000	30.12%
June 30, 2012	218,842,221	65,000,000	29.70%
June 30, 2013	216,163,148	65,000,000	30.07%

CHART 4: Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	[Assets as a % of Actuarial Liability] Funded Ratio (c) = (a) / (b)	Unfunded AAL (UAAL) (d) = (b) - (a)	Active Member Payroll (e)	UUAL as a % of Active Member Payroll (f) = (d)/(e)
June 30, 2006	$ 41,057,585	$ 2,373,773,770	1.73%	$ 2,332,716,185	$ 1,944,358,215	119.97%
June 30, 2007	47,401,758	2,022,007,643	2.34%	1,974,605,885	1,863,182,086	105.98%
June 30, 2008	44,989,385	2,407,122,492	1.87%	2,362,133,107	1,914,558,916	123.38%
June 30, 2009	49,691,750	2,670,282,662	1.86%	2,620,590,912	1,996,194,224	131.28%
June 30, 2010	34,857,732	2,864,877,305	1.22%	2,830,019,573	2,107,934,080	134.26%
June 30, 2011	31,324,572	3,071,516,739	1.02%	3,040,192,167	2,090,131,858	145.45%
June 30, 2012	34,124,958	3,110,316,263	1.10%	3,076,191,305	2,224,903,121	138.26%
June 30, 2013	35,796,904	2,386,105,927	1.50%	2,350,309,023	2,239,347,051	104.96%

CHART 5: Solvency Test

	June 30, 2013	June 30, 2012
1. Actuarial Accrued liability (AAL)	$ 0	$ 0
a. Active member contributions	1,350,519,247	1,516,900,072
b. Retirees and beneficiaries	1,035,586,680	1,593,416,191
c. Active and inactive members (employer financed)	$ 2,386,105,927	$ 3,110,316,263
d. Total	35,796,904	34,124,958
2. Actuarial value of assets		
3. Cumulative portion of AAL covered	100.0%	100.0%
a. Active member contribution		
b. Retirees and beneficiaries	2.65%	2.25%
c. Active and inactive members (employer financed)	0.00%	0.00%

Exhibit 1: Actuarial Assumptions and Actuarial Cost Method

Measurement Date: June 30, 2013

Discount Rate: 4.50%

Payroll Growth: 3.50% per year

Actuarial Cost Method: Projected Unit Credit

Asset Valuation Method: Market value

Data: Detailed census data and financial data for postemployment benefits were provided by the Fund staff.

MORTALITY RATES

Healthy: The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA (adopted June 30, 2013).

Disabled: The RP-2000 Disabled Mortality Table, set back 3 years (adopted June 30, 2013).

The mortality tables specified above without future generational improvement reasonably reflect the projected mortality experience of the Fund as of the measurement date. The healthy mortality table was then adjusted to future years using additional generational improvement using Scale AA to anticipate future mortality improvement.

TERMINATION RATES:

Select and ultimate termination rates are based on recent experience of the Fund were used. Select rates are as follows:

Years of Service	Rate (%)
Less than 1	25.00
1 - 1.99	15.00
2 - 2.99	10.00
3 - 3.99	9.00
4 - 4.99	8.00
5 - 5.99	7.00
6 - 6.99	6.00
7 - 7.99	5.00
8 - 8.99	4.50
9 - 9.99	4.00

Ultimate rates after the 10th year for sample ages are as follows:

10+Years of Service	
Age	Rate (%)
30	2.50
35	2.50
40	2.25
45	2.00
50	2.00
55	2.00

DISABILITY RATES

Disability rates based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

Age	Rate (%)
30	0.06
40	0.08
50	0.16
60	0.20

RETIREMENT RATES

For employees first hired prior to January 1, 2011, rates of retirement for each age from 55 to 75 based on the recent experience of the Fund were used (adopted June 30, 2013). Sample rates are shown below.

	Rate (%)	
Age	<34 Years of Service	34+ Years of Service
55	5.0	20.0
60	9.0	22.5
65	15.0	25.0
70	20.0	30.0
75	100.0	100.0

For employees first hired on or after January 1, 2011, rates of retirement for each age from 62 to 75 were used (adopted June 30, 2011). Sample rates are shown below.

Age	Rate (%)
62	40.0
64	25.0
67	30.0
70	20.0
75	100.0

TERMINATED EMPLOYEES

Of current and future terminated participants with 10 or more years of service, 15% were assumed to meet eligibility requirements and elect coverage (adopted June 30, 2013). Terminated participants with less than 10 years of service were assumed not to participate. Terminated employees first hired prior to January 1, 2011, were assumed to retire at age 60 with 20 or more years of service, or at age 62. Terminated employees first hired on or after January 1, 2011, were assumed to retire at age 65 (adopted June 30, 2012).

PARTICIPATION AND COVERAGE ELECTION

75% of future female retirees under age 65 and 60% of future male retirees under age 65 were assumed to participate. 80% of future female retirees age 65 and greater and 65% of future male retirees age 65 and greater were assumed to participate. This participation assumption was also applied to retirees currently receiving COBRA reimbursement. Of current retirees under age 65 who are not currently participating, 20% of females and 12.5% of males were assumed to participate at age 65 (adopted June 30, 2013).

MISSING PARTICIPANT DATA

A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

DEPENDENTS

Demographic data was available for spouses of current retirees. For future retirees, 80% of participants are assumed to be married, with husbands two years older than their wives. Upon the death of the retiree, 20% of surviving spouses are assumed to elect coverage (adopted June 30, 2013).

PER CAPITA COST DEVELOPMENT

Per capita claims costs were based on the average retiree premiums and Part A and B reimbursements as of January 1, 2013, and average rebates paid in year ended June 30, 2013, (largely incurred in calendar year 2011). Averages were calculated separately for retirees under and over age 65. The averages were trended to the midpoint of the valuation year at assumed trend rates. Actuarial factors were then applied to the average cost to estimate individual retiree and spouse costs by age and by gender.

PER CAPITA HEALTH COSTS

Average claims for the plan year beginning July 1, 2013, are shown in the table below for retirees at selected ages. Costs shown are total costs; plan pays 60%.

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	$ 11,367	$ 11,736	$ 8,946	$ 10,133
60	13,500	12,650	11,977	11,752
64	15,488	13,420	15,119	13,227
65	5,266	4,476	5,266	4,476
70	6,103	4,824	6,103	4,824
75	6,577	5,192	6,577	5,192

HEALTH CARE COST TREND RATES

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years.

Year Ending June 30,	Rate (%)
2014	8.0
2015	7.5
2016	7.0
2017	6.5
2018	6.0
2019	5.5
2020 & Later	5.0

PLAN DESIGN

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit 2 and on the established pattern or practice with regard to sharing of benefit costs between the employer and plan members. In particular, this valuation under GASB 43 does not take into account the current $65 million maximum of annual payments that may be paid from the Fund, as there has been a history of increases in the annual dollar maximum.

The valuation includes recognition of the excise tax. The applicable annual limitation used to determine the estimated amount of excise tax is assumed to increase 3.5% per year beginning in 2019.

The effect on the obligation of other future aspects of the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 are assumed to be *de minimis*.

ASSUMPTION CHANGES SINCE PRIOR VALUATION

- Valuation-year per capita health costs were updated.
- Assumed rates of enrollment were decreased.
- Mortality, disability, turnover, and retirement rates were modified.
- The payroll growth rate was lowered from 4.00% to 3.50%.
- The amortization method for GASB was changed from a 30-year open period, level percentage of pay to a 30-year closed period, level percentage of pay.

Exhibit 2: Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

RETIREE ELIGIBILITY

Recipient of a service retirement, disability, or survivor's pension from the Public School Teachers' Pension and Retirement Fund of Chicago. Pension eligibility is generally as follows:

Service Retirement Pension

An employee first hired before January 1, 2011, is eligible to retire at age 55 with at least 20 years of service or at age 62 with 5 years of service. An employee first hired on or after January 1, 2011, is eligible to retire at age 62 with at least 10 years of service credit.

Survivor's Pension

A surviving spouse or unmarried minor child is entitled to a pension upon the death of an employee while in service or on retirement. If the 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.

Non-duty Disability Benefit

A non-duty disability pension is payable in the event of total or permanent disability with 10 or more years of service.

Duty Disability Benefit

Upon disability resulting from an injury incurred while working, an employee is entitled to a disability benefit.

Additional requirements apply to those who terminate prior to retirement.

BENEFITS

Partial reimbursement of the cost of health insurance coverage, which may be in the form of an annual direct payment or a reduction in the amount deducted from the monthly annuity.

Effective January 1, 2011, the Board provides reimbursement of 60% of the cost of pensioners' health insurance coverage. The total amount of payments in any year may not exceed 75% of the total cost of health insurance coverage in that year for all recipients who receive payments in that year.

Total payments may not exceed $65,000,000 plus any amount that was authorized to be paid in the preceding year but was not actually paid (including any interest earned).

Exhibit 3: Definitions of Terms

The following list defines certain technical terms used in GASB Statements:

ASSUMPTIONS OR ACTUARIAL ASSUMPTIONS

The estimates on which the cost of the Plan is calculated including:

(a) Investment return – the rate of investment yield which the Plan will earn over the long-term future;

(b) Mortality rates – the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates – the rate or probability of retirement at a given age;

(d) Turnover rates – the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

ACTUARIAL PRESENT VALUE OF TOTAL PROJECTED BENEFITS (APB)

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

NORMAL COST

The amount of contributions required to fund the benefit allocated to the current year of service.

ACTUARIAL ACCRUED LIABILITY FOR ACTIVES

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

ACTUARIAL ACCRUED LIABILITY FOR PENSIONERS

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

ACTUARIAL VALUE OF ASSETS (AVA)

The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.

FUNDED RATIO

The ratio AVA/AAL.

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

AMORTIZATION OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

INVESTMENT RETURN (DISCOUNT RATE)

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.

COVERED PAYROLL

Annual reported salaries for all active participants on the valuation date.

ARC AS A PERCENTAGE OF COVERED PAYROLL

The ratio of the annual required contribution to covered payroll.

HEALTH CARE COST TREND RATES

The annual rate of increase in net claims costs per individual benefiting from the Plan.

ANNUAL REQUIRED CONTRIBUTION (ARC)

The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Exhibit 4: Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Under this statement, all state and local government entities that provide other postemployment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (i.e., a pay-as-you-go basis).

The statement covers postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit 2, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The standard introduced an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standard also introduced a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit 1. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and the actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made. In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibit 3 contains a definition of terms.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

STATISTICAL

This section includes summaries of statistical information about participating members, annuitants, and the benefits paid to them.

Statement of Changes in Fiduciary Net Position
Pension Fund

For year ended June 30, 2013, with comparative totals for 9 years

	2013	2012	2011	2010	2009
Additions:					
Contributions:					
Intergovernmental, net (employer)	$ 142,654,000	$ 138,729,011	$ 143,589,994	$ 290,759,950	$ 198,069,327
Employee contributions	188,356,294	187,141,384	185,882,636	194,621,551	176,176,975
	331,010,294	**325,870,395**	**329,472,630**	**485,381,501**	**374,246,302**
Investment income:					
Net investment income	1,174,500,001	(38,124,125)	2,123,272,170	1,107,453,898	(2,464,420,944)
Miscellaneous	–	431,790	55,307	–	–
Total additions	**1,505,510,295**	**288,178,060**	**2,452,800,107**	**1,592,835,399**	**(2,090,174,642)**
Deductions:					
Pension Benefits					
Retirement	1,173,343,019	1,062,373,677	999,323,111	943,252,537	897,873,287
Survivors	41,503,227	38,812,556	36,196,804	33,738,810	31,028,747
Disability	13,472,748	12,698,514	12,019,044	11,512,123	11,673,453
Refunds					
Separation	12,948,597	17,521,737	13,135,132	9,334,950	10,615,031
Death	3,284,366	4,139,266	3,373,836	4,253,510	3,765,163
Other	8,554,098	14,633,633	10,671,550	7,495,834	5,658,269
Death Benefits					
Heirs of Active Teachers	441,036	387,047	419,861	496,832	514,743
Heirs of Annuitants	3,553,273	2,937,334	2,840,999	2,449,315	2,462,789
Uncollectible Receivables	–	–	–	–	–
	1,257,100,364	**1,153,503,764**	**1,077,980,337**	**1,012,533,911**	**963,591,482**
Administrative and miscellaneous expenses	11,537,394	10,120,434	9,527,938	8,800,848	8,751,945
Total deductions	**1,268,637,758**	**1,163,624,198**	**1,087,508,275**	**1,021,334,759**	**972,343,427**
Net increase (decrease)	236,872,537	(875,446,138)	1,365,291,832	571,500,640	(3,062,518,069)
Transfers Health Insurance	–	–	–	–	–
Net assets held in trust for benefits:					
Beginning of period	9,437,316,026	10,312,762,164	8,947,470,332	8,375,969,692	11,438,487,761
End of period	**$ 9,674,188,563**	**$ 9,437,316,026**	**$ 10,312,762,164**	**$ 8,947,470,332**	**$ 8,375,969,692**

Continued from page 121

	2008	2007	2006	2005	2004
ADDITIONS:					
Contributions:					
Intergovernmental, net (employer)	$ 164,270,412	$ 103,761,750	$ 52,789,706	$ 8,872,764	$ 13,032,273
Employee contributions	172,504,804	179,017,663	163,419,386	175,706,081	169,598,212
	336,775,216	**282,779,413**	**216,209,092**	**184,578,845**	**182,630,485**
Investment income:					
Net investment income	(738,817,587)	1,947,810,351	1,093,872,285	1,034,998,497	1,477,931,294
Miscellaneous	–	1,923	139,509	561,154	86,285
Total additions	**(402,042,371)**	**2,230,591,687**	**1,310,220,886**	**1,220,138,496**	**1,660,648,064**
DEDUCTIONS:					
Pension Benefits					
Retirement	863,963,625	759,346,660	682,245,353	617,684,571	554,975,291
Survivors	29,037,664	27,532,256	25,854,248	24,520,785	22,885,524
Disability	11,673,773	10,898,039	10,388,393	9,561,956	8,649,568
Refunds					
Separation	5,626,786	12,829,988	10,633,789	16,877,637	9,565,261
Death	3,218,956	3,942,853	4,028,201	3,572,619	3,588,032
Other	7,884,526	19,581,668	16,023,309	4,408,439	10,173,428
Death Benefits					
Heirs of Active Teachers	486,740	554,765	535,142	470,537	505,842
Heirs of Annuitants	2,359,473	2,322,418	2,082,915	2,035,334	2,095,323
Uncollectible Receivables	–	–	–	–	–
	924,251,543	**837,008,647**	**751,791,350**	**679,131,878**	**612,438,269**
Administrative and miscellaneous expenses	7,827,576	8,434,688	8,320,340	7,477,671	7,214,467
Total deductions	**932,079,119**	**845,443,335**	**760,111,690**	**686,609,549**	**619,652,736**
Net increase (decrease)	(1,334,121,490)	1,385,148,352	550,109,196	533,528,947	1,040,995,328
Transfers Health Insurance	–	–	59,496,735	–	–
Net assets held in trust for benefits:					
Beginning of period	12,772,609,251	11,387,460,899	10,777,854,968	10,244,326,021	9,203,330,693
End of period	**$ 11,438,487,761**	**$ 12,772,609,251**	**$ 11,387,460,899**	**$ 10,777,854,968**	**$ 10,244,326,021**

Statement of Changes in Fiduciary Net Position
Health Insurance Fund

For Year Ended June 30, 2013,
with comparative totals for 9 years

	2013	2012	2011	2010	2009
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	82,822	41,058	20,471	119,855	514,200
Miscellaneous	8,352,647	6,770,651	10,338,661	–	15,000,000
Total additions	**73,435,469**	**71,811,709**	**75,359,132**	**65,119,855**	**80,514,200**
Deductions:					
Health Insurance Premium Rebate	71,763,523	69,011,323	78,892,292	79,953,873	75,811,835
Total deductions	**71,763,523**	**69,011,323**	**78,892,292**	**79,953,873**	**75,811,835**
Net increase (decrease)	1,671,946	2,800,386	(3,533,160)	(14,834,018)	4,702,365
Transfers Health Insurance	–	–	–	–	–
Net assets held in trust for benefits:					
Beginning of period, as restated	34,124,958	31,324,572	34,857,732	49,691,750	44,989,385
End of period	**$ 35,796,904**	**$ 34,124,958**	**$ 31,324,572**	**$ 34,857,732**	**$ 49,691,750**

Continued from page 123

	2008	2007	2006	2005	2004
ADDITIONS:					
Contributions:					
Intergovernmental, net (employer)	$ 65,000,000	$ 65,000,000	$ 65,000,000	$ 65,044,700	$ 65,095,000
Investment income:					
Net investment income	1,278,818	2,373,014	4,071,093	1,899,844	928,497
Miscellaneous	–	–	–	–	–
Total additions	**66,278,818**	**67,373,014**	**69,071,093**	**66,944,544**	**66,023,497**
DEDUCTIONS:					
Health Insurance Premium Rebate	68,691,191	61,028,841	58,279,900	54,410,887	53,106,379
Total deductions	**68,691,191**	**61,028,841**	**58,279,900**	**54,410,887**	**53,106,379**
Net increase (decrease)	(2,412,373)	6,344,173	10,791,193	12,533,657	12,917,118
Transfers Health Insurance	–	–	(59,496,735)	–	–
Net assets held in trust for benefits:					
Beginning of period, as restated	47,401,758	41,057,585	89,763,127	77,229,470	64,312,352
End of period	**$ 44,989,385**	**$ 47,401,758**	**$ 41,057,585**	**$ 89,763,127**	**$ 77,229,470**

Annuitants

Distribution of Current Annuitants by Benefit Type

As of June 30, 2013

Monthly Pension Amount	Retirement		Disability		Survivor		Total	
	Males	Females	Males	Females	Males	Females	Males	Females
$ 0 – 499	441	1,006	2	2	170	262	613	1,270
$ 500 – 999	392	853	11	22	235	412	638	1,287
$ 1,000 – 1,499	313	644	15	43	185	240	513	927
$ 1,500 – 1,999	249	736	14	46	189	268	452	1,050
$ 2,000 – 2,499	263	859	15	53	196	273	474	1,185
$ 2,500 – 2,999	286	1,034	15	47	77	190	378	1,271
$ 3,000 – 3,499	320	1,282	17	42	15	79	352	1,403
$ 3,500 – 3,999	363	1,312	14	45	11	52	388	1,409
$ 4,000 – 4,499	573	1,629	7	39	6	31	586	1,699
$ 4,500 – 4,999	975	2,859	5	8	2	16	982	2,883
$ 5,000 – 5,499	951	2,613	2	6	0	6	953	2,625
$ 5,500 – 5,999	396	1,150	2	1	1	0	399	1,151
$ 6,000 – 6,499	252	376	0	1	0	2	252	379
$ 6,500 – 6,999	187	280	1	1	0	0	188	281
$ 7,000 – 7,499	122	245	0	1	0	0	122	246
$ 7,500 – 7,999	103	187	1	0	1	0	105	187
$ 8,000 – 8,499	89	142	0	0	0	0	89	142
$ 8,500 – 8,999	62	118	0	0	0	1	62	119
$ 9,000 +	141	239	0	0	0	0	141	239
Total	**6,478**	**17,564**	**121**	**357**	**1,088**	**1,832**	**7,687**	**19,753**

Annuitants

Distribution of Pensioners with Health Insurance Reimbursements by Size of Annuity

June 30, 2013

Monthly Pension Amount	Health Insurance	
	Males	Females
$ 0 – 499	86	199
$ 500 – 999	157	417
$ 1,000 – 1,499	180	413
$ 1,500 – 1,999	171	600
$ 2,000 – 2,499	221	737
$ 2,500 – 2,999	212	866
$ 3,000 – 3,499	236	1,003
$ 3,500 – 3,999	280	1,042
$ 4,000 – 4,499	472	1,354
$ 4,500 – 4,999	839	2,440
$ 5,000 – 5,499	796	2,207
$ 5,500 – 5,999	317	806
$ 6,000 – 6,499	211	291
$ 6,500 – 6,999	159	244
$ 7,000 – 7,499	103	203
$ 7,500 – 7,999	92	162
$ 8,000 – 8,499	78	114
$ 8,500 – 8,999	54	91
$ 9,000 +	113	174
Total	**4,777**	**13,363**

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

for persons retired within the last 10 years

	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year 2004							
Average Monthly Pension	322	654	1,331	2,059	2,314	3,238	4,475
Average Final 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 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 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 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 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 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 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
Fiscal Year 2011							
Average Monthly Pension	313	802	1,361	2,363	2,910	3,944	6,458
Average Final Salary*	6,480	4,994	5,276	6,252	6,405	6,936	8,824
Number of Retired Members	39	59	56	60	91	49	232
Fiscal Year 2012							
Average Monthly Pension	348	842	1,452	2,522	3,308	4,142	5,788
Average Final Salary*	6,690	5,457	5,509	6,696	7,049	7,173	7,887
Number of Retired Members	72	114	84	134	221	157	538
Fiscal Year 2013							
Average Monthly Pension	275	856	1,645	2,761	3,567	4,422	5,976
Average Final Salary*	5,623	5,491	6,180	7,136	7,495	7,688	8,157
Number of Retired Members	56	114	91	186	380	256	824

* *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
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	7,145	23,867	31,012
2011	6,949	23,184	30,133
2012	7,048	23,318	30,366
2013	7,253	23,716	30,969

**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.