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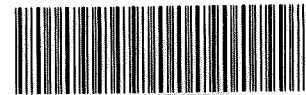
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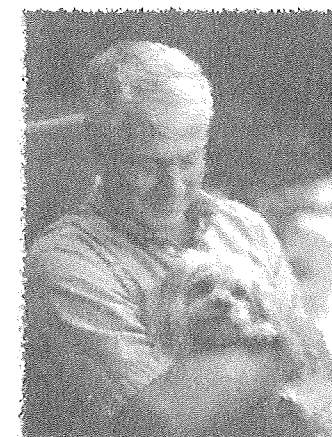
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Teachers' Retirement System of the State of Illinois
Comprehensive Annual Financial Report
for the fiscal year ended June 30, 1999

Created through the cooperative efforts of TRS staff.

Teachers' Retirement System of the State of Illinois
P.O. Box 19253, 2815 West Washington
Springfield, Illinois 62794-9253



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Introductory

Section I



Certificate of Achievement

Letter of Transmittal

Executive Director's Letter

Board of Trustees

Organizational Structure

Consulting and Professional Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of the State of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998

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



Keith Bozarth
President

Jeffrey L. Esser
Executive Director



Teachers' Retirement System of the State of Illinois

P. O. Box 19253, 2815 West Washington
Springfield, Illinois 62794-9253

Keith Bozarth
Executive Director
(800) 877-7896
(217) 753-0311
TDD (217) 753-0329

Letter of Transmittal

December 1, 1999

Board of Trustees
Teachers' Retirement System
2815 West Washington, P.O. Box 19253
Springfield, IL 62794-9253

I am pleased to present the Comprehensive Annual Financial Report for the Teachers' Retirement System of the State of Illinois (TRS) for the fiscal year ended June 30, 1999. TRS' management and staff are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of TRS as of June 30, 1999.

This report consists of five sections:

- the Introductory Section contains this letter of transmittal, identification of the TRS Board of Trustees and organizational structure, a report from our executive director that outlines the major activities of the past year and plans for the future, the Certificate of Achievement for Excellence in Financial Reporting, and consulting and professional service providers.
- the Financial Section contains the independent auditors' report, the financial statements and related notes, and required supplemental schedules.

- the Investment Section contains information detailing fund performance, investment managers, and the fund's portfolio.
- the Actuarial Section contains the actuary's letter of certification, results of the latest actuarial valuation, and a plan summary including any changes in the plan.
- the Statistical Section contains information and statistical data pertaining to members and annuitants and historical data on revenue and expenses.

Financial Information

A system of internal controls helps TRS to monitor and safeguard assets and promote efficient operations. An annual external audit is conducted by the Illinois Auditor General in addition to regular reviews by our Internal Auditor. The annual operating budget is evaluated and approved by the Board of Trustees, and financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB).

Board of Trustees

| | | | | |
|--|---------------------------------|-----------------------------|-------------------------------|--------------------------|
| Glenn W. McGee - President Springfield | Jan Cleveland Carmi | Scott Eshelman Algonquin | Marilyn Oglesby Charleston | Molly Phalen Rockford |
| James Bruner Vice President Jacksonville | William R. Enlow Springfield | Sharon Leggett Evanston | Cynthia O'Neill Carlyle | |

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Revenues and Funding

Sources of funding TRS include member contributions, investment income, and employer contributions through state appropriations and payments by school districts. At June 30, 1999, total assets available to pay benefits grew to \$22.2 billion.

One source of funding is contributions from 142,186 active members who contributed 9 percent of their earnings through June 30, 1999. Members may also make contributions to purchase optional service credit, to upgrade their pre-July 1998 service credit to the 2.2 percent benefit formula, and for the Early Retirement Option (ERO). In FY99, member contribution revenue totaled \$866 million, a \$425 million

increase from the previous year. The increase is a result of approximately 37,000 irrevocable Payroll Deduction Program agreements entered into by members to pay for their 2.2 upgrade cost and to purchase optional service credit. The increase is also attributed to an increase in the member contribution rate from 8 percent to 9 percent. Net investment income decreased \$783 million to \$2,090 million, a 10.8 percent return for the year.

Appropriations from the State of Illinois and employer contributions make up a third funding source. State appropriations for FY99 increased \$106 million to \$573 million while contributions from employers increased to \$64 million.

| REVENUES (\$ millions) | | | | |
|------------------------|----------------|----------------|---------------------|---------------|
| Source | 1999 | 1998 | Increase/(Decrease) | |
| | | | Amount | % Change |
| Member contributions | \$866 | \$441 | \$425 | 96.4% |
| State of Illinois | 573 | 467 | 106 | 22.7 |
| Employer contributions | 64 | 36 | 28 | 77.8 |
| Net investment income | 2,090 | 2,873 | (783) | (27.3) |
| Total | \$3,593 | \$3,817 | (\$224) | (5.9%) |

Expenses

Expenses include payments of benefits, refunds, and administrative expenses. Benefits payments increased from \$1,210 million to \$1,284 million in FY99. This 6.1 percent increase is the result of an increase in the number of members who retired

during FY99, retirements using the 2.2 percent benefit formula, and annual increases in annuities as prescribed by law. Administrative expenses continued to constitute less than 1 percent of TRS expenses in FY99.

| EXPENSES (\$ millions) | | | | |
|------------------------|----------------|----------------|---------------------|-------------|
| Source | 1999 | 1998 | Increase/(Decrease) | |
| | | | Amount | % Change |
| Benefits payments | \$1,284 | \$1,210 | \$74 | 6.1% |
| Refunds | 26 | 24 | 2 | 8.3 |
| Administrative/Other | 11 | 10 | 1 | 10.0 |
| Total | \$1,321 | \$1,244 | \$77 | 6.2% |

Independent Audit

Each year TRS' financial statements, records, and internal controls are examined by special assistant auditors employed by the Illinois Auditor General. In addition, an annual compliance audit for the previous year is performed to review compliance with applicable statutes and codes. The independent auditors' report on TRS' financial statements is included in the Financial Section of this report.

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its comprehensive annual financial report for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid only for one year. TRS has received a Certificate of Achievement for the last 10 years. We believe our current report continues

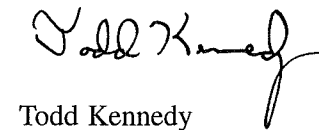
to meet the Certificate of Achievement program requirements and are submitting it to the GFOA for consideration again this year.

Acknowledgments

Information for this report was gathered by and reflects the combined efforts of TRS staff under the leadership of the Board of Trustees and the Executive Director. It is intended to provide complete and reliable information as a basis for making management decisions, to determine our compliance with legal provisions, and as a means for determining responsible stewardship of the assets contributed by members and their employers.

This report is provided to members of the General Assembly, all participating employers, and to others by request. The participating employers of TRS form the link between TRS and its members. Their cooperation, for which we are grateful, contributes significantly to our success. We hope this report is both informative and helpful.

Respectfully submitted,



Todd Kennedy
Controller

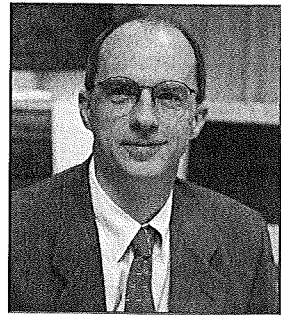


Teachers' Retirement System of the State of Illinois

P. O. Box 19253, 2815 West Washington
Springfield, Illinois 62794-9253

Keith Bozarth
Executive Director
(800) 877-7896
(217) 753-0311
TDD (217) 753-0329

Executive Director's Letter



Dear Members, Annuitants, and Beneficiaries:

Having completed my first year at TRS, I am pleased to report that we have made significant progress in several key areas including technology, legislation implementation, and investments. Each of these areas in turn contributes to making TRS a better retirement system.

Telecommunications

As part of our continuing effort to improve communications, we upgraded our telecommunications system and hired additional Member Service Representatives to assist callers. The new system has an automatic call distribution

feature that expanded our capacity to receive and route calls. We are in the process of adding a new toll-free, 24-hour Forms Order Line through which members may order forms or other information from their telephones. We will continue to refine our use of this technology in the year ahead.

Web Site

Our Web site continues to grow. In addition to several new or updated publications, we have added a "What's New" page and are in the process of adding downloadable forms to the site. As more of our members gain access to the Internet and become more comfortable with this tool, we will continue to build on our Web site.

Year 2000 Readiness

We are pleased to report that the "mission-critical" processes used to maintain TRS member data and prepare monthly benefit checks have been successfully tested. In addition, staff will be available over the New Year's weekend to ensure that computer systems are functioning properly when business resumes the following week.

TRS 2000

A complete workflow and computer system reengineering project, TRS 2000 will provide computer support to staff for enhanced member and employer processes. To date, we have completed upgrades to computer hardware, communications wiring, and the system operating software and are in the process of upgrading the system applications software. The project is scheduled to be completed July 1, 2001.

Implementation of 2.2 Legislation

Last year's 2.2 legislation substantially improved retirement benefits for our members by changing the retirement formula from a four-step, graduated formula to a flat 2.2 percent for each year of creditable service. It decreased the number of years of service that members needed to receive full retirement benefits (75 percent of final salary) from 38 to 34 years.

Board of Trustees

| | | | | |
|--|---------------------------------|-----------------------------|-------------------------------|--------------------------|
| Glenn W. McGee - President Springfield | Jan Cleveland Carmi | Scott Eshelman Algonquin | Marilyn Oglesby Charleston | Molly Phalen Rockford |
| James Bruner Vice President Jacksonville | William R. Enlow Springfield | Sharon Leggett Evanston | Cynthia O'Neill Carlyle | |

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The enormous response to the 2.2 benefit formula had a dramatic impact on every area of TRS. We conducted 67 statewide meetings with more than 18,300 members. We also conducted several statewide meetings with TRS-covered employers. To date 69,933 members have requested upgrade applications with 50,921 electing to upgrade their pre-July 1998 service. In addition, 42,201 2.2 payroll deduction agreements were prepared and sent to members.

Legislative Changes

During the 1999 legislative session, the General Assembly made several changes that benefit TRS members, annuitants, and employers. Among those changes were:

- ☐ an extension of the Early Retirement Option (ERO) to June 30, 2005.
- ☐ an elimination of the employer ERO contribution for members who have at least 34 years of service.
- ☐ an authorization for TRS to pay benefits when the member ERO contribution has been received, even though the employer ERO contribution may be outstanding.
- ☐ improvements to the annuitant health insurance benefits beginning July 1, 2000. The improvements include reductions in the Teachers' Choice Health Plan (TCHP) major medical annual plan deductible and out-of-pocket maximum, a reduction in the Managed Care Plan inpatient co-payment, and enhancements in the TCHP Medicare coordination of benefits.
- ☐ a reduction in costs for upgrading to the 2.2 benefit formula for members who have 34 years of service.
- ☐ a correction in the accrual rate for certain members who do not wish to upgrade pre-July 1998 service to the 2.2 benefit formula.

Investment Program

In December 1998 Independent Fiduciary Services presented a report to the Board of Trustees outlining a broad range of recommendations intended to improve the structure and efficiency of TRS' investment program. After careful review and consideration, we set in motion an implementation plan designed to ensure that all aspects of the investment portfolio meet the highest of standards. As of August 31, 1999, implementation was complete on 28 percent of the recommendations and underway or ongoing on another 10 percent. We anticipate that 74 percent of the recommendations will be implemented by the end of the calendar year. The remaining items are scheduled for either review or completion during calendar years 2000 and 2001.

In March 1999, as a result of a competitive search process, the Board of Trustees hired a new general investment consultant, Strategic Investment Solutions (SIS), based in San Francisco. With SIS' help, we conducted an asset/liability study to determine the most efficient manner in which to allocate the fund's assets. In July 1999, upon completion of the study, the Board of Trustees adopted new asset allocation targets for TRS.

Currently, we, in conjunction with SIS, are working on a plan to move the fund from its current asset mix to the new targets. The objective is to structure a sound investment portfolio that is best suited to our future funding needs. This will result in a portfolio that is efficient and cost effective with adequate risk controls. As part of this process, each of our external investment manager relationships will be reviewed. A likely outcome of this review process will be a reduction in the number of external investment managers with attendant efficiencies and cost savings.

These accomplishments demonstrate our commitment to delivering quality service to our members. Our dedication to this goal will continue into the next century.

Sincerely,

Keith Bozarth
Executive Director

Board of Trustees

Glenn W. McGee
President
 • Springfield



Sharon Leggett
 • Evanston
 • July 15, 1999 – July 14, 2003



James Bruner
Vice President
 • Jacksonville
 • July 15, 1998 – July 14, 2002



Marilyn Oglesby
 • Charleston
 • July 15, 1996 – July 14, 2000



Jan Cleveland
 • Carmi
 • July 15, 1997 – July 14, 2001



Cynthia O'Neill
 • Carlyle
 • July 15, 1999 – July 14, 2003



William R. Enlow
 • Springfield
 • July 15, 1998 – July 14, 2002



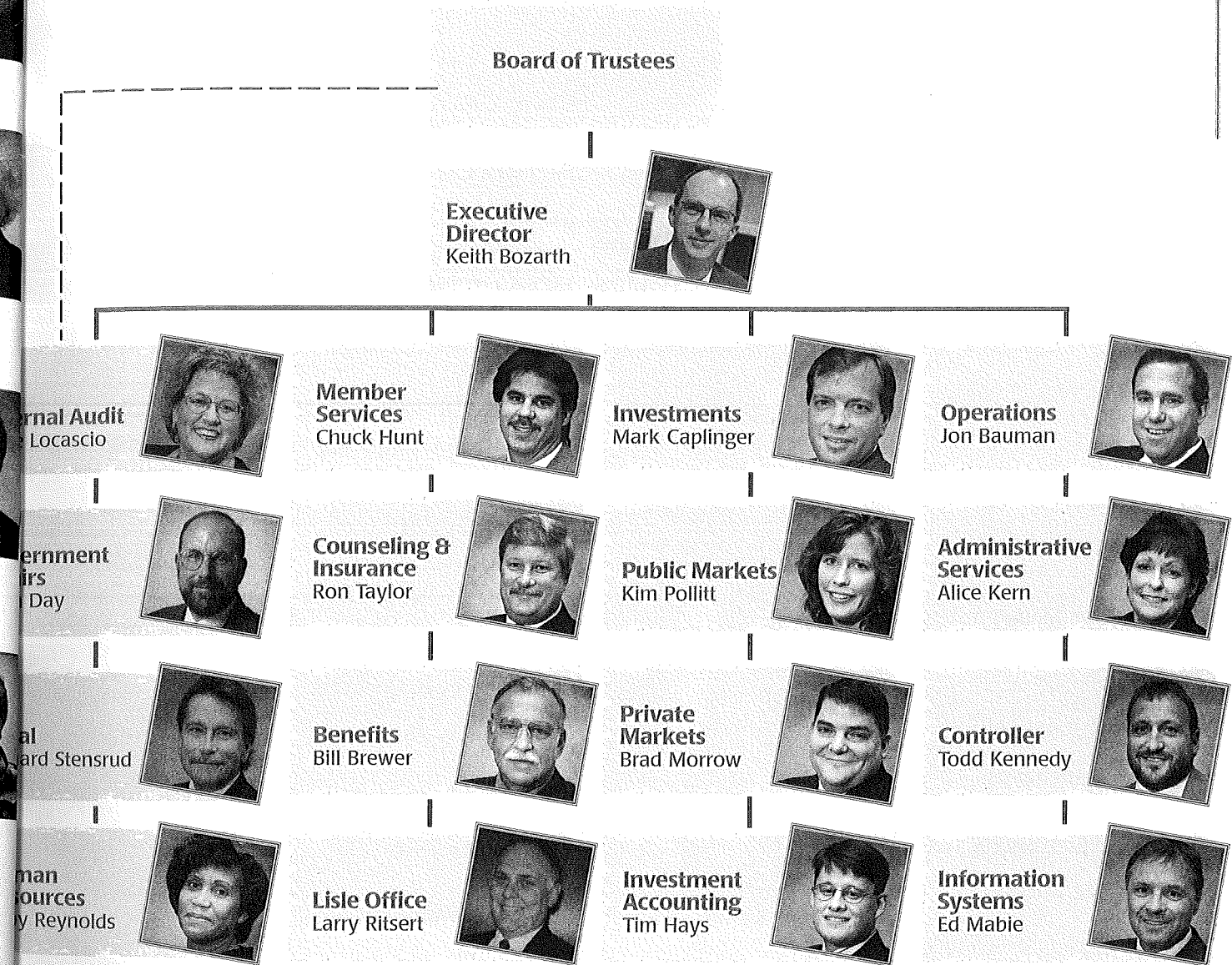
Molly Phaien
 • Rockford
 • July 15, 1997 – July 14, 2001



Scott Eshelman
 • Algonquin
 • July 15, 1999 – July 14, 2003



Organizational Structure



Hugh Brown Anne Davis Roman Miller

Thank You

*For your dedicated service
 to the teachers of the State of Illinois*

Hugh Brown: July 15, 1987–July 14, 1999
 Anne Davis: July 15, 1977–July 14, 1999
 Roman Miller: July 15, 1996–October 19, 1999

Consulting and Professional Services

Actuary

Buck Consultants, Inc.

Chicago, Illinois

External Auditors

as special assistants to the Office of the Auditor General

Friedman Eisenstein Raemer and Schwartz, LLP

Chicago, Illinois

Information Systems

Dooley Associates, Inc.

Philadelphia, Pennsylvania

Grant Thornton LLP

St. Louis, Missouri

Information Management Group, Inc.

Chicago, Illinois

MCW Technologies

Seattle, Washington

Metamor Information Technology

Springfield, Illinois

Investment Consultants

(Investment Management Firms are listed on pages 35 and 36.)

Callan Associates, Inc.

Chicago, Illinois

JW Flynn Company

Indianapolis, Indiana

Joseph J. Blake and Associates, Inc.

Chicago, Illinois

Strategic Investment Solutions, Inc.

San Francisco, California

Legal Counsel

Conner & Winters

Washington, DC

Grant, Hanley & Genovese

Irvine, California

Loewenstein, Hagen & Oehlert & Smith

Springfield, Illinois

Rudnick & Wolfe

Chicago, Illinois

Master Trustee

The Northern Trust Company

Chicago, Illinois

Financial

Section



Independent Auditors' Report
Statement of Plan Net Assets
Statement of Changes in Plan Net Assets
Notes to Financial Statements
Required Supplementary Information
Notes to Required Supplementary Information
Other Supplementary Information

FERSFRIEDMAN EISENSTEIN
RAEMER AND SCHWARTZ, LLP401 North Michigan Avenue
Chicago, Illinois 60611.4240 312.644.6000 FAX 312.644.4423**INDEPENDENT AUDITORS' REPORT**Honorable William G. Holland
Auditor General
State of IllinoisBoard of Trustees
Teachers' Retirement System of
the State of Illinois

As Special Assistant Auditors of the Auditor General, we have audited the accompanying statement of plan net assets of the Teachers' Retirement System of the State of Illinois (the System), a component unit of the State of Illinois, as of June 30, 1999, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System, as of June 30, 1998, were audited by other auditors whose report, dated October 22, 1998, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1999 financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of the State of Illinois as of June 30, 1999, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 1999 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

BUSINESS AND PERSONAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS
A MEMBER OF MOORES ROWLAND INTERNATIONAL**FERS**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as other supplementary information in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The required supplementary information listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the System is or will become year 2000 compliant, that the System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become year 2000 compliant.

The introductory, investment, actuarial and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

Friedman Eisenstein Raemer and Schwartz, LLP

October 27, 1999

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
STATEMENT OF PLAN NET ASSETS AS OF JUNE 30, 1999, AND 1998

| | 1999 | 1998 |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash | \$2,756,183 | \$1,129,919 |
| Receivables and prepaid expenses | | |
| Member payroll deduction | 260,963,782 | 0 |
| Member contributions | 31,749,100 | 24,942,685 |
| Employer Early Retirement Incentive | 17,007,562 | 101,895,171 |
| Employer contributions | 4,187,757 | 2,405,037 |
| State of Illinois | 0 | 512,643 |
| Investment income | 222,342,888 | 234,214,755 |
| Prepaid expenses | 449,650 | 637,835 |
| Total receivables and prepaid expenses | <u>536,700,739</u> | <u>364,608,126</u> |
| Investments, at fair value | | |
| Fixed income | 9,052,552,366 | 8,185,927,037 |
| Equities | 10,255,950,172 | 8,548,058,878 |
| Real estate | 2,500,511,322 | 2,465,432,457 |
| Short-term investments | 609,197,593 | 1,080,937,284 |
| Alternative investments | 596,456,656 | 458,118,826 |
| Foreign currency | 39,166,266 | 9,969,850 |
| Total investments | <u>23,053,834,375</u> | <u>20,748,444,332</u> |
| Collateral from securities lending | 1,418,345,349 | 1,841,099,038 |
| Property and equipment, at cost, net of accumulated depreciation of \$5,525,309 and \$5,373,476 in 1999 and 1998, respectively | 3,339,675 | 3,184,221 |
| Total assets | <u>25,014,976,321</u> | <u>22,958,465,636</u> |
| LIABILITIES | | |
| Benefits and refunds payable | 3,432,999 | 1,860,386 |
| Notes payable | 0 | 24,395,976 |
| Administrative and investment expenses payable | 87,060,219 | 84,345,938 |
| Payable to brokers for unsettled trades, net | 1,268,428,755 | 1,040,876,893 |
| Securities lending transactions | 1,418,345,349 | 1,841,099,038 |
| Total liabilities | <u>2,777,267,322</u> | <u>2,992,578,231</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 28.) | <u>\$22,237,708,999</u> | <u>\$19,965,887,405</u> |

The accompanying notes are an integral part of these statements.

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 1999, AND 1998

| | 1999 | 1998 |
|--|--------------------------------|--------------------------------|
| ADDITIONS | | |
| Contributions | | |
| Members | \$866,375,866 | \$441,016,391 |
| State of Illinois | 572,950,673 | 466,948,418 |
| Employers | | |
| Early retirement | 27,110,341 | 18,739,114 |
| Federal funds | 19,844,329 | 17,246,265 |
| 2.2 benefit formula | 16,690,590 | 0 |
| Total contributions | <u>1,502,971,799</u> | <u>943,950,188</u> |
| Investment income | | |
| Net appreciation in fair value | 1,249,234,042 | 2,054,735,011 |
| Interest | 557,162,549 | 503,858,514 |
| Real estate operating income, net | 215,826,235 | 211,425,748 |
| Dividends | 129,304,570 | 125,883,126 |
| Alternative investment income | 6,152,976 | 42,020,785 |
| Securities lending income | 109,266,864 | 111,035,697 |
| Other investment income | 1,669,537 | 2,045,131 |
| Total investment income | <u>2,268,616,773</u> | <u>3,051,004,012</u> |
| Less investment expense | | |
| Securities lending expense | 98,364,242 | 102,164,084 |
| Investment activity expenses | 80,591,562 | 75,738,461 |
| Net investment income | <u>2,089,660,969</u> | <u>2,873,101,467</u> |
| Total additions | <u>3,592,632,768</u> | <u>3,817,051,655</u> |
| DEDUCTIONS | | |
| Retirement benefits | 1,205,864,868 | 1,138,530,246 |
| Survivor benefits | 63,585,582 | 57,995,971 |
| Disability benefits | 14,676,166 | 13,431,030 |
| Refunds | 25,858,851 | 24,371,777 |
| Administrative expenses | 10,680,094 | 9,761,310 |
| Prior service credits and transfers | 145,613 | 181,831 |
| Total deductions | <u>1,320,811,174</u> | <u>1,244,272,165</u> |
| NET INCREASE | <u>2,271,821,594</u> | <u>2,572,779,490</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | |
| Beginning of year | 19,965,887,405 | 17,393,107,915 |
| End of year | <u>\$22,237,708,999</u> | <u>\$19,965,887,405</u> |

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

A. Plan Description

1. Reporting Entity

The Teachers' Retirement System of the State of Illinois (TRS) is the administrator of a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). Membership is mandatory for all full-time, part-time, and substitute public school personnel employed outside of Chicago in positions requiring certification. Persons employed at certain state agencies are also members. Established by the State of Illinois, TRS is governed by the Illinois Pension Code (40 ILCS 5/16). TRS is a component unit of the State of Illinois and is included in the state's financial statements as a pension trust fund.

TRS uses criteria established by the Governmental Accounting Standards Board (GASB) to determine whether other entities should be included within its financial reporting entity. Based on the criteria, TRS has no other entities included in these financial statements.

2. Employers

Members of TRS are employed by school districts, special districts, and certain state agencies. Each employer remits member contributions to TRS. Employers are responsible for employer contributions for teachers paid from federal funds and for the employer's portion of the Early Retirement Option and the Early Retirement Incentive contributions. Effective July 1, 1998, Public Act 90-582 required employers to pay a new employer contribution equal to .3 percent of covered payroll in FY99 and .58 percent of covered payroll in FY00 and subsequent years. In addition, the State of Illinois provides

| NUMBER OF EMPLOYERS at June 30, 1999, and 1998 | | |
|---|--------------|--------------|
| | 1999 | 1998 |
| Local school districts | 894 | 898 |
| Special districts | 134 | 129 |
| State agencies | 32 | 33 |
| Total | 1,060 | 1,060 |

employer contributions. For information about employer contributions made by the State of Illinois see "Funding."

3. Members

| TRS MEMBERSHIP at June 30, 1999, and 1998 | | |
|---|----------------|----------------|
| | 1999 | 1998 |
| Retirees and beneficiaries receiving benefits | 60,308 | 59,111 |
| Inactive members entitled to but not yet receiving benefits | 52,575 | 47,111 |
| Active members | 142,186 | 137,111 |
| Total | 255,069 | 243,333 |

4. Benefit Provisions

Governed by the Illinois Pension Code (40 ILCS 5/16), TRS provides retirement, death, and disability benefits. A member qualifies for an age retirement annuity after meeting one of the following requirements: age 62 with five years of service credit; age 60 with 10 years; or age 55 with 20 years. If a member retires between the ages of 55 and 60 with fewer than 35 years of service, the annuity will be reduced at the rate of 1/2 percent for each month a member is under age 60. A member who is age 55 and has fewer than 35 years of service credit may elect the Early Retirement Option (ERO) to avoid a discount for early retirement if retirement occurs before July 1, 2005, and within six months of the day of service requiring contributions, and if the member and employer both make a one-time contribution to TRS. However, both member and employer contributions are waived with 34 years of service. A member with fewer than five years of creditable service and service on or after July 1, 1947, is entitled to a single-sum benefit payable once he or she reaches age 65.

A retirement benefit is determined by the average salary of the four highest consecutive salary rates within the last 10 years of creditable service and the percentage of average salary to which the member

is entitled. This percentage is determined by the following formula for service earned before July 1, 1998: 1.67 percent for each of the first 10 years, plus 1.9 percent for each of the next 10 years, plus 2.1 percent for each of the next 10 years, plus 2.3 percent for each year over 30 years. The maximum retirement benefit, 75 percent of average salary, is achieved with 38 years of service under the graduated formula.

On May 27, 1998, former Governor Jim Edgar signed into law Public Act 90-582 which improved retirement benefits for TRS members. Public Act 90-582 changed the rate at which TRS members accrue benefits beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. Members may attain the maximum 75 percent benefit with 34 years of service under the 2.2 benefit formula. Members retiring on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

A money purchase (actuarial) benefit is payable if it results in a higher annuity than either the graduated or 2.2 formula. The 75 percent cap does not apply to the money purchase benefit.

Each annuitant who retired after 1969 or made a qualifying contribution receives an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or January 1 following the first anniversary in retirement, whichever is later.

If a member leaves covered employment, TRS will refund a member's retirement contributions upon request. The refund consists of actual contributions, excluding the 1 percent death benefit contribution.

5. Funding

Effective July 1, 1998, member contributions increased from 8 percent to 9 percent of salary. These contributions are allocated as follows: 7 1/2 percent for retirement, 1/2 percent for post-retirement increases, and 1 percent for death benefits.

Employer contributions are made by or on behalf of the employers from several sources. The State of

Illinois provides a large source of contributions through state appropriations from the Common School Fund. Additional sources of state contributions are the State Pensions Fund and contributions from the General Revenue Fund from which reimbursements are made to TRS for certain minimum and supplemental benefits. Effective July 1, 1998, the state began making contributions for the 2.2 benefit formula. Employers also make contributions for the 2.2 benefit formula and for teachers who are paid from federal funds. Additionally, employers contribute their portion of the cost of the Early Retirement Option as well as the Early Retirement Incentive. Employer Early Retirement Incentive contributions could be made in either a lump sum, over five years in equal quarterly installments, or under a different schedule approved by the TRS Board of Trustees. Employee contributions were paid in full during FY98 while employer contributions will be paid in full during FY01.

The actuarial funding requirements for FY99 and FY98 were determined under Public Acts 90-582 and 88-593, respectively. State funding law provides for a 50-year funding plan that includes a 15-year, phase-in period. Employer contributions, as a percentage of active member payroll, will be gradually increased until FY10 and remain at a level percentage for the following 35 years. TRS' funded ratio will be 90 percent at the end of the 50-year period. Beginning July 1, 1995, state contributions have been made through a continuing appropriation instead of through the appropriations process.

Administrative expenses are budgeted and approved by the TRS Board of Trustees. Funding for these expenses is included in the employer contribution, as determined by the annual actuarial valuation.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

TRS' financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenditures when they are due and payable in accordance with the terms of the plan.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets during the reporting period. Actual results could differ from those estimates.

3. Method Used to Value Investments

TRS reports investments at fair value. Fair value for equities is determined by using the closing price listed on national and over-the-counter securities exchanges as of June 30. Fair value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. Fair value for real estate investments is determined by appraisals.

4. Property and Equipment

Equipment is stated on the basis of historical cost. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. Office furniture and equipment are assigned a useful life of 3 to 10 years while vehicles are assigned a 5-year life. TRS' office building is depreciated over 40 years.

5. Accrued Compensated Absences

When they terminate employment, TRS employees are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned through December 31, 1997. (Lump-sum payments for sick leave earned prior to January 1, 1984, are subject to a maximum of 60 days or 420 hours.) Accrued compensated absences as of June 30, 1999, and 1998 totaled \$1,363,979 and \$1,284,507, respectively, and are included as administrative and investment expenses payable.

6. Receivables

Receivables consist primarily of 1) member and employer contributions owed and yet to be remitted by the employing districts as of June 30 and 2) interest and dividends owed to TRS as of June 30.

22 TRS is allowed by law to assess penalties for late payment of contributions and to collect any unpaid

amounts from the employing districts by filing a claim with the regional superintendent of education or the Office of the Comptroller against future state aid payments to the employer. TRS considers the amounts to be fully collectible.

Effective July 1, 1998, members may enter into Payroll Deduction Program agreements with their employers to pay for their optional service balance to repay refunds previously taken from TRS, or to pay for their 2.2 formula upgrade balances. Terms and conditions of the agreements are:

- ☐ A member must be employed full time.
- ☐ The agreement is irrevocable and can be terminated only upon full payment of the member balance or upon the member's death, disability, retirement, or termination of employment.
- ☐ The amount deducted must be a minimum of per month and cannot be changed during the of the agreement.
- ☐ Agreements may begin at the beginning of each calendar year quarter.
- ☐ The member may not make direct payments to TRS to reduce the balance under which an agreement has been entered.

If the agreement is to pay for a 2.2 formula upgrade balance, the maximum length of the agreement is 12 months. As of June 30, 1999, TRS had outstanding balances in payroll deduction agreements totalling \$260,963,782.

7. Prior Period Reclassification

Certain prior year amounts have been reclassified on a basis consistent with the current year presentation.

C. Cash

The bank balance and carrying amount of TRS' deposits were \$2,009,601 and \$2,756,183 at June 30, 1999, and \$1,641,591 and \$1,129,919 at June 30, 1998. Of the bank balance, \$267,556 and \$708,115 were on deposit with the state treasurer at June 30, 1999, and 1998, respectively. Bank balances are either insured or collateralized with securities held by the state treasurer or agents in the name of the state treasurer or are collateralized with securities held by TRS or its agents in the name of TRS. Cash equivalents are classified as short-term investments in the Statement of Plan Net Assets.

INVESTMENT SUMMARY

| | Fair Value | |
|---|-------------------------|-------------------------|
| | 1999 | 1998 |
| Category 1 | | |
| Government obligations | \$3,695,579,739 | \$2,329,691,162 |
| Corporate obligations | 3,738,355,003 | 3,842,379,344 |
| Preferred stock | 106,705,409 | 106,840,757 |
| Short-term investments | | |
| Commercial paper (including short-term collateral) | 152,167,981 | 55,000,000 |
| U.S. Treasury bills | 115,312,830 | 76,729,450 |
| Other | 61,172,294 | 125,460,214 |
| Common stock | <u>6,002,376,958</u> | <u>6,560,890,119</u> |
| | 13,871,670,214 | 13,096,991,046 |
| Not Categorized | | |
| Investments held by broker-dealers under securities loans | | |
| Government obligations | 979,581,472 | 1,494,045,803 |
| Corporate obligations | 92,058,150 | 200,178,490 |
| Common stock | 1,019,656,567 | 1,136,574,928 |
| Real estate equity | 2,281,228,514 | 2,266,385,678 |
| Mutual funds | 3,796,740,638 | 1,211,345,740 |
| Alternative investments | | |
| Limited partnerships | 596,456,656 | 458,118,826 |
| Foreign currency | 39,166,266 | 9,969,850 |
| Collective investment funds (U.S. dollars) | 395,857,234 | 924,873,213 |
| Security lending short-term collateral investment pool | <u>1,399,764,013</u> | <u>1,791,059,796</u> |
| Investments and collateral from securities lending | 24,472,179,724 | 22,589,543,370 |
| Less collateral from securities lending | <u>(1,418,345,349)</u> | <u>(1,841,099,038)</u> |
| Total investments* | <u>\$23,053,834,375</u> | <u>\$20,748,444,332</u> |

* This total does not include accrued income.

D. Investments

1. Investment Policies

Through the Board of Trustees, as authorized in the Illinois Pension Code, TRS serves as fiduciary for the members' trust funds and is responsible for investment of those funds by authority of the "prudent person rule." This rule establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

2. Investment Summary

The Investment Summary table presents a summary of TRS' investments and related category of custodial

credit risk at June 30, 1999, and 1998. TRS' investments are categorized to give an indication of the level of risk at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by TRS or its agent in the name of TRS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department in TRS' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty but not in TRS' name. As of June 30, 1999, and 1998, TRS holds no securities classified in either Category 2 or Category 3.

TRS has nonrecourse mortgages totaling \$298,174,533 and \$299,934,518 on real estate equities at June 30, 1999, and 1998, respectively. The amount reported for real estate equity is net of these mortgages, which mature on various dates through the year 2018.

The real estate equity category includes \$70,314,302 and \$86,767,215 of mortgages receivable which are fully secured by the properties at June 30, 1999, and 1998, respectively.

At June 30, 1999, and 1998, TRS did not have any investments with one organization that exceeded 5 percent of net assets available for benefits.

3. Securities Lending Program

The Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. TRS' master trustee is the agent in lending the Plan's domestic securities for cash collateral of 102 percent of the market value of the securities and international securities for cash collateral of 105 percent of the market value of the securities. Securities on loan at year-end are presented as not categorized in the preceding schedule of custodial credit risk. At year-end, TRS has no credit risk exposure to borrowers because the amount TRS owes the borrowers exceeds the amount the borrowers owe TRS. The contract with TRS' lending agent requires the agent to indemnify TRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay TRS for income distributions by the securities issuers while the securities are on loan. All securities loans can be terminated on demand either by TRS or the borrower, although the average term of the loans is 10 days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 51 days. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses known to the securities lending agent.

As of June 30, 1999, and 1998, TRS had outstanding loaned investment securities having a market value of \$2,091,296,189 and \$2,830,799,221, respectively, against which it had received collateral of \$2,155,148,880 and \$2,979,211,045, respectively.

Collateral from securities lending reflected on the Statement of Plan Net Assets consists primarily of collateral received in the form of cash.

4. Derivatives

TRS invests in derivative securities. A derivative security is an investment whose return depends on the value of other assets such as commodity prices, bond and stock prices, or a market index. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that loss may occur because a party to a transaction fails to perform according to the established terms. To eliminate credit risk, derivative securities are generally acquired through a clearinghouse that guarantees delivery and accepts the risk of default by either party.

Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing limits on the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a regular basis to monitor compliance with the limits.

During the year, TRS' derivative investments included foreign currency forward contracts, futures, and options. Derivative contracts are used by experienced investment personnel to implement tactical strategies upon the portfolios in a cost-effective manner. Foreign currency forward contracts are used to hedge against the currency risk in TRS' foreign stock and fixed income security portfolios. The remaining derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, or hedge changes in interest rates.

Foreign currency forward contracts are an agreement to buy or sell a specific amount of a foreign currency at a specified delivery date or maturity date for an agreed upon price. Fluctuations in the fair value of foreign currency forward contracts are recognized in TRS' financial statements as incurred rather than at the maturity or settlement date of the contract. Foreign currency forward contracts represent an off-balance sheet assets or liabilities associated with those contracts.

DERIVATIVES CONTRACTS

| Type | FY99 No. of Contracts | FY99 Contractual Principal* | FY98 No. of Contracts | FY98 Contractual Principal* |
|---|-----------------------------|-----------------------------------|-----------------------------|-----------------------------------|
| Domestic Interest Rate Products | | | | |
| Fixed income futures (net) | 9,750 | \$1,337,972,822 | 3,972 | \$480,712,652 |
| Fixed income written call options | 431 | 5,596,875 | 250 | 428,943 |
| Fixed income written put options | 2,159 | 386,368,125 | 1,000 | 40,554,817 |
| Fixed income credit spreads | 0 | 0 | 4 | 162,000,000 |
| International Interest Rate Products | | | | |
| International fixed income futures (net) | 69 | 73,680,188 | 1,542 | 325,791,565 |
| International fixed income bond put options | 4 | 49,390,000 | 0 | 0 |
| Domestic Equity Products | | | | |
| S&P 500 Index futures (net) | 2,727 | 941,973,975 | 2,694 | 769,810,500 |

*The contractual principal amounts listed above represent the market value of the underlying assets that the derivative contracts control. Contractual principal values do not represent actual values in the Statement of Plan Net Assets.

Financial futures are an agreement to buy or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. As the market value of the futures contract varies from the original contract price, a gain or a loss is recognized and paid to the clearinghouse. Financial futures represent an off-balance sheet obligation because there are no balance sheet assets or liabilities associated with those contracts.

Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, TRS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Accordingly, it is against TRS' policy to invest in any uncovered options. Premiums received are recorded as a liability when the financial option is written. Fluctuations in the fair value of financial options are recognized in TRS' financial statements as incurred rather than at the time the options are exercised or when they expire. As of June 30, 1999, and 1998, the fair value of option contracts written was \$72,622

and \$789,148, respectively. The fair value represents the amount needed to close all positions as of that date.

The Derivatives Contracts table presents the aggregate contractual principal amount of TRS' outstanding contracts at June 30, 1999, and 1998. Contractual principal amounts are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

E. Reserves

TRS maintains statutory reserve accounts in accordance with the provisions of 40 ILCS 5/16-101 *et seq.* In 1997, legislation was passed by the Illinois General Assembly that allowed the crediting of income at fair value, as opposed to book value, to the Employer's Contribution Reserve.

1. Members' Contribution

| | 1999 | 1998 |
|---------------------|-----------------|-----------------|
| Balances at June 30 | \$6,620,461,369 | \$5,567,842,261 |

This reserve accumulates, with 6 percent interest, the contributions by members prior to retirement. Contributions were 6½ percent of salary through June 30, 1998, and 7½ percent of salary from July 1, 1998, through June 30, 1999. Contributions are fully refundable upon withdrawal from TRS, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest is credited as of the date of retirement or death of those retiring or dying during the year and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member's balance in the reserve at the beginning of the fiscal year. This reserve is fully funded.

2. Minimum Retirement Annuity

| | 1999 | 1998 |
|---------------------|-------------|-------------|
| Balances at June 30 | \$2,829,624 | \$2,618,918 |

The minimum annuity is set by law at \$25 per month for each year of creditable service to a maximum of \$750 per month after 30 or more years of creditable service. To qualify, annuitants are required to make a one-time contribution that is credited to the reserve. Interest at 6 percent is credited to the reserve annually based upon the average reserve balance. The State of Illinois also appropriates funds necessary to pay the minimum benefits provided in the legislation. All benefits paid under this program are charged to the reserve. This reserve is fully funded.

3. Supplementary Annuity

| | 1999 | 1998 |
|---------------------|-----------|-----------|
| Balances at June 30 | \$821,402 | \$740,293 |

In 1961, legislation was enacted to provide for increased annuities to retired members who met certain specified requirements. Annuitants were required to make a one-time contribution, which was credited to this reserve. The State of Illinois also appropriates funds that are credited to the reserve. Interest at 6 percent is credited to the reserve annually based upon the average reserve balance. The annuity expenses resulting from this legislation are charged to the reserve. This reserve is fully funded.

4. Employer's Contribution

| | 1999 | 1998 |
|---------------------|------------------|----------------|
| Balances at June 30 | \$15,613,596,604 | \$14,394,685,9 |

This reserve serves as a clearing account for TRS income and expenses. The reserve is credited with contributions from the State of Illinois that are not specifically allocated to other reserves, member employer contributions, income from TRS' investment assets, the interest portion of the accumulated contributions of members who are granted refunds, and contributions from annuitants who qualify for automatic annual increases in annuity. The reserve is charged with amounts necessary to be transferred to the Members' Contribution Reserve, all amounts necessary to be refunded to withdrawing member retirement annuity payments except as provided by other reserve accounts, all benefits that are paid to temporarily or accidentally disabled members, all death benefits that are paid, and all survivor benefit contributions that are refunded to annuitants.

This reserve does not equal the present value of expected benefit payments. The additional amount needed (the unfunded actuarial accrued liability) calculated by the actuary was \$10,967,804,000 in 1999 and \$9,942,354,000 in 1998.

F. TRS Employee Pension Benefits

1. Plan Description

All of TRS' full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate except those who are covered by the State Universities Retirement System, Teachers' Retirement System, General Assembly Retirement System, and Judges' Retirement System. SERS' financial position and results of operations for fiscal years 1999 and 1998 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 1999, and 1998, respectively. SERS also issues a separate CAFR that may be obtained

writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255 or by calling (217) 785-7202. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1858 or by calling (217) 782-2053.

Effective in FY97, SERS implemented Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Also effective in FY97, the State of Illinois implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. These new GASB standards supersede all previous authoritative guidance on accounting and financial reporting for defined benefit pension plans of state and local governmental entities.

A summary of SERS' benefit provisions; changes in benefit provisions; employee eligibility requirements, including eligibility for vesting; and the authority under which benefit provisions are established are included as an integral part of the SERS CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

2. Funding Policy

TRS pays employer retirement contributions to SERS based on an actuarially determined percentage of the TRS employee payroll representing TRS employees who are members of SERS. For FY99 and FY98, the SERS employer contribution rates were 9.528 percent and 6.500 percent, respectively. Effective for pay periods beginning after July 1, 1993, the TRS Board

opted to pay the employee contribution for all employees. The contribution pickup (4 percent for SERS members and 8 percent for TRS members) was included in the FY99 and FY98 administrative budgets approved by the TRS Board.

TRS does not pay employer contributions for its employees who are also members of TRS. Funding for these contributions is included in the annual state contribution to TRS.

3. Post-Employment Benefits - TRS Employees

In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental, and life insurance benefits be provided by the state. Substantially all TRS employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for TRS retirees under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant who is age 60 or older.

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits that were provided to active employees and their dependents for the years ended June 30, 1999, and 1998. However, post-employment costs for the state as a whole for all state agencies or departments for dependent health, dental, and life insurance for annuitants and their dependents are disclosed in the state's Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis.

Required Supplementary Information

| SCHEDULE OF FUNDING PROGRESS ¹ | | | | | | |
|---|-------------------------------|---|----------------------|---|---------------------|---|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL-Projected Unit Credit) (b) | Funded Ratio (a)/(b) | Unfunded Actuarial Accrued Liability (UAAL) (b) - (a) | Covered Payroll (c) | Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/(c) |
| 06/30/96 | \$15,103,927,000 | \$26,141,794,000 | 57.8% | \$11,037,867,000 | \$4,734,250,000 | 233.1% |
| 06/30/97 | 17,393,108,000 | 26,951,585,000 | 64.5 | 9,558,477,000 | 5,013,583,000 | 190.7 |
| 06/30/98 | 19,965,887,000 | 29,908,241,000 | 66.8 | 9,942,354,000 | 5,323,403,000 | 186.8 |
| 06/30/99 | 22,237,709,000 | 33,205,513,000 | 67.0 | 10,967,804,000 | 5,698,117,000 | 192.5 |

| SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES ¹ | | | | | | | |
|---|----------------------------------|---|---------------|---|------------------------|--|------------------------|
| Year Ended June 30 | State Contributions ² | Federal and Employer Contributions ³ | Total | Annual Required Contribution per GASB Statement #25 | Percentage Contributed | Annual Required Contribution per State Statute | Percentage Contributed |
| 1996 | \$324,276,000 | \$16,997,000 | \$341,273,000 | \$1,350,997,000 | 25.3% | \$341,276,000 | 100% |
| 1997 | 377,969,000 | 17,379,000 | 395,348,000 | 927,842,000 | 42.6 | 395,269,000 | 100 |
| 1998 | 460,439,000 | 17,246,000 | 477,685,000 | 983,312,000 | 48.6 | 478,439,000 | 100 |
| 1999 | 567,068,000 | 36,535,000 | 603,603,000 | 932,909,000 | 64.7 | 592,547,000 | 102 |

¹ The required schedules of funding progress and employer contributions should include information for the current year and many of the prior years that are available, according to the parameters. TRS has only four years of information that meet the parameters. For consistency with figures reported by TRS' actuaries, the amounts have been rounded to the nearest thousand. Actual contributions varied slightly from contributions that are required by statute mainly because of differences between estimated and actual federal contributions.

² Does not include minimum and supplemental retirement contributions of \$5,883,000 and \$6,509,000 in FY99 and FY98, respectively. For FY99, includes \$32,016,000 in General Revenue Funds for the state's portion of 2.2 benefit formula increase.

³ For FY99, federal contributions totaled \$19,844,000 and employer contributions for the 2.2 benefit formula increase totaled \$16,691,000.

See accompanying independent auditors' report.

Required Supplementary Information

Year 2000 Disclosure (Unaudited)

Background and Summary

The now well-known year 2000 (Y2K) issue, involving the inability of electronic data processing systems and other electronic components to properly function after January 1, 2000, was identified as a priority project for TRS during calendar year 1997. In December 1997, a project plan was developed to assess and correct all information systems and other Y2K exposures present within TRS' internal operations and among various external entities upon which TRS relies in performing its statutory responsibilities.

As of June 30, 1999, TRS staff believes that mission-critical information systems and other electronic components operated by TRS are fully Y2K compliant and will operate without interruption after January 1, 2000. Further, the information systems operated by external entities upon which TRS relies for critical business functions are believed to be Y2K compliant based on the written representations of those entities to TRS. At June 30, 1999, the remaining Y2K remediation efforts for TRS involve noncritical batch processes written for the mainframe computer and replacement of several third-party microcomputer applications with Y2K compliant versions. TRS staff believes these efforts will be completed before December 31, 1999, and further believes any business risk associated with Y2K-related failure of these applications and processes is immaterial. However, due to the unprecedented nature of the Y2K issue, there exists a possibility that Y2K issues present at TRS or its vendors will not be identified or resolved by January 1, 2000.

The scope of TRS' Y2K efforts is divided into four stages for purposes of this statement.

☐ Awareness Stage

During FY97, initial research as to the scope of needed Y2K remediation was undertaken. During FY98, a project plan, schedule, and requested FY99 budget was presented to the TRS Board of Trustees.

☐ Assessment Stage

During FY98, TRS first updated all internally created and third-party purchased software inventories. The inventories were then categorized into mission-critical and non-mission-critical groups to establish testing and remediation priorities. Concurrently, standards for Y2K programming changes and data issues were created. TRS also updated EDP hardware and operating system software inventories and established plans to contact all relevant vendors to determine Y2K compliance during FY98. A similar inventory and vendor list was developed for non-EDP electronic components. Additionally, an inventory of outside entities with which TRS transacts business electronically or with which TRS has significant business relationships was created in FY98.

Following the inventory processes, testing and inquiry efforts commenced in FY98. Based on testing, examination, vendor information, or a combination thereof, listings of noncompliant, system-created programs, vendor software, and hardware were created.

Required Supplementary Information

▣ Remediation Stage

Based on the results of the assessment process, a preliminary test of purchased mainframe software was conducted to determine precisely which applications contained Y2K problems. Specific remediation efforts for mission-critical processes, including replacement or upgrading of purchased software and recoding of TRS-created software, commenced in FY98. Mission-critical mainframe software changes were completed in February 1999. Purchased software inventories were completed in March 1999.

Survey results for computer hardware and other electronic components revealed few Y2K compliance matters; specific remediation efforts, primarily involving retiring older personal computers from service, commenced and were completed in FY99.

Surveys received from vendors and other outside service providers indicated no material compliance issues; therefore, specific remediation plans were not developed.

▣ Validation/Testing Stage

In February 1999, TRS staff tested the revised mainframe software in a Y2K environment at TRS' disaster recovery backup facility located in Dayton, Ohio. The tests were generally successful with only minor exceptions noted for correction. Corrections were completed and successfully retested in March 1999 at the TRS offices. With this phase complete, mainframe computer mission-critical processes are now believed to be Y2K compliant. Remediation efforts for non-mission-critical processes are ongoing. Purchased software products previously determined to not be Y2K compliant are presently being upgraded. This process will be completed in October 1999.

Notes to Required Supplementary Information

| Valuation Dates | June 30, 1999 | June 30, 1998 |
|--|--|--|
| Actuarial cost method: | Projected unit credit | Projected unit credit |
| Amortization method: | | |
| a) For GASB Statement #25 reporting purposes | Level percent of payroll | Level percent of payroll |
| b) Per state statute | 15-year phase-in to a level percent of payroll until a 90% funding level is achieved | 15-year phase-in to a level percent of payroll until a 90% funding level is achieved |
| | Minimum state contribution rates in statute include cost of 2.2 formula change as a level percent of payroll | Minimum state contribution rates in statute include cost of 2.2 formula change as a level percent of payroll |
| Remaining amortization period: | | |
| a) For GASB Statement #25 reporting purposes | 40 years, open | 40 years, open |
| b) Per state statute | 46 years, closed | 47 years, closed |
| Asset valuation method: | Fair value | Fair value |
| Actuarial assumptions: | | |
| Investment rate of return | 8.5% | 8.5% |
| Projected salary increases | 6.0-9.3%, composite 7.0% | 6.0-9.3%, composite 7.0% |
| Group size growth rate | 0% | 0% |
| Assumed inflation rate | 4% | 4% |
| Post-retirement increase | 3% compounded | 3% compounded |
| Mortality table | 1995 Buck Mortality Tables (rated forward one year for beneficiaries only). | 1995 Buck Mortality Tables (rated forward one year for beneficiaries only). |

See accompanying independent auditors' report.

Other Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended June 30, 1999, and 1998 are summarized below:

| | 1999 | 1998 |
|--------------------------------------|---------------------|--------------------|
| Personal services | \$7,534,038 | \$6,754,240 |
| Professional services | 849,600 | 807,808 |
| Postage | 296,888 | 374,988 |
| Machine repair and rental | 409,878 | 306,077 |
| Other contractual services | 673,592 | 569,345 |
| Commodities | 271,846 | 233,925 |
| Occupancy expense | 194,542 | 235,241 |
| Depreciation | 448,680 | 481,297 |
| Loss (gain) on disposal of equipment | 1,030 | (1,611) |
| Total administrative expenses | \$10,680,094 | \$9,761,310 |

SCHEDULE OF INVESTMENT ACTIVITY EXPENSES

Investment activity expenses for the years ended June 30, 1999, and 1998 are summarized below:

| | 1999 | 1998 |
|---|---------------------|---------------------|
| Investment manager fees | \$75,869,525 | \$71,645,986 |
| Alternative investment expense | 3,585,538 | 2,931,245 |
| Miscellaneous | 1,136,499 | 1,161,230 |
| Total investment activity expenses | \$80,591,562 | \$75,738,461 |

SCHEDULE OF PAYMENTS TO CONSULTANTS

Payments to consultants for the years ended June 30, 1999, and 1998 are summarized below:

| | 1999 | 1998 |
|--------------------------------------|------------------|------------------|
| Actuarial services | \$89,295 | \$174,680 |
| External auditors | 122,371 | 97,569 |
| Legal services | 55,244 | 159,668 |
| Management consultants | | |
| Information systems | 312,244 | 188,931 |
| Investment review | 223,797 | 88,500 |
| Executive search | 19,520 | 67,662 |
| Publication design | 8,639 | 12,645 |
| Other | 18,490 | 18,153 |
| Total payments to consultants | \$849,600 | \$807,808 |

See accompanying independent auditors' report.

Investment

Section



- Introduction
- Performance Summary
- Asset Allocation
- Fund Management
- Asset Class and Market Indices
- Total Fund Results
- U.S. Equity Results and Profile
- International Equity Results
- Fixed Income Results and Profile
- Real Estate Investment Results
- Alternative Investments Results
- Summary Reports

Introduction

The TRS trust fund is invested by authority of the Illinois General Assembly under the "prudent person rule," requiring investments to be managed solely in the interest of fund participants and beneficiaries. As of June 30, 1999, TRS' total investments, including accrued investment income, at market value totaled \$23,276,177,263.

Investments are guided by a statement of investment objectives and policies that are approved by the Board of Trustees. The objective is to provide the greatest long-term benefits to members by maximizing the total rate of return on investments within prudent parameters of risk for a retirement fund of this type. Investment performance is expected to exceed the annual rate of inflation over the long term by 4.5 percent and to outperform various market indices for each asset class.

The Northern Trust Company, as Master Trustee, has provided to TRS, unless otherwise noted, detailed financial reports of all investments, receipts, disbursements,

purchases and sales of securities, and all other transactions pertinent to the Fund for the period July 1, 1998 through June 30, 1999. A statement of assets together with their fair market value was also provided showing the properties held as of June 30, 1999. Additionally, Northern Trust Company calculated, in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards, performance rates of return by portfolio, composite, and respective indices. TRS staff, in collaboration with staff from The Northern Trust Company and Strategic Investment Solutions, Inc., prepared the Investment Section.

A complete listing of investment holdings is available upon request.

Performance Summary

In conformance with the AIMR Performance Presentation Standards, the following Performance Summary table outlines the performance of the total investment portfolio including accrued income, during the last five years.

PERFORMANCE SUMMARY

| | Years ended June 30 | | | | Annualized* | | | 10 Year |
|-------------------------------------|---------------------|-------|-------|-------|-------------|---------|---------|---------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 3 Years | 5 Years | |
| Total Time Weighted Return | | | | | | | | |
| TRS | 13.4% | 16.9% | 18.3% | 16.6% | 10.8% | 15.1% | 14.8% | 11.6% |
| TRS Weighted Index | 15.9 | 13.9 | 17.8 | 15.7 | 11.7 | 15.1 | 15.0 | 12.2 |
| CPI (Inflation) | 3.0 | 2.8 | 2.3 | 1.7 | 2.0 | 2.0 | 2.3 | 3.0 |
| Equity - U.S. | | | | | | | | |
| TRS | 20.6 | 23.0 | 27.9 | 26.6 | 17.1 | 23.8 | 22.9 | 16.4 |
| Wilshire 5000 | 24.7 | 26.2 | 29.3 | 28.9 | 19.6 | 25.8 | 25.7 | 17.6 |
| S&P 500 | 26.0 | 26.1 | 34.6 | 30.2 | 22.8 | 29.1 | 27.9 | 18.8 |
| Equity - International | | | | | | | | |
| TRS | (6.1) | 27.5 | 19.9 | 2.8 | 8.4 | 10.1 | 9.8 | 8.3 |
| MSCI All Country Ex. U.S. | 0.1 | 10.8 | 14.0 | 0.6 | 10.3 | 8.2 | 7.8 | 6.7 |
| MSCI EAFE | 1.7 | 13.6 | 12.8 | 6.1 | 7.6 | 8.8 | 8.2 | 6.6 |
| Fixed Income - U.S. | | | | | | | | |
| TRS | 12.0 | 3.2 | 10.8 | 12.2 | 3.9 | 8.9 | 8.1 | 8.7 |
| Salomon BIG | 12.8 | 5.0 | 8.2 | 10.6 | 3.1 | 7.2 | 7.8 | 8.2 |
| Fixed Income - International | | | | | | | | |
| TRS | 14.4 | 6.6 | 4.9 | 2.4 | 4.3 | 3.9 | 7.0 | 9.2 |
| SBNUSDB | 22.7 | (1.7) | 2.2 | 0.9 | 4.9 | 2.6 | 5.5 | 8.9 |
| Real Estate Equity | | | | | | | | |
| TRS | 13.2 | 11.1 | 12.7 | 14.7 | 13.5 | 13.5 | 13.0 | 6.6 |
| CPI + 7% | 10.0 | 9.8 | 9.3 | 8.7 | 9.0 | 9.0 | 9.3 | 10.0 |
| Alternative Investments | | | | | | | | |
| TRS | 30.3 | 67.7 | 22.6 | 35.3 | 22.7 | 27.7 | 40.9 | 20.0 |
| CPI + 10% | 13.0 | 12.8 | 12.3 | 11.7 | 12.0 | 12.0 | 12.3 | 13.0 |

*Returns are provided by The Northern Trust Company and Strategic Investment Solutions in accordance with AIMR Performance Presentation Standards.

Asset Allocation

The pension fund's most important investment policy decision is the selection of an asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to control risk effectively. TRS' asset allocation as of June 30, 1999, was as follows:

| Asset Type | PERCENT OF TOTAL FUND (for years ending June 30) | |
|------------------------------|--|---------------|
| | 1999 | 1998 |
| Bonds (U.S. and Global) | 39.0% | 39.0% |
| Common Stock - U.S. | 32.2 | 30.2 |
| Real Estate Equity | 10.7 | 11.8 |
| Common Stock - International | 11.4 | 10.0 |
| Short-Term Investments | 3.5 | 6.3 |
| Alternative Investments | 2.6 | 2.2 |
| Preferred Stock | 0.5 | 0.5 |
| Currency Investments | 0.1 | 0.0 |
| Total | 100.0% | 100.0% |

Percentage totals for FY99 show a slight increase in U.S. common stock from 30.2 percent a year earlier. International equities increased slightly from the FY98 figure of 10.0 percent. In all, equities totaled 43.6 percent of the total portfolio. Bonds remained at 39.0 percent of the total fund while real estate decreased 1.1 percent to 10.7 percent at year-end. Over the past five years, TRS' allocation history can be represented as follows:

ASSET ALLOCATION HISTORY (for years ending June 30)

| Asset Class | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------|-------|-------|-------|-------|-------|
| Bonds | | | | | |
| (U.S. & Global) | 36.9% | 36.4% | 31.9% | 39.0% | 39.0% |
| Common Stock | | | | | |
| (U.S.) | 27.7 | 30.3 | 30.4 | 30.2 | 32.2 |
| Short-Term | 5.7 | 7.1 | 12.1 | 6.3 | 3.5 |
| Other* | 29.7 | 26.2 | 25.6 | 24.5 | 25.3 |

* Other includes common stock international, preferred stock, real estate, alternative, and currency investments.

Fund Management

The fund is externally managed by professional investment firms that bring their particular expertise to the selection and retention of investments. The activities of these firms are reviewed and directed by TRS trustees and staff to ensure compliance with applicable statutes, the investment policy, and long-term strategic plans. On June 30, 1999, TRS employed the following external firms:

| Asset Class & Name | Assets Under Management |
|---|-------------------------|
| Fixed Income (Bonds) U.S. | |
| Brinson Partners, Inc. (TAA) | See TAA |
| BlackRock Financial Management, Inc. | \$504,624,028 |
| The Chicago Trust Company | \$144,271,374 |
| Conseco Capital Management | \$290,451,116 |
| Forstmann-Leff International, Inc. | \$106,190,362 |
| Hughes Capital Management, Inc. | \$52,901,067 |
| Miller, Anderson, Sherrerd, L.L.P. | \$289,629,790 |
| Pacific Investment Management Co. | \$2,464,870,591 |
| Payden & Rygel Investment Counsel | \$468,582,753 |
| Strong Capital Management, Inc. | \$209,614,511 |
| Taplin, Canida & Habacht | \$80,049,138 |
| W.R. Huff Asset Management Co., L.L.C. | \$148,341,876 |
| Weiss, Peck & Greer Investments | \$133,123,247 |
| Western Asset Management Co. | \$466,477,898 |
| Fixed Income (Bonds) International | |
| Brinson Partners, Inc. | \$342,864,466 |
| Delaware International Advisors, Ltd. | \$144,425,067 |
| Julius Baer Investment Management, Inc. | \$178,222,488 |
| Pacific Investment Management Co. | \$138,391,831 |
| Equity (Common Stock) - U.S. | |
| Ark Asset Management Co., Inc. | \$1,022,329,838 |
| Chicago Equity Partners | \$582,500,563 |
| Brinson Partners, Inc. | \$270,784,211 |
| Fiduciary Management Associates | \$34,458,072 |
| Hotchkis and Wiley | \$14,417,199 |
| Insight Capital Research & Management, Inc. | \$39,084,450 |
| Institutional Capital Corp. | \$301,530,002 |
| Lazard Asset Management | \$376,868,345 |

| | |
|---------------------------------------|-----------------|
| Lincoln Capital Management Co. | \$1,852,267,575 |
| Mentor Investment Advisors, Inc. | \$30,334,237 |
| Pacific Investment Management Co. | \$1,286,000,440 |
| Paradigm Asset Management Co., L.L.C. | \$368,335,585 |
| Sanford C. Bernstein & Co., Inc. | \$315,090,517 |
| State Street Global Advisors | \$1,687,708,908 |
| The Edgar Lomax Company | \$30,558,304 |
| Valenzuela Capital Partners, L.L.C. | \$109,748,862 |
| Wayne Hummer Management Co. | \$8,439,354 |

Equity (Common Stock) International

| | |
|---------------------------------------|---------------|
| Brandes Investment Partners, L.P. | \$122,686,041 |
| Brinson Partners, Inc. (TAA) | See TAA |
| Capital Guardian Trust Co. | \$246,813,812 |
| Clay Finlay, Inc. | \$401,502,819 |
| Delaware International Advisors, Ltd. | \$355,627,993 |
| Hotchkis & Wiley | \$109,544,587 |
| Pyrford International, PLC | \$87,304,638 |
| Dresdner RCM Global Investors, L.L.C. | \$280,347,082 |
| Scudder Kemper Investments, Inc. | \$335,397,742 |
| State Street Global Advisors | \$584,924,279 |

Real Estate Equity

| | |
|---|---------------|
| Bear Stearns/Capital Associates Realty Advisors | \$131,219,664 |
| Capital Associates Realty Advisors | \$779,187,068 |
| Commonwealth Realty Advisors, Inc. | \$578,579,831 |
| Cozad/Westchester | \$304,060,310 |
| DLJ Real Estate Capital Partners, L.P. | \$49,498,626 |
| Heitman Capital Management | \$20,212,404 |
| K/B Realty Advisors | \$202,212,042 |
| LPC Realty Advisors I, Ltd. | \$202,744,841 |
| RREEF Real Estate Venture Capital Fund, L.P. | \$19,141,492 |
| Stone-Levy, L.L.C. | \$230,343,676 |

Alternative Investments

| | |
|-------------------------------------|--------------|
| Angelo, Gordon & Co. | \$37,155,692 |
| Apex Investment Partners | \$37,734,936 |
| Daystar Partners | \$49,029,268 |
| DLJ Merchant Banking Partners, Inc. | \$47,900,243 |
| Frontenac Company | \$10,391,150 |
| Kohlberg Kravis Roberts & Co. | \$38,804,719 |

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| | |
|--|---------------|
| Mesirow Private Equity Investments, Inc. | \$13,581,000 |
| Penman Asset Management, L.P. | \$9,456,000 |
| Periscope I Fund Managers, L.L.C. | \$3,096,000 |
| Sandler Capital Management | \$17,075,000 |
| SCP Private Equity Partners, L.P. | \$15,428,000 |
| TCW/Latin American Partners, L.L.C. | \$26,920,000 |
| Trivest, Inc. | \$15,384,000 |
| Veronis Suhler & Associates | \$36,030,000 |
| Walnut Growth Partners, L.L.C. | \$6,017,000 |
| Weiss, Peck & Greer Corp. Development Associates | \$8,840,000 |
| Weiss, Peck & Greer Venture Partners, L.P. | \$197,083,000 |
| William Blair Mezzanine Capital Partners | \$28,241,000 |

Tactical Asset Allocation (TAA)

| | |
|----------------------------|-----------------|
| Brinson Partners, Inc. | \$1,324,054,000 |
| Pyrford International, PLC | \$192,350,000 |

Cash Management

| | |
|--|---------------|
| Atlantic Asset Management Partners, L.L.C. | \$156,374,000 |
| Hotchkis & Wiley | \$156,769,000 |
| The Northern Trust Company | \$310,047,000 |

Other

Pending trades, transitional accounts, pending foreign exchange, internal accounts, and accrued income \$1,003,570,000

Total Fund Market Value June 30, 1999

\$23,276,177,000

Asset Class and Market Indices

During FY99, U.S. common stock was the best performing asset class as represented by the Wilshire 5000 Index at 19.6 percent and the S&P 500 Index at 22.8 percent. International common stock was the next best performing asset class as represented by the MSCI All Country Excluding U.S. Index and the Europe, Australia and Far East (EAFE) Index, returning 10.3 percent and 7.6 percent, respectively. Domestic bonds, as represented by the Salomon Broad Investment Grade (Salomon BIG) Index, returned 3.1 percent. Non-U.S. dollar bonds, represented by the Salomon Non-U.S. Dollar Bond Index, returned 4.9 percent. The 90-day Treasury Bill, reflecting short-term investments, returned 4.7 percent. The annual rate of inflation, as represented by the Consumer Price Index (CPI), stood at 2.0 percent for FY99. The following table shows a quarterly breakdown of the returns on TRS representative indices.

| ASSET CLASS QUARTERLY RETURN BY REPRESENTATIVE INDICES | | | | | | | | |
|--|-----------------|---------|---------------------------|-----------|-----------------------|----------------------------|------------------------|-----------|
| Date | Domestic Equity | | International Equity | | Domestic Fixed Income | International Fixed Income | Short-Term Investments | Inflation |
| | Wilshire 5000 | S&P 500 | MSCI All Country Ex.-U.S. | MSCI EAFE | Salomon BIG | SBNUSDB* | 90-Day T-Bill | CPI |
| | 6/30/98 | 1.95 | 3.31 | (1.77) | 1.06 | 2.32 | 1.67 | 1.29 |
| 9/30/98 | (12.03) | (9.86) | (15.10) | (14.21) | 4.14 | 9.61 | 1.21 | 0.37 |
| 12/31/98 | 21.51 | 21.32 | 20.33 | 20.66 | 0.41 | 5.27 | 1.11 | 0.18 |
| 3/31/99 | 3.77 | 4.94 | 2.60 | 1.39 | (0.46) | (4.84) | 1.13 | 0.67 |
| 6/30/99 | 7.81 | 7.05 | 5.21 | 2.54 | (0.93) | (4.50) | 1.17 | 0.73 |

*Salomon Brothers Non-U.S. Dollar Bond Index
All index returns provided by The Northern Trust Company

Total Fund Results

TRS' total time-weighted rate of return for FY99 was 10.8 percent, calculated in conformance with AIMR Performance Presentation Standards. This result was due primarily to TRS' results in the U.S. stock and bond markets and private market investments.

The Fund's total return for FY99 easily surpassed the long-term performance objectives of preserving purchasing power and exceeding the rate of inflation (as measured by the Consumer Price Index) by 4.5 percent. In addition to these objectives, which are formally outlined in the TRS Statement of Investment Objectives and Policies, TRS' returns for FY99 also exceeded the 8.5 percent assumed actuarial return. As indicated below, this trend has continued over the annualized 3-, 5-, and 10-year periods. For the year, TRS only slightly underperformed its average market-weighted index, a cross-section of the returns of numerous market indices based on TRS' own actual asset allocation.

| | FY99 | 3-Year | 5-Year | 10-Year |
|---------------------------|-------|--------|--------|---------|
| TRS | 10.8% | 15.1% | 14.8% | 11.6% |
| TRS Market-Weighted Index | 11.7 | 15.1 | 15.0 | 12.2 |
| CPI (Inflation) | 2.0 | 2.0 | 2.3 | 3.0 |

U.S. Equity Results and Profile

For the fiscal year, TRS' U.S. common stock portfolio returned 17.1 percent compared to the Wilshire 5000 return of 19.6 percent. The 3-, 5-, and 10-year comparisons to this benchmark are noted below:

| | FY99 | 3-Year | 5-Year | 10-Year |
|---------------|-------|--------|--------|---------|
| TRS | 17.1% | 23.8% | 22.9% | 16.4% |
| Wilshire 5000 | 19.6 | 25.8 | 25.7 | 17.6 |

At June 30, 1999, 39.6 percent of TRS' investment portfolio was assigned to U.S. equity managers compared to 37.5 percent at the prior fiscal year's end. Equity managers used fully active, index, and enhanced index management strategies during FY99. The market value of assets assigned to U.S. equity managers increased to \$9.041 billion from \$7.723 billion due to \$1.317 billion of market value appreciation and \$1.0 million in net reallocations to U.S. equities from other asset classes.

Domestic equity managers are expected to better the designated benchmark index on an annualized basis over a three- to five-year period or market cycle. The S&P 500 is a popular index that is often used to represent U.S. equity market returns. However, the Wilshire 5000 Index provides a more accurate representation of both the aggregate U.S. equity market and TRS' domestic equity portfolio. The highly diversified financial characteristics

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and risk factors of the Wilshire 5000 ultimately influence the total return.

TRS domestic equity managers changed the sector diversification of their portfolios during FY99. Increases to investments were made in the technology and utility sectors to take advantage of the economic value repre-

sented in these areas while investments in basic industries, consumer durables, energy, finance, capital goods and consumer nondurables remained stable or were trimmed back. The Diversification by Industry Sector table summarizes these changes and also provides a comparison with the S&P 500 and the Wilshire 5000 indices.

| DIVERSIFICATION BY INDUSTRY SECTOR | | | | | | |
|------------------------------------|---------------|---------|---------------|---------------|---------|---------------|
| Sector | June 30, 1999 | | | June 30, 1998 | | |
| | TRS | S&P 500 | Wilshire 5000 | TRS | S&P 500 | Wilshire 5000 |
| Basic Industries | 6.2% | 4.6% | 5.7% | 10.7% | 5.9% | 7.1% |
| Capital Goods | 7.5 | 7.4 | 6.1 | 7.4 | 7.1 | 7.0 |
| Consumer Durables | 2.5 | 1.9 | 2.3 | 3.6 | 2.6 | 2.8 |
| Consumer Nondurables | 37.2 | 32.3 | 32.8 | 38.8 | 35.6 | 35.1 |
| Energy | 4.2 | 6.1 | 5.3 | 4.6 | 7.6 | 5.9 |
| Finance | 13.2 | 16.0 | 18.3 | 16.2 | 18.7 | 19.7 |
| Technology | 22.1 | 20.7 | 19.0 | 12.8 | 14.2 | 14.5 |
| Utilities | 7.1 | 11.0 | 10.5 | 5.9 | 8.3 | 7.9 |

Source: The Northern Trust Company

All Wilshire 5000 industry sectors provided positive rates of return during FY99. With the exception of consumer durables, the S&P 500 industry sector rates of return were

positive. As illustrated below, the sector returns for the S&P 500 and the Wilshire 5000 performed relatively well.

| WILSHIRE 5000 INDUSTRY RETURNS | | S&P 500 INDUSTRY RETURNS | |
|-----------------------------------|--------------|-----------------------------------|--------------|
| For the year ending June 30, 1999 | | For the year ending June 30, 1999 | |
| Sector | Return | Sector | Return |
| Basic Industries | 1.3% | Basic Industries | 4.8% |
| Capital Goods | 21.6 | Capital Goods | 8.7 |
| Consumer Durables | 5.0 | Consumer Durables | (0.8) |
| Consumer Nondurables | 12.1 | Consumer Nondurables | 12.8 |
| Energy | 10.2 | Energy | 19.2 |
| Finance | 2.2 | Finance | 5.6 |
| Technology | 65.8 | Technology | 64.3 |
| Utilities | 29.1 | Utilities | 37.4 |
| Total Wilshire 5000 Return | 19.6% | Total S&P 500 Return | 22.8% |

Source: The Northern Trust Company

U.S. equity managers made adjustments to their accounts during FY99 as noted by the following comparison of

portfolio characteristics with the S&P 500 and the Wilshire 5000 indices.

U.S. EQUITY PORTFOLIO PROFILE

| Sector | June 30, 1999 | | | June 30, 1998 | | |
|------------------------------------|---------------|---------|---------------|---------------|---------|---------------|
| | TRS | S&P 500 | Wilshire 5000 | TRS | S&P 500 | Wilshire 5000 |
| Capitalization (\$ Bil.) | 73.4 | 104.1 | 83.1 | 44.8 | 71.2 | 55.4 |
| Price/Earnings Ratio | 27.4 | 32.8 | 35.0 | 30.9 | 29.9 | 30.8 |
| Dividend Yield (%) | 1.1 | 1.2 | 1.2 | 1.3 | 1.5 | 1.3 |
| Beta | 0.9 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 |
| Diversification (R-Squared) | 1.0 | 1.0 | 1.0 | 0.9 | 1.0 | 1.0 |
| Five-Year Earnings Growth Rate (%) | 17.9 | 14.8 | 12.3 | 10.4 | 10.5 | 10.7 |
| Market/Book Ratio | 5.5 | 5.2 | 6.7 | 6.8 | 7.0 | 6.9 |

Source: The Northern Trust Company

The capitalization of the TRS domestic equity portfolio increased dramatically from June 30, 1998, to June 30, 1999, primarily due to the significant appreciation of the U.S. equity market. The capitalization of the TRS domestic equity portfolio was much more similar to that of the broader Wilshire 5000 Index. The TRS portfolio emphasizes the broad market and includes small and midsize firms not included in the S&P 500 Index. The rally in the U.S. equity market also translated into higher price/earnings ratios for both the S&P 500 and the Wilshire 5000 indices. The TRS domestic equity portfolio, typically divided equally between growth and value securities, slightly favored growth securities as a result of the performance advantage growth securities have had relative to value securities over the past five years.

The top 10 domestic equity holdings, excluding commingled funds, at June 30, 1999, are listed below and represent 10.0 percent of the assets assigned to domestic equity managers.

TOP 10 DOMESTIC EQUITY HOLDINGS

| Firm | Market Value |
|---------------------------------------|----------------------|
| Microsoft Corp. | \$136,597,988 |
| General Electric Co. | 131,260,800 |
| Cisco Systems, Inc. | 119,998,734 |
| Tyco International | 93,016,075 |
| Intel Corp. | 76,243,300 |
| Lucent Technologies, Inc. | 73,594,544 |
| International Business Machines Corp. | 73,362,300 |
| Bristol Myers Squibb Co. | 67,827,791 |
| Electronic Arts | 67,736,550 |
| Merck & Co., Inc. | 61,609,400 |
| Total | \$901,247,482 |

Source: The Northern Trust Company

International Equity Results

For the year ended June 30, 1999, the international equity asset class returned 8.4 percent compared to the MSCI All Country Excluding U.S. Index return of 10.3 percent and the MSCI EAFE return of 7.6 percent.

| | FY99 | 3-Year | 5-Year | 10-Year |
|----------------------------|------|--------|--------|---------|
| TRS | 8.4% | 10.1% | 9.8% | 8.3% |
| MSCI All Country- Ex. U.S. | 10.3 | 8.2 | 7.8 | 6.7 |
| MSCI EAFE | 7.6 | 8.8 | 8.2 | 6.6 |

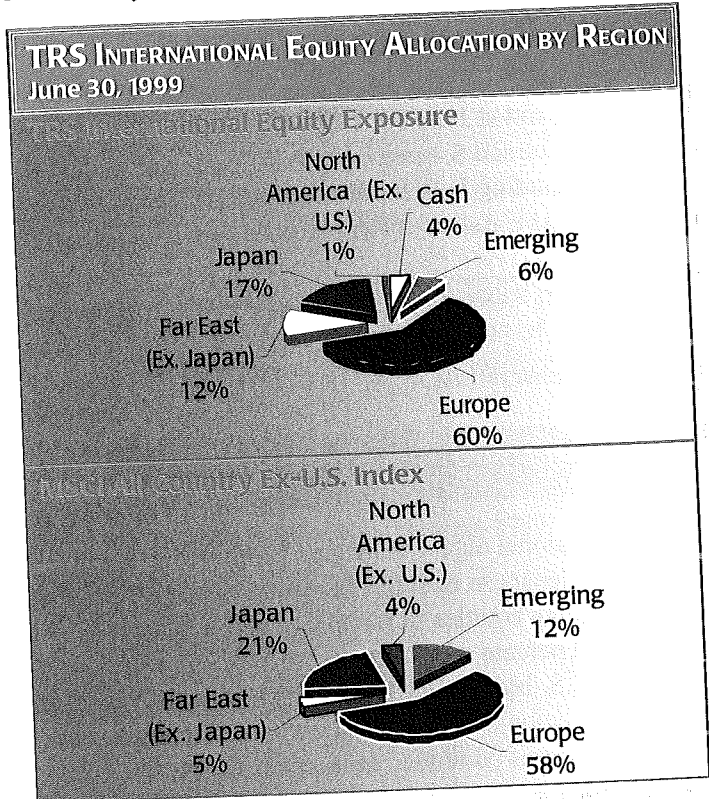
TRS' international equity managers continued to limit exposure to Japanese equities, investing only 17.0 percent of TRS' foreign equities in Japan compared to Japan's relative 20.9 percent weighting in the MSCI All Country Excluding U.S. Index. For FY99, \$187 million of market value appreciation and \$427 million in reallocations from other asset classes combined to increase the market value of assets assigned to international equity managers to \$2.849 billion from \$2.235 billion in FY98.

The International Equity Portfolio Profile table illustrates some of the international equity portfolio characteristics compared to the MSCI EAFE as of June 30, 1999.

| INTERNATIONAL EQUITY PORTFOLIO PROFILE June 30, 1999 | | |
|---|------|-----------|
| Sector | TRS | MSCI EAFE |
| Capitalization (\$ Bil.) | 26.2 | 27.8 |
| Price/Earnings Ratio | 31.1 | 36.8 |
| Dividend Yield (%) | 2.0 | 1.8 |
| Beta | 1.0 | 1.0 |
| Diversification (R-Squared) | 1.0 | 1.0 |
| Return on Equity | 15.2 | 15.6 |
| Price/Book Ratio | 6.5 | 7.3 |

Source: Wilshire Associates

The following charts provide a brief regional overview of TRS international equity exposure compared to the MSCI All Country Excluding U.S. Index.



Source: TRS

The next table lists the top 10 international common stock holdings, excluding commingled funds, as of June 30, 1999. These securities represent 7.2 percent of the assets assigned to the international equity portfolio.

| TOP 10 INTERNATIONAL EQUITY HOLDINGS | |
|--------------------------------------|----------------------|
| Firm | Market Value |
| Nokia | \$28,695,060 |
| Mannesmann | 27,051,454 |
| Elf Aquitaine | 22,630,058 |
| Royal Dutch Petroleum | 21,906,133 |
| Siemens | 20,117,397 |
| Canon, Inc. | 20,010,575 |
| Telefonica | 18,872,776 |
| Glaxo Wellcome | 18,865,867 |
| Matsushita | 17,939,524 |
| BOC Group | 15,959,962 |
| Total | \$212,048,806 |

Source: The Northern Trust Company

Fixed Income Results and Profile

TRS domestic fixed income managers returned 3.9 percent for the year compared to the 3.1 percent return for its benchmark, the Salomon Broad Investment Grade (Salomon BIG) Index. TRS FY99 results also exceeded those of the benchmark for the 3-, 5-, and 10-year periods.

| | FY99 | 3-Year | 5-Year | 10-Year |
|-------------|------|--------|--------|---------|
| TRS | 3.9% | 8.9% | 8.1% | 8.7% |
| Salomon BIG | 3.1 | 7.2 | 7.8 | 8.2 |

TRS' international fixed income managers returned 4.3 percent in FY99, underperforming their benchmark, the Salomon Brothers Non-U.S. Dollar Bond Index (SBNUSDB), which returned 4.9 percent. TRS international fixed income managers' results are superior to the SBNUSDB over the 3-, 5-, and 10-year periods.

| | FY99 | 3-Year | 5-Year | 10-Year |
|----------|------|--------|--------|---------|
| TRS | 4.3% | 3.9% | 7.0% | 9.2% |
| SBNUSDB* | 4.9 | 2.6 | 5.5 | 8.9 |

*Salomon Brothers Non-U.S. Dollar Bond Index

During FY99, the total bond portfolio, exclusive of short-term investments, generated a 4.0 percent total return. This compares to the 3-year return of 7.5 percent, the 5-year return of 7.9 percent, and the 10-year return of 9.1 percent. The market value of total assets assigned to fixed income managers, including short-term investments, increased to \$6.652 billion from \$6.561 billion due to \$263 million of market value appreciation and \$173 million in allocations from fixed income to other asset classes. Assets invested that were assigned to international fixed income managers totaled \$1.062 billion at year-end.

The following tables reflect changes made in the U.S. fixed income portfolios during the year in terms of diversification by issuer type and quality rating, as well as the underlying characteristics affecting total return.

| DIVERSIFICATION BY ISSUER TYPE FOR FIXED INCOME MANAGEMENT PORTFOLIOS | | |
|--|---------------|---------------|
| Issuer Type | 06/30/99 | 06/30/98 |
| Short-Term | 8.4% | 13.8% |
| Government and Agency | 37.7 | 39.6 |
| Industrial and Miscellaneous | 13.1 | 9.9 |
| Finance | 23.1 | 19.2 |
| International Obligations | 15.4 | 14.9 |
| Other* | 2.3 | 2.6 |
| Total | 100.0% | 100.0% |

*Other includes transportation and technology.

| DIVERSIFICATION BY QUALITY RATING FOR FIXED INCOME MANAGER PORTFOLIOS | | |
|--|---------------|---------------|
| Rating/Type | 06/30/99 | 06/30/98 |
| AAA | 61.2% | 52.9% |
| AA | 2.7 | 3.1 |
| A | 4.0 | 3.9 |
| BAA | 7.2 | 9.9 |
| International | 17.3 | 17.4 |
| Short-Term | 2.3 | 1.9 |
| Other* | 5.3 | 10.9 |
| Total | 100.0% | 100.0% |

*Other includes under BAA and NR ratings.

| U.S. BOND PORTFOLIO PROFILE | | | | |
|-----------------------------|----------|-------------|----------|-------------|
| Characteristic | 06/30/99 | | 06/30/98 | |
| | TRS | Salomon BIG | TRS | Salomon BIG |
| Maturity (Years) | 5.9 | 9.2 | 10.2 | 8.4 |
| Duration (Years) | 5.2 | 4.9 | 5.7 | 5.2 |
| Coupon (%) | 6.1 | 5.7 | 6.6 | 7.1 |
| Yield to Maturity (%) | 6.7 | 6.4 | 6.7 | 6.1 |
| Current Yield (%) | 6.6 | 6.7 | 6.6 | 7.0 |

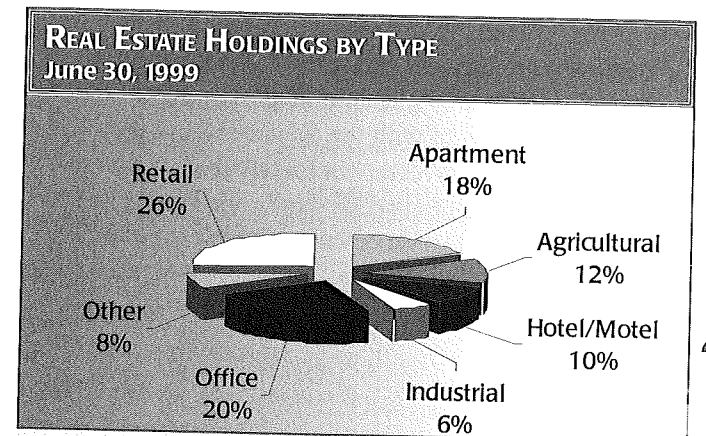
Source: The Northern Trust Company

Real Estate Investment Results

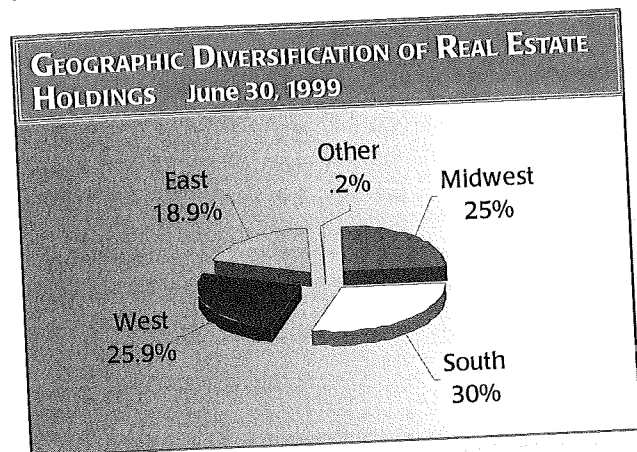
Real estate investments earned a 13.5 percent rate of return during FY99. The income return generated by rents and property dispositions was 8.5 percent while property appreciation accounted for 5.0 percent of the total. For the 3-, 5-, and 10-year periods, portfolio managers have generated annualized returns of 13.5 percent, 13.0 percent, and 6.7 percent, respectively. The investment goal is to achieve a total return of 7 percent in excess of the rate of inflation. During FY99, the value of assets assigned to real estate increased by \$51 million to \$2.522 billion. The increase was due to \$198 million of reinvested income and \$113 million in market value appreciation, offset by \$260 million in reallocations to other asset classes.

| | FY99 | 3-Year | 5-Year | 10-Year |
|----------|-------|--------|--------|---------|
| TRS | 13.5% | 13.5% | 13.0% | 6.7% |
| CPI + 7% | 9.0 | 9.0 | 9.3 | 10.0 |

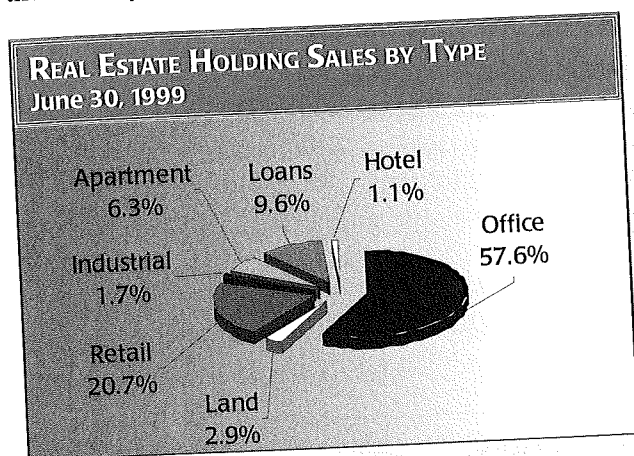
The following graph outlines the different types of TRS real estate holdings as of June 30, 1999.



The following graph shows the geographic diversification of TRS real estate holdings as of June 30, 1999.



During FY99, 22 assets were sold returning approximately \$170 million to TRS. The following graph shows the sales by asset type.



Alternative Investments Results

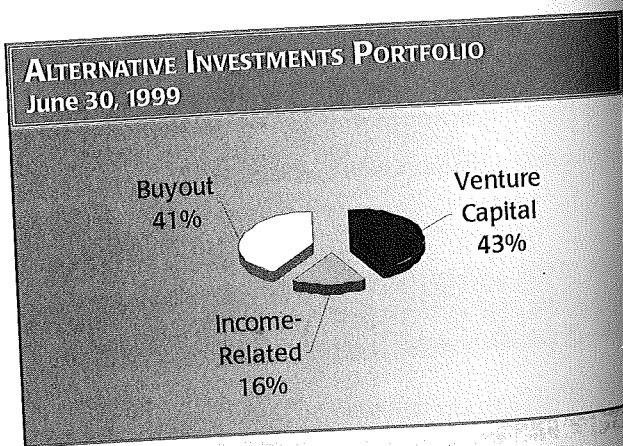
Alternative investments is a term synonymous with private equity. The private equity market is an important source of funds for start-up companies, private middle-market firms, financially distressed companies, and companies seeking buy-out financing. Private equity investments are privately placed and, therefore, are exempt from registration with the Securities and Exchange Commission. Investors in the alternative investments asset class include pension funds, university and college endowments, insurance companies, banks, and high net worth individuals.

Investments made in the alternative investments asset class can be in the form of debt or equity. Equity investments represent ownership interest in private incorporated businesses. Debt investments represent investments in unsecured or secured debt securities of private incorporated business.

FY99 was another strong year for alternative investments. A total return of 22.7 percent easily outdistanced its performance objective of earning 10 percent in excess of the rate of inflation. While representative indices are unavailable, performance is very impressive over the 3-, 5-, and 10-year periods with annualized returns of 27.7 percent, 40.9 percent, and 20.0 percent, respectively. Overall, TRS participated in 22 venture capital limited partnerships with a June 30, 1999, market value of \$596 million.

| | FY99 | 3-Year | 5-Year | 10-Year |
|-----------|-------|--------|--------|---------|
| TRS | 22.7% | 27.7% | 40.9% | 20.0% |
| CPI + 10% | 12.0 | 12.0 | 12.3 | 13.0 |

The following graph outlines sub-asset class diversification within the alternative investments portfolio as of June 30, 1999.



Summary Reports

The following tables in this section provide additional detail regarding the TRS investment portfolio for the year ending June 30, 1999.

INVESTMENT PORTFOLIO SUMMARY

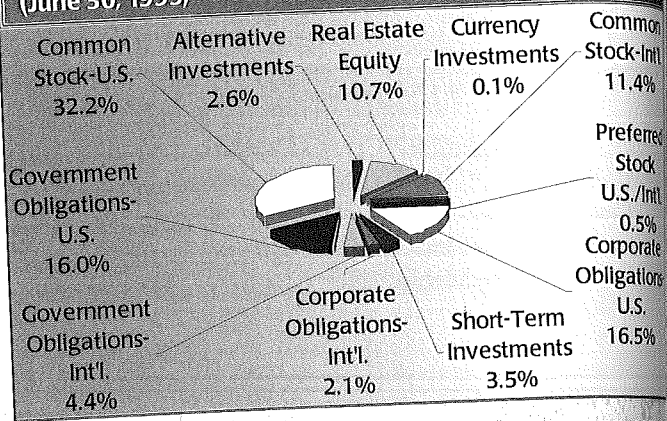
| | June 30, 1999 | | June 30, 1998 | |
|---|-------------------------|---------------|-------------------------|---------------|
| | Market Value | % of Total | Market Value | % of Total |
| Bonds, Corporate Notes, and Government Obligations | | | | |
| U.S. Government | \$966,532,224 | 4.2% | \$1,270,406,634 | 6.1% |
| Federal Agency | 2,723,518,388 | 11.7 | 2,493,333,331 | 11.9 |
| Municipals (Taxable) | 31,738,970 | 0.1 | 0 | 0.0 |
| Total Government Obligations | 3,721,789,582 | 16.0 | 3,763,739,965 | 18.0 |
| Corporate Obligations | | | | |
| Basic Industry | 201,994,318 | 0.9 | 80,388,781 | 0.4 |
| Capital Goods | 23,972,797 | 0.1 | 105,963,787 | 0.5 |
| Consumer Durables | 12,039,526 | 0.1 | 53,555,958 | 0.3 |
| Consumer Nondurables | 255,819,949 | 1.1 | 227,974,163 | 1.1 |
| Energy | 83,363,033 | 0.4 | 30,107,003 | 0.1 |
| Financial | 2,282,780,256 | 9.8 | 1,828,226,262 | 8.7 |
| Miscellaneous | 517,544,918 | 2.2 | 410,324,346 | 2.0 |
| Technology | 203,507,272 | 0.9 | 25,234,038 | 0.1 |
| Transportation | 148,946,656 | 0.6 | 106,606,476 | 0.5 |
| Utilities | 81,863,091 | 0.4 | 140,952,137 | 0.7 |
| Total Corporate Obligations | 3,811,831,816 | 16.5 | 3,009,332,951 | 14.3 |
| Foreign Government Obligations | 1,034,964,631 | 4.4 | 1,007,581,864 | 4.8 |
| Foreign Corporate Obligations | 483,966,337 | 2.1 | 405,272,257 | 1.9 |
| Total Bonds, Corporate Notes, and Government Obligations | 9,052,552,366 | 39.0 | 8,185,927,037 | 39.0 |
| Common Stock - U.S. | 7,484,313,905 | 32.2 | 6,336,877,264 | 30.2 |
| Preferred Stock-U.S. | 58,636,761 | 0.3 | 62,128,442 | 0.3 |
| Common Stock - International | 2,664,930,858 | 11.4 | 2,104,340,857 | 10.0 |
| Preferred Stock-International | 48,068,648 | 0.2 | 44,712,315 | 0.2 |
| Total Equities | 10,255,950,172 | 44.1 | 8,548,058,878 | 40.7 |
| Short-Term Investments* | 831,540,481 | 3.5 | 1,315,152,039 | 6.3 |
| Real Estate Equity | 2,500,511,322 | 10.7 | 2,465,432,457 | 11.8 |
| Alternative Investments | 596,456,656 | 2.6 | 458,118,826 | 2.2 |
| Currency Investments | 39,166,266 | 0.1 | 9,969,850 | 0.0 |
| Total Portfolio | \$23,276,177,263 | 100.0% | \$20,982,659,087 | 100.0% |

*Includes accrued income and dividends totaling \$222,342,888 for FY99 and \$234,214,755 for FY98.

COMPOSITION OF INVESTMENTS AT MARKET VALUE
as of June 30, 1999

| Asset Class | | % of Total Fund |
|--------------------------------------|--------------|-----------------|
| Alternative Investments | | 2.6% |
| Real Estate Equity | | 10.7 |
| Currency Investments | | 0.1 |
| Common Stock-Int'l. | | 11.4 |
| Preferred Stock U.S./Int'l. | | 0.5 |
| Corporate Obligations -U.S. | | 16.5 |
| Basic Industries | 5.3 | |
| Capital Goods | 0.6 | |
| Consumer Durables | 0.3 | |
| Consumer Nondurables | 6.7 | |
| Convertibles | 0.0 | |
| Energy | 2.2 | |
| Financial | 60.0 | |
| Miscellaneous | 13.6 | |
| Technology | 5.3 | |
| Transportation | 3.9 | |
| Utilities | 2.1 | |
| | <u>100.0</u> | |
| Short-Term Investments | | 3.5 |
| Investment Reserve Fund | 47.2 | |
| Other | 52.8 | |
| | <u>100.0</u> | |
| Corporate Obligations-Int'l. | | 2.1 |
| Government Obligations-Int'l. | | 4.4 |
| Government Obligations-U.S. | | 16.0 |
| Federal Agency | 73.1 | |
| Municipals | 0.9 | |
| U.S. Government | 26.0 | |
| | <u>100.0</u> | |
| Common Stock-U.S. | | 32.2 |
| Basic Industries | 4.2 | |
| Capital Goods | 5.2 | |
| Consumer Durables | 0.2 | |
| Consumer Nondurables | 26.5 | |
| Miscellaneous | 34.1 | |
| Energy | 2.2 | |
| Financial | 8.5 | |
| Technology | 15.1 | |
| Utilities | 4.0 | |
| | <u>100.0</u> | |
| | | 100.0% |

COMPOSITION OF INVESTMENTS AT MARKET VALUE
(June 30, 1999)



TRS TOTAL PORTFOLIO BY COUNTRY
TOP 10 COUNTRY WEIGHTING as of June 30, 1999

| Country of Origin | FY99 % of Assets | FY98 % of Assets |
|-------------------------------|------------------|------------------|
| United States | 86.0% | 85.6% |
| Japan | 2.8 | 2.2 |
| United Kingdom | 1.9 | 1.8 |
| Germany | 1.6 | 1.8 |
| France | 1.1 | 1.2 |
| Netherlands | 1.0 | 0.9 |
| Australia | 0.9 | 0.9 |
| Canada | 0.8 | 0.6 |
| Sweden | 0.6 | 0.6 |
| Republic of Korea | 0.6 | 0.2 |
| All Others (49 Countries) | 2.7 | 4.2 |
| Total for 59 Countries | 100.0% | 100.0% |

Source: The Northern Trust Company

SCHEDULE OF INVESTMENT MANAGER FEES FOR THE YEARS ENDED JUNE 30, 1999, AND 1998

| Investment Manager/Account | FY99 | FY98 | Investment Manager/Account | FY99 | FY98 |
|---|-----------|-----------|--|---------------------|---------------------|
| Angelo, Gordon & Co. | \$845,481 | \$322,876 | Mesirow Private Equity Investments, Inc. | \$746,955 | \$756,453 |
| Apex Investment Partners | 675,000 | 675,291 | Miller, Anderson, Sherrerd, L.L.P. | 574,486 | 145,417 |
| Ark Asset Management Co., Inc. | 7,387,081 | 6,177,515 | Munder Capital Management, Inc. | 441,061 | 1,461,437 |
| Atlantic Asset Management Partners, L.L.C. | 236,313 | 237,438 | Oppenheimer Capital, Inc. | 0 | 925,959 |
| Bear Stearns Asset Management, Inc. | 0 | 148,831 | Pacific Investment Management Co. | 6,029,208 | 2,902,215 |
| Bear Stearns/Capital Associates Realty Advisors | 870,940 | 870,940 | Paradigm Asset Management Co., L.L.C. | 354,287 | 297,000 |
| BlackRock Financial Management, Inc. | 924,004 | 635,095 | Payden & Rygel Investment Counsel | 741,049 | 482,552 |
| Blairlogie International Ltd. | 0 | 195,787 | Penman Asset Management, L.P. | 332,212 | 393,017 |
| Brandes Investment Partners, L.P. | 534,582 | 175,169 | Periscope I Fund Managers, L.L.C. | 108,000 | 105,489 |
| Brandywine Asset Management, Inc. | 228,947 | 868,137 | Pyrford International, P.L.C. | 1,297,615 | 797,861 |
| Brinson Partners, Inc. | 4,633,207 | 5,433,879 | RREEF Real Estate Venture Capital Fund, L.P. | (234,383) | 500,000 |
| Capital Associates Realty Advisors | 3,263,580 | 3,242,234 | Sadler Capital Management | 165,871 | 198,271 |
| Capital Guardian Trust Co. | 992,064 | 344,702 | Sanford C. Bernstein & Co., Inc. | 761,522 | 180,243 |
| Chicago Equity Partners | 887,250 | 773,401 | Schroder Capital Management | 0 | 150,765 |
| Clay Finlay, Inc. | 1,364,962 | 1,670,689 | SCP Private Equity Partners, L.P. | 585,850 | 874,479 |
| Commonwealth Realty Advisors, Inc. | 2,398,255 | 2,483,497 | Scudder Kemper Investments, Inc. | 980,033 | 950,378 |
| Conseco Capital Management | 366,115 | 92,376 | Societe Generale | 0 | 150,514 |
| Cozad/Westchester | 1,203,734 | 973,719 | State Street Global Advisors | 78,567 | 0 |
| Daystar Partners | 539,340 | 1,954,977 | Stone-Levy, L.L.C. | 2,499,284 | 2,639,211 |
| Delaware International Advisors, Ltd. | 1,422,880 | 1,367,816 | Strong Capital Management, Inc. | 352,929 | 105,564 |
| DLJ Merchant Banking Partners, Inc. II | 1,125,000 | 0 | Sturdivant & Co. | 29,675 | 243,607 |
| DLJ Real Estate Capital Partners, L.P. | 800,901 | 723,360 | Taplin, Canida & Habacht | 171,131 | 42,857 |
| Dresdner RCM Global Investors, L.L.C. | 626,713 | 1,740,973 | TCW Realty Fund II | 0 | 2,171 |
| Fiduciary Management Associates | 129,317 | 139,652 | TCW/Latin American Partners, L.L.C. | 661,145 | 951,639 |
| First Analysis, Inc. | 2,043 | 69,300 | The Chicago Trust Company | 215,019 | 197,073 |
| First of America Bank | 0 | 57,780 | The Edgar Lomax Company | 103,423 | 34,020 |
| Forstmann-Leff International, Inc. | 224,593 | 56,206 | The Northern Trust Company | 469,300 | 205,144 |
| Fox Asset Management, Inc. | 200,970 | 165,184 | The Northern Trust Company (Custody) | 675,000 | 740,000 |
| Frontenac Company V | 0 | 27,574 | Trivest, Inc. | 356,326 | 534,210 |
| Frontenac Company VI | 300,000 | 300,001 | Valenzuela Capital Partners, L.L.C. | 263,666 | 380,492 |
| Heitman Capital Management | 287,177 | 425,677 | Veronis Suhler & Associates | 162,639 | 600,000 |
| Hotchkis & Wiley | 1,597,064 | 2,182,157 | W.R. Huff Asset Management Co., L.L.C. | 708,927 | 653,945 |
| Hughes Capital Management, Inc. | 117,821 | 20,864 | Walnut Growth Partners, L.L.C. | 0 | 431,250 |
| Insight Capital Research & Management, Inc. | 262,334 | 313,476 | Wayne Hummer Management Co. | 27,649 | 26,089 |
| Institutional Capital Corp. | 915,510 | 228,538 | Weiss, Peck & Greer Corporate Development Associates | 600,000 | 723,626 |
| Julius Baer Investment Management, Inc. | 461,220 | 423,756 | Weiss, Peck & Greer Investments | 219,960 | 257,500 |
| K/B Realty Advisors | 3,031,689 | 3,689,041 | Weiss, Peck & Greer Venture Partners, L.P. I | 285,031 | 339,699 |
| Kohlberg Kravis Roberts & Co. | 736,661 | 675,669 | Weiss, Peck & Greer Venture Partners, L.P. II | 1,256,058 | 1,815,891 |
| LaSalle Profile Fund I | 0 | 2,721 | Weiss, Peck & Greer Partners, L.P. III | 2,054,001 | 1,654,046 |
| Lazard Asset Management | 1,164,399 | 951,439 | Western Asset Management Co. | 703,913 | 612,111 |
| Lincoln Capital Management Co. | 3,285,775 | 2,772,784 | William Blair Mezzanine Capital Partners | 0 | 115,395 |
| LPC Realty Advisors I, Ltd. | 6,539,405 | 3,008,874 | | | |
| Mentor Investment Advisors, Inc. | 103,598 | 328,754 | | | |
| | | | Total fees paid by TRS | \$75,463,334 | \$71,525,743 |

Note: The schedule above was prepared using the cash basis of accounting and differs from the total shown within the Financial Section of this report.

Source: TRS

**SCHEDULE OF EQUITY BROKERAGE COMMISSIONS
FOR THE YEARS ENDING JUNE 30, 1999, AND 1998**

| Broker | FY99 Amount | FY98 Amount |
|--|---------------------|---------------------|
| Goldman Sachs & Company (Worldwide) | \$779,005 | \$550,637 |
| State Street Brokerage Services | 698,145 | 0 |
| Merrill Lynch & Co., Inc. (Worldwide) | 578,249 | 878,331 |
| Morgan Stanley/Dean Witter (Worldwide) | 560,923 | 491,161 |
| Salomon Smith Barney, Inc. (Worldwide) | 529,835 | 606,978 |
| Morgan Keegan & Company | 484,907 | 344,424 |
| CS First Boston Corp. (Worldwide) | 468,979 | 231,040 |
| MLPFS (Worldwide) | 408,410 | 118,943 |
| Oppenheimer & Co., Inc. | 352,522 | 329,392 |
| D.L.J. Securities Corp. (Worldwide) | 333,505 | 242,559 |
| Furman Selz Mager Dietz & Birney | 330,408 | 0 |
| Bear Stearns & Co. (Worldwide) | 275,350 | 301,476 |
| Instinet (Worldwide) | 268,894 | 236,675 |
| ABN AMRO (Worldwide) | 255,445 | 0 |
| Capital Institutional Services | 247,641 | 245,061 |
| Alpha Management, Inc. | 246,400 | 705,237 |
| CommerzBank Capital Markets Corp. | 245,432 | 230,186 |
| Frank Russell, Inc. (Worldwide) | 228,544 | 0 |
| Abel Noser Corporation | 227,709 | 180,217 |
| Citation Group, The | 199,843 | 453,314 |
| Lehman Brothers, Inc. (Worldwide) | 183,208 | 362,020 |
| J.P. Morgan Securities, Inc. (Worldwide) | 179,885 | 134,182 |
| Berstein, Sanford C. & Co. | 174,941 | 92,382 |
| HSBC (Worldwide) | 168,981 | 214,643 |
| Montgomery Securities | 156,965 | 286,258 |
| Zacks & Co. | 152,347 | 0 |
| SBC Warburg & Co. (Worldwide) | 149,475 | 351,364 |
| Soundview Financial Group | 147,518 | 231,955 |
| Paine Webber Govt. Securities, Inc. | 141,158 | 167,328 |
| Hambrecht & Quest | 136,440 | 162,381 |
| Alex, Brown & Sons, Inc. | 132,105 | 190,890 |
| Investment Technology Group, Inc. | 131,353 | 187,409 |
| Jefferies & Company | 128,253 | 138,865 |
| Deutsche Morgan Grenfell (Worldwide) | 126,653 | 264,539 |
| James Capel (Worldwide) | 114,269 | 354,919 |
| UBS P&D (Worldwide) | 108,339 | 193,736 |
| Societe Generale Securities Corp. | 107,291 | 114,887 |
| BT Alex Brown (Worldwide) | 106,960 | 0 |
| Lynch Jones & Ryan | 104,085 | 252,374 |
| Credit Lyonnais Securities (Worldwide) | 99,715 | 0 |
| Cowen & Company (Worldwide) | 97,893 | 0 |
| J.B. Were & Sons (Worldwide) | 97,659 | 88,584 |
| Cheureux De Virieu (Worldwide) | 90,141 | 121,653 |
| Robertson Stephens & Co. | 89,672 | 86,162 |
| Lewco Securities & Co. | 82,161 | 85,136 |
| Dean Witter Reynolds, Inc. | 80,154 | 69,251 |
| Fox Pitt & Kelton (Worldwide) | 77,278 | 0 |
| Robert Fleming & Co. Ltd. (Worldwide) | 76,989 | 142,449 |
| Cantor Fitzgerald & Co. | 75,553 | 0 |
| Prudential Securities, Inc. | 74,709 | 85,779 |
| All Others (FY99 238 brokers) | 2,718,947 | 3,757,374 |
| Total Equity Commissions | \$14,031,243 | \$14,282,151 |

TRS uses a commission recapture and soft dollar program. For the year-ended June 30, 1999, TRS recaptured more than \$1.2 million in commissions that were reinvested back into the fund. In addition, TRS received \$504,595 in soft dollar credits that were used to pay for fund research and fund consulting expenses. In FY99, TRS spent \$407,318 of soft dollar commission credits. At June 30, 1999, TRS had a remaining soft dollar credit balance of \$383,421. Note: All amounts in this paragraph are listed in hard dollars.

Note: Worldwide brokers indicate the respective broker was used in more than one country. Due to name changes and brokerage house mergers, some firms listed for FY98 are included for FY99.
Source: The Northern Trust Company

Actuarial

Section



- Actuarial Assumptions and Methods
- Annual Actuarial Valuation
- Reconciliation of Unfunded Liability
- State Funding
- Tests of Financial Condition
- Other Information
- Plan Summary and Changes

**BUCK
CONSULTANTS**

One North Franklin, Suite 3500
Chicago, Illinois 60606

October 27, 1999

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

Subject: Pension Benefit Obligation as of June 30, 1999

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the pension benefit obligation of the System to be \$33,205,513,000 as of June 30, 1999. The valuation was performed in accordance with generally accepted actuarial principles and procedures, using the projected unit-credit actuarial cost method.

The actuarial valuation was based on a census of retired members as of June 30, 1999, and a census of active and inactive members as of June 30, 1998, which were submitted to us by the System. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation.

Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. This schedule has been reviewed and is consistent with the valuation report. The Actuarial Section of the Annual Financial Report also contains various schedules which are in agreement with the valuation report and have been verified for their accuracy.

The amortization method established by PA 88-0593 and PA 90-0582 which is used for funding purposes does not meet the parameters of GASB Statement No. 25. The amortization method used is a 15-year phase-in to a level percent of payroll until a 90% funding level is achieved by June 30, 2045, with the remaining amortization period being 46 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 1999. The actuarial assumptions used in the valuation are those specified by the Board of Trustees of the System based on recommendations made by the actuary.

The June 30, 1999 valuation reflects a change in the 2.2% utilization assumption. As required by PA 90-0582, normal retirement benefits are now calculated as 2.2% of final average salary for each year of creditable service earned after June 30, 1998. Members may upgrade to the new

Buck Consultants, Inc.

312 | 332-2285 Fax 312 | 332-5245

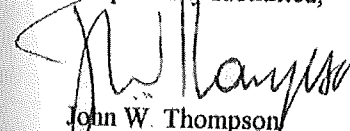
Board of Trustees
Teachers' Retirement System
of the State of Illinois
October 27, 1999
Page 2

formula for all service by making an optional payment. The June 30, 1998 valuation assumed that 85% of the members would make the optional payment at retirement. The June 30, 1999 valuation now assumes that 100 % of the members will upgrade to the new benefit formula, with some members upgrading prior to retirement. This assumption was changed in response to the number of current active members choosing to upgrade now and the fact that virtually all members retiring since the formula change are choosing to upgrade. The effect of this change was to increase the value of benefits and increase the unfunded pension benefit obligation by \$125.2 million.

This valuation also reflects a change in the upgrade cost of 2.2% to members with more than 34 years of service. Under Public Act 91-0017, the 2.2% upgrade cost has been reduced on a sliding scale for members with more than 34 years of creditable service. The contribution rate is reduced by waiving 25% of the employee contribution for each year of service in excess of 34 years. The upgrade cost would be zero for members with 38 or more years of service. The effect of this change was an increase in the unfunded pension benefit obligation of \$33.9 million.

In our opinion, the amount of \$33,205,513,000 is a fair representation of the pension benefit obligation of the System as of June 30, 1999.

Respectfully submitted,



John W. Thompson
Consulting Actuary

JWT:pl
7228/B34726A06.DOC

**BUCK
CONSULTANTS**

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

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

Actuarial Assumptions and Methods

Each year, the actuary reconciles the differences between major actuarial assumptions and experience in the process of explaining the change in TRS' unfunded liability. The unfunded liability is the difference between the accrued liability (the present value of benefits including the cost of annual increases) and the net assets that are available to cover the liability.

Inflation: 4 percent per annum. Implicit in investment and earnings progression assumptions, which were changed in the FY97 valuation.

Investment return: 8.5 percent per annum, compounded annually. Adopted in the FY97 valuation.

Earnings progression: Merit and longevity increases, adjusted for inflation. Approximates 7.0 percent per year to the earliest date of retirement eligibility. Adopted in the FY97 valuation.

Sample annual percentage salary increases:

| Age | Male and Female |
|-----|-----------------|
| 20 | 9.3% |
| 30 | 8.2 |
| 40 | 7.1 |
| 50 | 6.5 |
| 60 | 6.3 |
| 69 | 6.0 |

Retirement age: Graduated rates based on age and gender of active members. Inactive members are assumed to retire at age 62. Adopted in the FY87 valuation.

Sample annual rates of retirement per 1,000 participants for active members:

| Age | Male | Female |
|-----|---------|---------|
| 55 | 97.0 | 97.0 |
| 60 | 270.0 | 180.0 |
| 65 | 365.0 | 330.0 |
| 70 | 1,000.0 | 1,000.0 |

Mortality: For death in active service and regular service retirements: 1995 Buck Mortality Tables. For beneficiaries and survivors: 1995 Buck Mortality Tables rated forward one year. For disabled retirements: Pension Benefit Guaranty Corporation rates for male disabled lives not necessarily receiving Social Security with male rates set forward five years and female rates set back two years (but not set back to less than age 65). Adopted in the FY97 valuation.

Disability: Adopted in the FY93 valuation.

Sample annual rates per 1,000 participants:

| Age | Male | Female |
|-----|------|--------|
| 20 | 0.4 | 0.7 |
| 30 | 0.4 | 0.8 |
| 40 | 0.6 | 1.2 |
| 50 | 1.2 | 2.4 |
| 60 | 4.0 | 8.0 |

Termination from active service: Adopted in the FY97 valuation.

Sample annual terminations per 1,000 participants:

| Age | Nonvested Members | | Vested Members | |
|-----|-------------------|--------|----------------|--------|
| | Male | Female | Male | Female |
| 20 | 169.0 | 186.7 | 76.5 | 96.6 |
| 30 | 91.0 | 135.0 | 41.2 | 69.9 |
| 40 | 35.0 | 55.0 | 15.8 | 28.5 |
| 50 | 23.0 | 36.5 | 10.4 | 18.9 |
| 60 | 41.0 | 44.0 | 18.6 | 22.8 |

Severance pay: Increases with years of service at retirement. Adopted in the FY94 valuation.

| Years of Service at Retirement | Percent of Retirees who Receive Severance Pay | Severance Pay as a Percent of Final Salary |
|--------------------------------|---|--|
| fewer than 20 | 0.0% | 0.0% |
| 20-24 | 54.0 | 13.2 |
| 25-29 | 60.0 | 13.2 |
| 30-34 | 66.0 | 13.9 |
| 35 or more | 72.0 | 14.6 |

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased by 1.95 percent to cover the employer cost of optional service purchased in the last two years of service. The overall assumption used in the previous valuation – an average of .813 of a year per full-time/part-time service retiree – is maintained. Adopted in the FY94 valuation; refined in the FY99 valuation.

Unused and uncompensated sick leave: Equals 2.90 percent of regular service at retirement. Adopted in the FY94 valuation.

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

Asset valuation method: Market value. Adopted in the FY97 valuation.

Under the projected unit credit cost method used by TRS, the resulting liability for benefits earned is called the "pension benefit obligation," or PBO. A broader term for this liability is "actuarial accrued liability," or AAL. In other words, the PBO is a type of AAL.

Also, measures of TRS' financial condition for both June 30, 1999, and June 30, 1998, are shown using market value of assets. These tests are consistent with TRS' financial statements, which are prepared in accordance with GASB Statement No. 25. The change to market value was effective June 30, 1997, for determining state funding requirements for FY99.

The actuarial value of assets for FY99 and FY98 is equal to the "net assets available for benefits" as shown in the Financial Statements.

Annual Actuarial Valuation

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

The **funded ratio** shows the percentage of the accrued liability covered by net assets at market value.

| | ACTUARIAL VALUATION WITH MARKET VALUE ASSETS (\$ thousands) | |
|---|--|---------------------|
| | Years Ended June 30 | |
| | 1999 | 1998 |
| Total actuarial accrued liability | \$33,205,513 | \$29,908,241 |
| Less actuarial value of assets (net assets at market value) | \$22,237,709 | \$19,965,887 |
| Unfunded liability | \$10,967,804 | \$9,942,354 |
| Funded ratio | 67.0% | 66.8% |

Reconciliation of Unfunded Liability

The net increase in the June 30, 1999, unfunded liability of \$1,025 million was caused by a combination of factors.

The *employer cost in excess of contributions* is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 1999, this shortfall was \$677 million.

Plan *amendments* and an assumption change related to the FY98 formula change also caused the unfunded liability to increase. In FY99, the assumed utilization of the 2.2 upgrade was increased from 85 percent to 100 percent. Almost all retirees who would benefit from the upgrade are electing it. Active members are also upgrading at a very high rate. This change in assumptions increased the unfunded liability by \$125 million. Also in FY99, the cost of the 2.2 upgrade was reduced for members with more than 34 years of service, increasing the unfunded liability by \$34 million.

| RECONCILIATION OF UNFUNDED LIABILITY (\$ thousands) | | |
|--|---------------------|-------------|
| | Years Ended June 30 | |
| | 1999 | 1998 |
| Unfunded liability at beginning of year | \$9,942,354 | \$9,558,477 |
| Additions (Deductions) | 677,408 | 776,189 |
| Employer cost in excess of contributions | | |
| Amendments | 125,223 | |
| FY99: Change in 2.2% utilization assumption from 85% to 100% and effect of 36,418 members upgrading prior to retirement ¹ | 33,870 | |
| FY99: Change 2.2% upgrade cost to be reduced on a sliding scale under PA 91-17 ² | | 985,900 |
| FY98: Change in benefit formula to flat 2.2% under PA 90-582 | | 14,400 |
| FY98: Change in the definition of eligible child under PA 90-448 | | |
| Actuarial losses (gains) compared to assumptions | 44,030 | (46,017) |
| Salary increases for continuing active members | (389,014) | (1,417,747) |
| Investment return | 15,631 | 11,998 |
| New entrant loss | 33,434 | 33,312 |
| Mortality loss | 74,310 | 0 |
| Fewer terminations than expected ³ | 39,940 | 0 |
| Repayments of refunded member contributions ³ | 29,765 | 0 |
| ERO costs waived for those with 34 years of service ³ | 36,819 | 12,103 |
| Delayed reporting of retirements (effect on assets) ⁴ | 304,034 | 13,739 |
| Other ⁵ | 1,025,450 | 383,877 |
| Net additions | \$10,967,804 | \$9,942,354 |
| Unfunded liability at end of year | | |

- Prior costs based on assumption that members would wait until retirement to make the decision to upgrade. If members upgrade prior to retirement, the value of future death, disability retirement, and termination benefits are increased.
- This cost includes refunds with interest for those who have already elected to upgrade past service. These members have been charged an amount based on their total past service and will receive a refund of excess amounts when they retire.
- An itemization of these factors was not determined prior to 1999.
- 542 retirements which occurred prior to 7/1/97 were not reported to the actuary until 6/30/98. 1,237 retirements which occurred prior to 7/1/98 were not reported to the actuary until 6/30/99.
- Other includes items such as:
 - Retroactive benefits for late retirees (50-100 late retirements annually).
 - Change in rate of benefit accruals from certified normal cost rate.
 - Retirements with reciprocal service credits.
 - Fewer disablements than expected.
 - Delayed reporting of retirements (effect on accrued liability).

TRs experienced an actuarial gain under the *investment return* assumption and an actuarial loss under the *salary increase* assumption in FY99. Investment income was \$389 million higher than expected, and salary increases were \$44 million higher than expected. Losses also occurred under the *mortality* and *turnover* assumptions. Additionally, many members repaid refunds in FY99, and

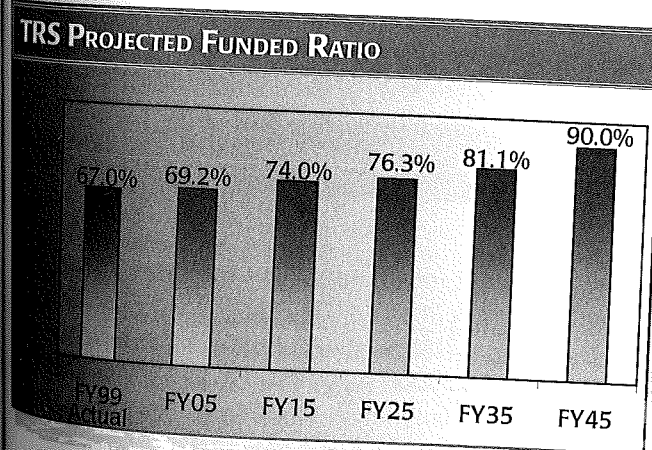
the repurchased service increased the unfunded liability. There were also losses associated with the ERO contribution rates and the ERO contribution waivers for members who have 34 years of service. *Other*, which is a balancing item, is larger than usual in FY99 because many of the retirements effective in June 1998 were not reported to TRS and the actuary until after June 30, 1998.

State Funding

State contributions to TRS under Public Act 88-593 began in FY96. The law established the state's commitment to strengthen TRS' financial position through a 35-year funding plan following a 15-year phase-in that ends in FY10. Under the phase-in, contributions are being gradually increased to a level percentage of active member payroll, and that rate (as adjusted annually by the actuaries) will be contributed for the following 35 years. At the end of the funding period in FY45, TRS will reach a 90 percent funded ratio.

Public Act 90-582, the 2.2 legislation, added minimum state contribution rates for FY99 through FY10 with the state's share of the cost of the 2.2 benefit formula change paid as a level percentage of active member payroll. The overall phase-in feature and the 90 percent target funded ratio of Public Act 88-593 are maintained.

Since FY96, state contributions to TRS and the other four state systems have been made through a continuing appropriation, so the required contributions to TRS are made automatically. It is essential that the continuing appropriation feature and the 50-year funding schedule be upheld. The integrity of the funding plan remains a top priority for TRS.



The FY99 actuarial valuation was used to determine FY01 state funding requirements and the FY01 employer's normal cost. The FY98 actuarial valuation was used to determine the required state contributions for FY00 and the FY00 employer's normal cost.

| STATE FUNDING AMOUNTS | | |
|--|---------------|---------------|
| | FY01 | FY00 |
| Employer contribution reserve (includes state contributions for 2.2; excludes federal contributions; excludes school district contributions for 2.2) | \$719,357,000 | \$634,039,000 |
| Minimum benefit reserve | 5,500,000 | 6,000,000 |
| Supplemental benefit reserve* | 0 | 35,000 |
| Total state funding amount | \$724,857,000 | \$640,074,000 |
| Employer's normal cost as a percentage of active member payroll | 8.65% | 8.15% |
| State contribution to the Employers' Contribution Reserve as a percent of payroll | 11.47% | 10.77% |

* No contribution is recommended for this item because the balance of the reserve is sufficient to pay all future expected benefit payments.

Tests of Financial Condition

The **funded ratio** shows the percentage of the accrued liability covered by net assets at book (cost) and market values.

| FUNDED RATIO TEST (\$ thousands) | | | | | |
|----------------------------------|--------------------|----------------------|----------------------------|----------------------|------------------------|
| As of June 30 | Net Assets at Cost | Net Assets at Market | Pension Benefit Obligation | Funded Ratio At Cost | Funded Ratio At Market |
| 1990 | \$8,079,898 | \$8,924,022 | \$13,662,509 | 59.1 | 65.3 |
| 1991 | 8,747,122 | 9,453,140 | 15,141,334 | 57.8 | 62.4 |
| 1992 | 9,811,962 | 10,439,836 | 16,659,353 | 58.9 | 62.7 |
| 1993 | 10,879,590 | 11,544,604 | 18,485,890 | 58.9 | 62.5 |
| 1994 | 11,992,224 | 12,038,688 | 21,746,875 | 55.1 | 55.4 |
| 1995 | 12,641,865 | 13,374,278 | 23,980,566 | 52.7 | 55.8 |
| 1996 | 13,829,711 | 15,103,927 | 26,141,794 | 52.9 | 57.8 |
| 1997 | * | 17,393,108 | 26,951,585 | * | 64.5 |
| 1998 | * | 19,965,887 | 29,908,241 | * | 66.8 |
| 1999 | * | 22,237,709 | 33,205,513 | * | 67.0 |

*Due to the June 30, 1997, change to valuing assets at market value, net assets and funded ratio are no longer reported at cost.

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

UNFUNDED LIABILITY AS A PERCENTAGE OF PAYROLL TEST (\$ thousands)

| Year Ended June 30 | Approximate Member Payroll | Unfunded Liability | Percentage of Payroll |
|--------------------|----------------------------|--------------------|-----------------------|
| 1990 | \$3,402,000 | \$5,582,611 | 164.1% |
| 1991 | 3,777,000 | 6,394,212 | 169.3 |
| 1992 | 3,976,000 | 6,847,391 | 172.2 |
| 1993 | 4,189,000 | 7,606,300 | 181.6 |
| 1994 | 4,413,000 | 9,754,651 | 221.0 |
| 1995 | 4,417,000 | 11,338,701 | 256.7 |
| 1996 | 4,734,000 | 11,037,867 | 233.1 |
| 1997 | 5,013,000 | 9,558,477 | 190.7 |
| 1998 | 5,323,000 | 9,942,354 | 186.8 |
| 1999 | 5,698,000 | 10,967,804 | 192.5 |

Beginning in FY96, unfunded liabilities are calculated using assets at market value.

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

SOLVENCY TEST (\$ thousands)

| Year Ended June 30 | Aggregate Accrued Liabilities for | | | Actuarial Value of Assets* | Percentage of Benefits Covered by Net Assets | | |
|--------------------|--|---|-------------------------------------|----------------------------|--|------|-----|
| | Members' Accumulated Contributions (1) | Participants Currently Receiving Benefits (2) | Active Members Employer Portion (3) | | (A) | (B) | (C) |
| 1990 | \$2,167,054 | \$5,121,234 | \$6,374,221 | \$8,079,898 | 100% | 100% | 12% |
| 1991 | 2,311,850 | 5,742,766 | 7,086,718 | 8,747,122 | 100 | 100 | 10 |
| 1992 | 2,503,393 | 6,338,458 | 7,817,502 | 9,811,962 | 100 | 100 | 12 |
| 1993 | 2,709,573 | 7,510,618 | 8,265,699 | 10,879,590 | 100 | 100 | 8 |
| 1994 | 2,850,319 | 10,088,901 | 8,807,655 | 11,992,224 | 100 | 91 | 0 |
| 1995 | 2,846,405 | 12,702,258 | 8,431,903 | 12,641,865 | 100 | 77 | 0 |
| 1996 | 3,002,052 | 13,351,367 | 9,788,375 | 15,103,927 | 100 | 91 | 0 |
| 1997 | 3,329,075 | 13,091,057 | 10,531,453 | 17,393,108 | 100 | 100 | 9 |
| 1998 | 3,651,119 | 13,830,583 | 12,426,539 | 19,965,887 | 100 | 100 | 20 |
| 1999 | 3,956,022 | 14,935,811 | 14,313,680 | 22,237,709 | 100 | 100 | 23 |

* Beginning in FY96, assets are at market value.

assets. The portion of Column 3 that is covered by assets should increase over time. TRS passed the minimum standards of the solvency test in 1997, 1998, and 1999.

Other Information

Please refer to the Statistical Section for the following information:

- ☐ Average Annual Salary for Active Members by Years of Service, 1990-1999
- ☐ Active Members by Years of Age and Years of Service, June 30, 1999
- ☐ Retired Members by Years of Service and Years in Retirement, June 30, 1999
- ☐ Schedules of Average Monthly Benefits, June 30, 1999
 - ☐ Retiree Benefits
 - ☐ Disability Benefits
 - ☐ Survivor Benefits
- ☐ Retirees and Beneficiaries Added to and Removed from the Rolls, 1995-1999

The schedules appearing in the Statistical Section were prepared by TRS staff. The Statistical Section contains schedules for Revenue by Source, Expenses by Type, Benefit Expenses by Type, and Participating Employers.

Plan Summary and Changes

Administration

TRS was created and is governed by the Illinois Pension Code, Article 16. A Board of Trustees is authorized to carry out duties granted to it under the article. The Board is comprised of the state superintendent of education, four persons appointed by the governor, four elected members of TRS, and one elected annuitant. The Board of Trustees appoints an executive director who is responsible for the detailed administration of TRS.

Membership

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

Contributions

During FY99, members contributed 9 percent of gross creditable earnings designated as 7½ percent for retirement annuity, ½ percent for post-retirement increases, and 1 percent for death benefits. Active members do not contribute to Social Security for TRS-covered employment; however, members hired after March 31, 1986, are required to contribute to Medicare. In addition, virtually all members pay a ½ of 1 percent contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan.

Service Credit

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

A payroll deduction program became effective July 1, 1998. Active and certain inactive members can make tax-sheltered contributions to TRS to purchase various types of optional service or to upgrade their service under the graduated retirement formula to the 2.2 formula.

Refunds

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

Retirement Benefits

To be eligible to receive a monthly retirement annuity, a member must terminate active service and meet specific age and service requirements:

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

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

Most members retire under a retirement benefit formula. This retirement annuity is determined by two factors: average salary and years of creditable service. Average salary is the average of the creditable earnings in the highest four consecutive years within the last 10 years of creditable service. Years of service determine the percentage of the final average salary to which members are entitled. Some members retire under a money purchase style "actuarial" benefit. By law, the higher of the formula benefit or the actuarial benefit is paid.

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

- ☐ 1.67 percent for each of years 1 through 10,
- ☐ 1.9 percent for each of years 11 through 20,
- ☐ 2.1 percent for each of years 21 through 30, and
- ☐ 2.3 percent for each year over 30.

Years of service earned after June 30, 1998, are earned at 2.2 percent of final average salary.

On May 27, 1998, former Governor Jim Edgar signed into law Public Act 90-582 which improved retirement benefits for TRS members. Public Act 90-582 changed the rate at which TRS members accrue benefits beginning

July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. The maximum 75 percent benefit is attained with 34 years of service under the 2.2 formula. Members who retire on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat-rate 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

On June 4, 1999, Governor George Ryan signed into law Public Act 91-17 which reduces the 2.2 formula upgrade cost on a sliding scale for members who have 34 or more years of service credit. The legislation also made a technical correction in the benefit accrual rate for members who do not upgrade their pre-July 1998 service.

The maximum annuity, 75 percent of final average salary, is achieved with 34 years under the 2.2 formula and with 38 years of service under the graduated formula. The minimum retirement benefit is \$25 per month for each year of creditable service with a maximum of \$750 per month for 30 or more years of service.

A money purchase (actuarial) benefit is payable if it results in a higher annuity than either the graduated or 2.2 formula. The 75 percent cap does not apply to the money purchase benefit.

Disability Benefits

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

Death Benefits

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

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The return of member contributions includes the retirement contributions (6½ percent of salary through June 30, 1998, and 7½ percent after that

date) with interest and the ½ percent paid toward annual increases in annuity. Beneficiaries of annuitants receive the accumulated contributions minus the amount that the member had already received as a retirement annuity.

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

Early Retirement Option

Members who are age 55 or older and have more than 20 but fewer than 35 years of service may choose the Early Retirement Option (ERO) to avoid a discounted annuity. Under the ERO, both the member and the employer must make a one-time contribution. However, both the member and employer contributions are waived if the member has 34 years of service. Public Act 91-17 extended the expiration of the ERO through June 30, 2005. Members who have 35 or more years of service can retire and receive a nondiscounted annuity.

Post-Retirement Increase

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

Employment-Related Felony Conviction

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

Continuity of Credit within Illinois

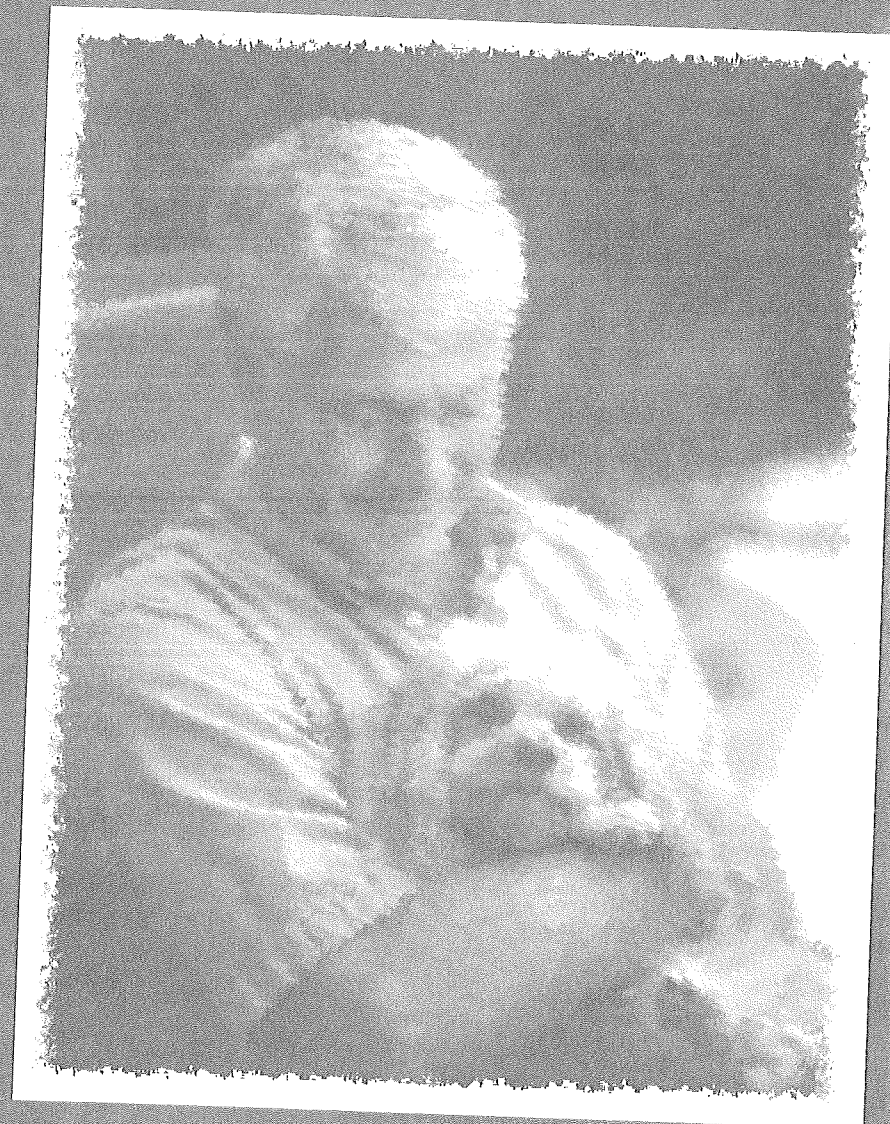
TRS is one of 13 public retirement systems that are included in the provisions of the Illinois Retirement Systems' Reciprocal Act. This act ensures continuous pension credit for public employment in Illinois.

Conflicts

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

Statistical

SECTION



Average Annual Salary for Active Members by Years of Service

Active Members by Age and Years of Service

Retired Members by Years of Service and Years in Retirement

Average Monthly Benefits

Retirees and Beneficiaries Added to and Removed from Rolls

Revenues by Source

Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Participating Employers

AVERAGE ANNUAL SALARY FOR ACTIVE MEMBERS BY YEARS OF SERVICE (Years ended June 30)

| Years of Service | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 0-5 | | | | | | | | | | |
| Number | 22,949 | 26,770 | 26,962 | 26,217 | 28,573 | 34,193 | 33,700 | 33,134 | 33,325 | 34,831 |
| Average Salary | \$23,284 | \$24,752 | \$25,881 | \$27,051 | \$28,120 | \$28,851 | \$29,867 | \$30,717 | \$31,495 | \$32,430 |
| 6-10 | | | | | | | | | | |
| Number | 15,359 | 14,811 | 15,820 | 16,948 | 18,158 | 18,757 | 19,716 | 20,340 | 20,329 | 21,540 |
| Average Salary | \$28,158 | \$30,524 | \$32,141 | \$33,675 | \$35,349 | \$36,465 | \$37,315 | \$38,170 | \$39,047 | \$40,320 |
| 11-15 | | | | | | | | | | |
| Number | 18,066 | 16,438 | 15,914 | 14,663 | 13,380 | 12,686 | 13,013 | 13,830 | 14,571 | 15,461 |
| Average Salary | \$32,791 | \$35,078 | \$37,016 | \$38,714 | \$40,413 | \$41,715 | \$42,905 | \$44,258 | \$45,659 | \$47,430 |
| 16-20 | | | | | | | | | | |
| Number | 20,027 | 18,403 | 17,454 | 16,703 | 15,916 | 14,775 | 14,579 | 14,295 | 13,004 | 11,969 |
| Average Salary | \$37,984 | \$40,060 | \$41,984 | \$43,692 | \$45,523 | \$46,662 | \$47,929 | \$49,309 | \$50,650 | \$52,477 |
| 21-25 | | | | | | | | | | |
| Number | 14,755 | 15,719 | 16,422 | 17,083 | 17,233 | 16,030 | 15,754 | 15,235 | 14,494 | 14,006 |
| Average Salary | \$41,523 | \$43,958 | \$46,051 | \$47,942 | \$49,998 | \$51,295 | \$52,679 | \$54,096 | \$55,498 | \$57,256 |
| 26-30 | | | | | | | | | | |
| Number | 7,152 | 7,605 | 8,307 | 9,431 | 10,134 | 9,608 | 11,474 | 12,977 | 13,904 | 14,541 |
| Average Salary | \$43,316 | \$45,877 | \$48,438 | \$51,050 | \$54,071 | \$55,543 | \$56,865 | \$58,168 | \$59,694 | \$61,866 |
| 31-35 | | | | | | | | | | |
| Number | 3,222 | 3,479 | 3,742 | 4,124 | 3,523 | 1,930 | 2,456 | 3,525 | 4,845 | 6,018 |
| Average Salary | \$46,363 | \$49,046 | \$52,047 | \$55,598 | \$58,913 | \$58,460 | \$59,383 | \$61,434 | \$63,985 | \$67,373 |
| 35+ | | | | | | | | | | |
| Number | 457 | 478 | 539 | 707 | 771 | 541 | 549 | 611 | 644 | 692 |
| Average Salary | \$48,146 | \$49,979 | \$55,044 | \$57,768 | \$60,109 | \$59,672 | \$61,618 | \$62,841 | \$65,222 | \$67,453 |
| Total Number | 101,987 | 103,703 | 105,160 | 105,876 | 107,688 | 108,520 | 111,241 | 113,947 | 115,116 | 119,058 |
| Average Salary | \$33,024 | \$35,321 | \$37,193 | \$39,177 | \$40,618 | \$40,455 | \$41,903 | \$43,398 | \$44,769 | \$46,306 |
| % Change Average Salary | 5.4% | 7.0% | 5.3% | 5.3% | 3.7% | (0.4%) | 3.6% | 3.6% | 3.2% | 3.4% |
| Total Payroll Full & Part-time | \$3,368,018,688 | \$3,662,893,663 | \$3,911,215,880 | \$4,147,904,052 | \$4,374,071,184 | \$4,390,176,600 | \$4,661,331,623 | \$4,945,071,906 | \$5,153,628,204 | \$5,513,099,748 |

FY99 statistical information is subject to review by the Employer Services Department, which may result in slight modifications. Annual salaries are computed using full- and part-time salary rates only; substitute and hourly employee salaries are omitted. Total payroll shown will be lower than payroll figures used elsewhere in this report.

ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE (as of June 30, 1999)

| Age | | Subs | Years of Service | | | | | | | Totals | | | | |
|-------|----------------|---------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | | 0-5 | 6-10 | 11-15 | 16-20 | 21-25 | 26-30 | 31-35 | | 36-40 | 41-45 | 46-50 | 51-55 |
| 20-24 | Number | 1,986 | 1,586 | | | | | | | | | | | 1,586 |
| | Average Salary | \$3,311 | \$26,667 | | | | | | | | | | | \$26,667 |
| 25-29 | Number | 4,004 | 13,379 | 721 | | | | | | | | | | 14,100 |
| | Average Salary | \$3,968 | \$30,662 | \$35,928 | | | | | | | | | | \$30,931 |
| 30-34 | Number | 2,147 | 6,646 | 6,687 | 378 | | | | | | | | | 13,711 |
| | Average Salary | \$3,297 | \$33,129 | \$38,207 | \$43,453 | | | | | | | | | \$35,891 |
| 35-39 | Number | 2,339 | 3,176 | 3,295 | 4,076 | 282 | | | | | | | | 10,829 |
| | Average Salary | \$3,523 | \$33,618 | \$40,046 | \$45,412 | \$49,305 | | | | | | | | \$40,422 |
| 40-44 | Number | 3,246 | 3,229 | 2,609 | 2,790 | 3,942 | 659 | | | | | | | 13,230 |
| | Average Salary | \$3,774 | \$32,770 | \$39,857 | \$46,618 | \$50,881 | \$54,090 | \$60,195 | | | | | | \$43,548 |
| 45-49 | Number | 3,610 | 3,616 | 3,797 | 3,170 | 3,234 | 7,119 | | | | | | | 22,345 |
| | Average Salary | \$4,118 | \$34,390 | \$41,246 | \$47,263 | \$52,724 | \$56,606 | \$59,724 | \$1,409 | | | | | \$48,710 |
| 50-54 | Number | 2,863 | 2,247 | 3,139 | 3,262 | 2,619 | 3,866 | 9,590 | | | | | | 26,077 |
| | Average Salary | \$4,469 | \$36,806 | \$43,551 | \$49,493 | \$53,320 | \$58,387 | \$61,883 | \$65,562 | 1,354 | | | | \$54,778 |
| 55-59 | Number | 1,498 | 748 | 1,025 | 1,388 | 1,401 | 1,712 | 2,719 | | | | | | 13,192 |
| | Average Salary | \$4,348 | \$38,425 | \$44,744 | \$50,788 | \$54,428 | \$58,460 | \$63,139 | \$68,327 | \$67,254 | 171 | | | \$59,114 |
| 60-64 | Number | 796 | 161 | 224 | 343 | 408 | 537 | 664 | | | | | | 3,223 |
| | Average Salary | \$3,689 | \$40,838 | \$45,270 | \$50,579 | \$54,976 | \$57,537 | \$60,972 | \$64,977 | \$68,293 | \$62,784 | 18 | | \$57,891 |
| 65-69 | Number | 407 | 34 | 37 | 47 | 77 | 101 | 125 | | | | | | 631 |
| | Average Salary | \$3,611 | \$42,653 | \$42,751 | \$48,786 | \$56,711 | \$58,189 | \$60,850 | \$66,559 | \$72,756 | \$61,909 | \$53,011 | 2 | \$59,076 |
| 70-74 | Number | 175 | 9 | 4 | 6 | 5 | 11 | 30 | | | | | | 110 |
| | Average Salary | \$2,987 | \$53,179 | \$41,426 | \$47,190 | \$66,121 | \$61,291 | \$64,618 | \$66,893 | \$55,230 | \$71,374 | \$65,972 | \$36,950 | \$62,076 |
| 74 + | Number | 57 | | 2 | 1 | 1 | 1 | 3 | | | | | | 24 |
| | Average Salary | \$3,360 | | \$51,050 | \$34,068 | \$79,620 | \$53,402 | \$72,372 | \$57,169 | \$51,303 | \$54,095 | | \$51,979 | \$56,609 |
| | Total Number | 23,128 | 34,831 | 21,540 | 15,461 | 11,969 | 14,006 | 14,541 | 6,018 | 596 | 83 | 9 | 4 | 119,058 |
| | Average Salary | \$3,862 | \$32,430 | \$40,320 | \$47,430 | \$52,477 | \$57,256 | \$61,866 | \$67,373 | \$68,242 | \$63,185 | \$63,092 | \$48,221 | \$46,306 |

| | |
|-----------------------------------|---------|
| Total Full- and Part-time Members | 119,058 |
| Total Substitutes | 23,128 |
| Total Active Members | 142,186 |

RETIRED MEMBERS BY YEARS OF SERVICE AND YEARS IN RETIREMENT (as of June 30, 1999)

| Years Retired | | Years of Service | | | | | Total | Average Age |
|---------------|--------------------------|------------------|-------|-------|---------|---------|---------|-------------|
| | | 1-5 | 6-10 | 11-15 | 16-20 | 21-25 | | |
| 1-5 | Number | 665 | 539 | 386 | 471 | 752 | 7,349 | 61 |
| | Average Benefit | \$228 | \$555 | \$789 | \$1,311 | \$1,768 | \$2,583 | |
| | Average Original Benefit | \$219 | \$529 | \$750 | \$1,257 | \$1,719 | \$2,472 | |
| 6-10 | Number | 540 | 567 | 655 | 942 | 2,034 | 18,612 | 64 |
| | Average Benefit | \$199 | \$503 | \$764 | \$1,112 | \$1,602 | \$2,521 | |
| | Average Original Benefit | \$163 | \$408 | \$622 | \$912 | \$1,329 | \$2,137 | |
| 11-15 | Number | 398 | 527 | 615 | 1,065 | 1,586 | 9,358 | 72 |
| | Average Benefit | \$166 | \$392 | \$657 | \$1,088 | \$1,435 | \$1,864 | |
| | Average Original Benefit | \$108 | \$250 | \$450 | \$768 | \$1,023 | \$1,325 | |
| 16-20 | Number | 233 | 283 | 594 | 1,019 | 1,295 | 6,989 | 77 |
| | Average Benefit | \$147 | \$334 | \$566 | \$887 | \$1,157 | \$1,453 | |
| | Average Original Benefit | \$82 | \$183 | \$328 | \$541 | \$716 | \$905 | |
| 21-25 | Number | 144 | 217 | 433 | 800 | 990 | 5,100 | 83 |
| | Average Benefit | \$118 | \$302 | \$472 | \$702 | \$906 | \$1,115 | |
| | Average Original Benefit | \$55 | \$136 | \$229 | \$364 | \$479 | \$597 | |
| 26-30 | Number | 71 | 115 | 218 | 456 | 602 | 3,644 | 88 |
| | Average Benefit | \$55 | \$235 | \$408 | \$593 | \$755 | \$1,015 | |
| | Average Original Benefit | \$7 | \$87 | \$156 | \$239 | \$326 | \$466 | |
| 31-35 | Number | 10 | 17 | 45 | 116 | 166 | 884 | 92 |
| | Average Benefit | \$60 | \$268 | \$383 | \$544 | \$661 | \$790 | |
| | Average Original Benefit | \$1 | \$51 | \$75 | \$135 | \$192 | \$266 | |
| 36-40 | Number | 1 | | 6 | 37 | 107 | 417 | 94 |
| | Average Benefit | \$10 | | \$436 | \$556 | \$657 | \$770 | |
| | Average Original Benefit | \$1 | | \$42 | \$106 | \$138 | \$203 | |
| 41-45 | Number | | | | 5 | 18 | 64 | 97 |
| | Average Benefit | | | | \$551 | \$654 | \$747 | |
| | Average Original Benefit | | | | \$71 | \$84 | \$127 | |
| 46-50 | Number | | | | 1 | 3 | 11 | 99 |
| | Average Benefit | | | | \$591 | \$656 | \$736 | |
| | Average Original Benefit | | | | \$30 | \$45 | \$71 | |
| 50 + | Number | | | | 1 | 1 | 2 | 103 |
| | Average Benefit | | | | \$494 | \$657 | \$575 | |
| | Average Original Benefit | | | | \$15 | \$42 | \$29 | |
| | Total Number | 2,062 | 2,265 | 2,952 | 4,913 | 7,554 | 52,430 | |
| | Average Benefit | \$185 | \$434 | \$629 | \$946 | \$1,312 | \$1,983 | 71 |
| | Average Original Benefit | \$148 | \$327 | \$442 | \$659 | \$962 | \$1,559 | |

| | Years of Service | | | | | | Total | Average Age |
|--------------------------|------------------|---------|---------|---------|---------|---------|---------|-------------|
| | 26-30 | 31-35 | 36-40 | 41-45 | 46-50 | 50 + | | |
| 1-5 | 957 | 1,776 | 1,654 | 133 | 14 | 2 | 7,349 | 61 |
| Average Benefit | \$2,595 | \$3,534 | \$4,184 | \$4,016 | \$4,161 | \$3,222 | \$2,583 | |
| Average Original Benefit | \$2,509 | \$3,441 | \$3,916 | \$3,819 | \$3,957 | \$2,985 | \$2,472 | |
| 6-10 | 2,881 | 4,898 | 5,951 | 125 | 16 | 3 | 18,612 | 64 |
| Average Benefit | \$2,147 | \$2,850 | \$3,536 | \$3,809 | \$3,203 | \$2,810 | \$2,521 | |
| Average Original Benefit | \$1,808 | \$2,427 | \$3,016 | \$3,130 | \$2,589 | \$2,375 | \$2,137 | |
| 11-15 | 1,725 | 2,072 | 1,256 | 88 | 22 | 4 | 9,358 | 72 |
| Average Benefit | \$1,939 | \$2,679 | \$3,272 | \$2,859 | \$2,938 | \$2,271 | \$1,864 | |
| Average Original Benefit | \$1,382 | \$1,918 | \$2,327 | \$2,018 | \$2,106 | \$1,626 | \$1,325 | |
| 16-20 | 1,291 | 1,512 | 627 | 107 | 26 | 2 | 6,989 | 77 |
| Average Benefit | \$1,593 | \$2,196 | \$2,543 | \$2,336 | \$2,505 | \$1,635 | \$1,453 | |
| Average Original Benefit | \$994 | \$1,381 | \$1,605 | \$1,453 | \$1,577 | \$1,030 | \$905 | |
| 21-25 | 874 | 857 | 604 | 153 | 26 | 2 | 5,100 | 83 |
| Average Benefit | \$1,214 | \$1,590 | \$1,933 | \$1,964 | \$1,820 | \$1,873 | \$1,115 | |
| Average Original Benefit | \$657 | \$867 | \$1,051 | \$1,059 | \$963 | \$946 | \$597 | |
| 26-30 | 588 | 592 | 636 | 313 | 51 | 2 | 3,644 | 88 |
| Average Benefit | \$966 | \$1,270 | \$1,553 | \$1,514 | \$1,404 | \$1,242 | \$1,015 | |
| Average Original Benefit | \$436 | \$605 | \$747 | \$714 | \$647 | \$564 | \$466 | |
| 31-35 | 162 | 129 | 143 | 81 | 15 | | 884 | 92 |
| Average Benefit | \$801 | \$931 | \$1,041 | \$1,088 | \$1,089 | | \$790 | |
| Average Original Benefit | \$250 | \$339 | \$403 | \$432 | \$427 | | \$266 | |
| 36-40 | 87 | 100 | 66 | 13 | | | 417 | 94 |
| Average Benefit | \$788 | \$858 | \$921 | \$977 | | | \$770 | |
| Average Original Benefit | \$194 | \$239 | \$310 | \$348 | | | \$203 | |
| 41-45 | 22 | 12 | 6 | 1 | | | 64 | 97 |
| Average Benefit | \$777 | \$841 | \$846 | \$999 | | | \$747 | |
| Average Original Benefit | \$112 | \$196 | \$186 | \$350 | | | \$127 | |
| 46-50 | 5 | 2 | | | | | 11 | 99 |
| Average Benefit | \$771 | \$844 | | | | | \$736 | |
| Average Original Benefit | \$60 | \$158 | | | | | \$71 | |
| 50 + | | | | | | | 2 | 103 |
| Average Benefit | | | | | | | \$575 | |
| Average Original Benefit | | | | | | | \$29 | |
| | 8,592 | 11,950 | 10,943 | 1,014 | 170 | 15 | 52,430 | |
| Average Benefit | \$1,853 | \$2,631 | \$3,293 | \$2,355 | \$2,203 | \$2,230 | \$1,983 | 71 |
| Average Original Benefit | \$1,416 | \$2,112 | \$2,700 | \$1,635 | \$1,462 | \$1,645 | \$1,559 | |

Average Monthly Benefits

| RETIREMENT BENEFITS (as of June 30, 1999) | | |
|--|---------------|---------------------------------|
| Average age: all retirees | | 71 |
| Average service: all retirees | | 28 years |
| Average age: 2,682 FY99 retirees | | 60 |
| Average service: 2,682 FY99 retirees | | 27 years |
| Average monthly benefits: 2,682 FY99 retirees including 474 retirees under provisions of early retirement option | | \$2,772 |
| Oldest annuitant | | 105 |
| | | |
| Age | Count | Average Benefit |
| 51-55 | 793 | \$2,379 |
| 56-60 | 7,132 | 2,829 |
| 61-65 | 9,755 | 2,573 |
| 66-70 | 9,782 | 2,213 |
| 71-75 | 8,124 | 1,851 |
| 76-80 | 6,486 | 1,400 |
| 81-85 | 4,849 | 1,170 |
| 86-90 | 3,464 | 1,029 |
| 90+ | 2,045 | 881 |
| Total | 52,430 | Weighted Average \$1,983 |

| DISABILITY BENEFITS ¹ (as of June 30, 1999) | | |
|--|--------------|---------------------------------|
| Average age: All recipients | | 56 |
| Average service: All recipients | | 17 years |
| Average age: 351 new FY99 disability recipients | | 44 |
| Average service: 351 new FY99 disability recipients | | 14 years |
| Average monthly benefits: 351 new FY99 disability recipients | | \$1,435 |
| | | |
| Age | Count | Average Benefit |
| 26-30 | 17 | \$1,056 |
| 31-35 | 31 | 1,114 |
| 36-40 | 23 | 1,134 |
| 41-45 | 65 | 1,166 |
| 46-50 | 166 | 1,354 |
| 51-55 | 236 | 1,515 |
| 56-60 | 150 | 1,435 |
| 61-65 | 117 | 1,379 |
| 66-70 | 70 | 1,039 |
| 71-75 | 60 | 910 |
| 76-80 | 46 | 723 |
| 81-85 | 18 | 610 |
| 86-90 | 1 | 457 |
| 90+ | 8 | 509 |
| Total | 1,008 | Weighted Average \$1,279 |

¹ Includes 395 individuals who are receiving temporary or occupational disability benefits and are counted as active members. The remaining 613 individuals receive permanent disability benefits.

| SURVIVOR BENEFITS ² (as of June 30, 1999) | | |
|---|--------------|-------------------------------|
| Average age: All recipients | | 75 |
| Average age: 599 new FY99 survivor benefits recipients | | 71 |
| Average monthly benefits: 599 new FY99 survivor benefits recipients | | \$834 |
| | | |
| Age | Count | Average Benefit |
| 6-10 | 12 | \$336 |
| 11-15 | 39 | 374 |
| 16-20 | 70 | 426 |
| 21-25 | 18 | 416 |
| 26-30 | 2 | 740 |
| 31-35 | 4 | 682 |
| 36-40 | 9 | 662 |
| 41-45 | 19 | 804 |
| 46-50 | 76 | 874 |
| 51-55 | 198 | 958 |
| 56-60 | 364 | 1,038 |
| 61-65 | 539 | 1,074 |
| 66-70 | 806 | 960 |
| 71-75 | 1,020 | 822 |
| 76-80 | 1,133 | 646 |
| 81-85 | 1,186 | 568 |
| 86-90 | 924 | 490 |
| 90+ | 451 | 398 |
| Total | 6,870 | Weighted Average \$720 |

² An additional \$10.7 million was paid in death benefits to survivors of active, inactive, and retired members as refunds of various types of contributions.

| RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS (for fiscal year ended June 30) | | | | | | | | |
|--|-----------------------------|----------------|--------------------|-----------------------|-------------------------------|------------|--------------------------|------------|
| | Number at Beginning of Year | Added to Rolls | Removed from Rolls | Number at End of Year | End-of-Year Annual Allowances | | Average Annual Allowance | |
| | | | | | Amount | % Increase | Amount | % Increase |
| 1995 | 54,888 | 6,822 | 2,076 | 59,634 | \$1,074,305,808 | 22.2% | \$18,015 | 12.6% |
| 1996 | 59,634 | 2,063 | 2,033 | 59,664 | \$1,132,033,161 | 5.4% | \$18,973 | 5.3% |
| 1997 | 59,664 | 1,847 | 2,159 | 59,352 | \$1,173,889,332 | 3.7% | \$19,778 | 4.2% |
| 1998 | 59,352 | 1,954 | 2,156 | 59,150 | \$1,218,829,800 | 3.8% | \$20,606 | 4.2% |
| 1999 | 59,150 | 3,445 | 2,287 | 60,308 | \$1,322,451,864 | 8.5% | \$21,928 | 6.4% |

REVENUES BY SOURCE (in millions)

| Year Ended June 30 | Member Contributions | Employer Contributions | Employer Contributions as a Percentage of Annual Covered Payroll | Net Investment Income ¹ | Other Employer Contributions ² | Total |
|-----------------------|-------------------------|---------------------------|--|--|---|---------|
| 1994 | \$413 | \$278 | 6.3% | \$989 | \$205 | \$1,885 |
| 1995 | 431 | 279 | 6.3 | 771 | 319 | 1,800 |
| 1996 | 399 | 341 | 7.2 | 2,096 | 48 | 2,884 |
| 1997 | 417 | 395 | 7.9 | 2,644 | 26 | 3,482 |
| 1998 | 441 | 478 | 9.0 | 2,873 | 25 | 3,817 |
| 1999 | 866 | 604 | 10.6 | 2,090 | 33 | 3,593 |

¹ Figures for 1996 through 1999 include realized gains and losses and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.
² Includes ERO, ERI, minimum retirement, and supplemental contributions. These amounts are not counted for actuarial purposes.

EXPENSES BY TYPE (in millions)

| Year Ended June 30 | Benefits | Health Insurance | Refunds | Administrative and Other Expenses | Total |
|-----------------------|----------|------------------|---------|--------------------------------------|-------|
| 1994 | \$824 | \$50 | \$22 | \$11 | \$907 |
| 1995 | 1,074 | 38 | 29 | 10 | 1,151 |
| 1996 | 1,122 | 0 | 22 | 11 | 1,155 |
| 1997 | 1,161 | 0 | 22 | 10 | 1,193 |
| 1998 | 1,210 | 0 | 24 | 10 | 1,244 |
| 1999 | 1,284 | 0 | 26 | 11 | 1,321 |

SCHEDULE OF BENEFIT EXPENSES BY TYPE (in millions)

| Year Ended June 30 | Retirement Benefits | Survivor Benefits | Disability Benefits | Total |
|-----------------------|------------------------|----------------------|------------------------|-------|
| 1994 | \$773 | \$41 | \$10 | \$824 |
| 1995 | 1,019 | 45 | 10 | 1,074 |
| 1996 | 1,061 | 50 | 11 | 1,122 |
| 1997 | 1,097 | 52 | 12 | 1,161 |
| 1998 | 1,139 | 58 | 13 | 1,210 |
| 1999 | 1,206 | 63 | 15 | 1,284 |

Certain amounts from prior years have been reclassified to conform to the current year's presentation.

SCHEDULE OF PARTICIPATING EMPLOYERS

| | | |
|---|--|--|
| A C CENTRAL C.U.S.D. #262 | AVOCA S.D. #37 | BRACEVILLE S.D. #75 |
| ABINGDON C.U.S.D. #217 | AVON C.U.S.D. #176 | BRADFORD C.U.S.D. #1 |
| ADAMS/PIKE COUNTIES ROE | BAC REGIONAL VOCATIONAL SYSTEM | BRADLEY BOURBONNAIS C.H.S.D. #307 |
| ADDISON S.D. #4 | BALL CHATHAM C.U.S.D. #5 | BRADLEY S.D. #61 |
| ADLAI E. STEVENSON H.S.D. #125 | BANNOCKBURN S.D. #106 | BREESE S.D. #12 |
| AEROSPEC. ED. COOP | BARRINGTON C.U.S.D. #220 | BREMEN C.H.S.D. #228 |
| AKIN C.C.S.D. #91 | BARRY C.U.S.D. #1 | BRIMFIELD C.U.S.D. #309 |
| ALBERS S.D. #63 | BARTELSON S.D. #57 | BROOKFIELD S.D. #95 |
| ALDEN HEBRON S.D. #19 | BARTONVILLE S.D. #66 | BROOKLYN U.D. #188 |
| ALEDO C.U.S.D. #201 | BATAVIA U.S.D. #101 | BROOKWOOD S.D. #167 |
| ALEXIS C.U.S.D. #400 | BEACH PARK C.C.S.D. #3 | BROWN COUNTY C.U.S.D. #1 |
| ALLEN TOWNSHIP C.U.S.D. #65 | BEARDSTOWN C.U.S.D. #15 | BROWN/CASS/MORGAN/SCOTT COUNTIES ROE |
| ALLENDALE C.C.S.D. #17 | BECK AREA CAREER CENTER | BROWNSTOWN C.U.S.D. #201 |
| ALSIP/HALZGRN/OAKLWN S.D. #126 | BEECHER C.U.S.D. #200U | BRUSSELS C.U.S.D. #42 |
| ALTAMONT C.U.S.D. #10 | BEECHER CTY C.U.S.D. #20 | BUNCOMBE C.S.D. #43 |
| ALTON C.U.S.D. #11 | BELLE VALLEY S.D. #119 | BUNKER HILL C.U.S.D. #8 |
| ALTON MENTAL HLTH CTR | BELLEVILLE AREA SPECIAL SERVICE COOP | BURBANK S.D. #111 |
| ALWOOD C.U.S.D. #225 | BELLEVILLE S.D. #118 | BUREAU VALLEY C.U.S.D. #340 |
| ALXNDR/JOHN/MASC/PLSKI/UN COUNTIES ROE | BELLEVILLE TWP H.S.D. #201 | BURNHAM S.D. #154.5 |
| AMBOY C.U.S.D. #272 | BELLWOOD S.D. #88 | BUSHNELL PRAIRIE CITY C.U.S.D. #170 |
| ANNA C.C.S.D. #37 | BELVIDERE C.U.S.D. #100 | BUTLER S.D. #53 |
| ANNA-JONESBORO C.H.S.D. #81 | BEMENT C.U.S.D. #5 | BYRON C.U.S.D. #226 |
| ANNAWAN C.U.S.D. #226 | BENJAMIN S.D. #25 | CAHOKIA C.U.S.D. #187 |
| ANTIOCH C.C.S.D. #34 | BENSENVILLE S.D. #2 | CAIRO C.U.S.D. #1 |
| ANTIOCH C.H.S.D. #117 | BENTON C.C.S.D. #47 | CALHOUN C.U.S.D. #40 |
| APTAKISIC-TRIPP C.C.S.D. #102 | BENTON C.H.S.D. #103 | CALHOUN/GREENE/JERSEY/MACOUPIN COUNTIES ROE |
| ARBOR PARK S.D. #145 | BERKELEY S.D. #87 | CALUMET CITY S.D. #155 |
| ARCOLA C.U.S.D. #306 | BERWYN NORTH S.D. #98 | CALUMET PUBLIC S.D. #132 |
| AREA 3 LEARNING TECHNOLOGY HUB | BERWYN SOUTH S.D. #100 | CAMBRIDGE C.U.S.D. #227 |
| ARGENTA-OREANA C.U.S.D. #1 | BETHALTO C.U.S.D. #8 | CAMP POINT C.U.S.D. #3 |
| ARGO C.H.S.D. #217 | BETHANY C.U.S.D. #301 | CANTON UNION S.D. #66 |
| ARGO/SUMMIT S.D. #104 | BETHEL S.D. #82 | CAPITAL AREA CAREER CENTER |
| ARLINGTON HEIGHTS S.D. #25 | BI CO SPEC ED COOP | CARBON CLIFF-BARSTOW S.D. #36 |
| ARMSTRONG TWP H.S.D. #225 | BIG HOLLOW S.D. #38 | CARBONDALE C.H.S.D. #165 |
| ARMSTRONG-ELLIS C.S.D. #61 | BISMARCK C.U.S.D. #1 | CARBONDALE E.S.D. #95 |
| ARTHUR C.U.S.D. #305 | BLACKHAWK AREA SP ED | CAREER DEVELOPMENT SYSTEM |
| ASHLEY C.C.S.D. #15 | BLOOM TWP H.S.D. #206 | CAREER PREPARATION NETWORK |
| ASHTON C.U.S.D. #275 | BLOOMINGDALE S.D. #13 | CAREER TEC |
| ASTORIA C.U.S.D. #1.5 | BLOOMINGTON S.D. #87 | CARLINVILLE C.U.S.D. #1 |
| ATHENS C.U.S.D. #213 | BLUE RIDGE C.U.S.D. #18 | CARLYLE C.U.S.D. #1 |
| ATWOOD HAMMOND C.U.S.D. #39 | BLUFORD C.C.S.D. #114 | CARMI-WHITE COUNTY C.U.S.D. #5 |
| ATWOOD HEIGHTS S.D. #125 | BMP TRI-COUNTY SPEC ED COOP | CARRIER MILLS-STONEFORT C.U.S.D. #2 |
| AUBURN C.U.S.D. #10 | BOND COUNTY C.U.S.D. #2 | CARROLL/JO DAV/STEPHENSON COUNTIES ROE |
| AURORA EAST U.S.D. #131 | BOND/EFFINGHAM/FAYETTE COUNTIES ROE | |
| AURORA WEST U.S.D. #129 | BOONE/WINNEBAGO ROE | |
| AVISTON S.D. #21 | BOURBONNAIS S.D. #53 | |

SCHEDULE OF PARTICIPATING EMPLOYERS

CARROLL/JO DAV/STPHNSN/COUNTIES REGIONAL PROGRAM
 CARROLLTON C.U.S.D. #1
 CARTERVILLE C.U.S.D. #5
 CARTHAGE C.U.S.D. #338
 CARY C.C.S.D. #26
 CASEY-WESTFIELD C.U.S.D. #4C
 CASS S.D. #63
 CATLIN C.U.S.D. #5
 CENTER CASS S.D. #66
 CENTRAL A&M C.U.S.D. #21
 CENTRAL C.H.S. #71
 CENTRAL C.U.S.D. #301
 CENTRAL C.U.S.D. #4
 CENTRAL CITY S.D. #133
 CENTRAL S.D. #104
 CENTRAL S.D. #51
 CENTRAL STICKNEY S.D. #110
 CENTRALIA H.S.D. #200
 CENTRALIA S.D. #135
 CENTURY C.U.S.D. #100
 CERRO GORDO C.U.S.D. #100
 CHADWICK-MILLEDGEVILLE C.U.D. #399
 CHAMPAIGN C.U.S.D. #4
 CHAMPAIGN/FORD COUNTIES ROE
 CHANEY-MONGE S.D. #88
 CHANNAHON S.D. #17
 CHARLESTON C.U.S.D. #1
 CHENOA C.U.S.D. #9
 CHERRY S.D. #92
 CHESTER C.U.S.D. #139
 CHESTER-EAST LINCOLN C.C.S.D. #54
 CHICAGO HEIGHTS S.D. #170
 CHICAGO RIDGE S.D. #127.5
 CHRISTIAN/MONTGOMERY COUNTIES ROE
 CHRISTOPHER C.H.S.D. #38
 CHRISTOPHER C.U.S.D. #34
 CICERO S.D. #99
 CISSNA PARK C.U.S.D. #6
 CLAY CITY C.U.S.D. #10
 CLAY/CWFRD/JSPR/LWRN/RHLND COUNTIES ROE
 CLINTON C.U.S.D. #15
 CLINTON/MARION/WASHINGTON COUNTIES ROE
 CLK/CLS/CMBN/DG/ED/MLTR/SHELBY COUNTIES ROE
 COAL CITY C.U.S.D. #1
 COBDEN U.S.D. #17
 COLCHESTER C.U.S.D. #180
 COLLINSVILLE C.U.S.D. #10
 COLONA S.D. #190
 COLUMBIA C.U.S.D. #4
 COMM UNIT SCHOOL DIST #300
 COMMUNITY C.S.D. #204
 COMMUNITY C.S.D. #93
 COMMUNITY C.S.D. #180
 COMMUNITY CONS. S.D. #59
 COMMUNITY H.S.D. #155
 COMMUNITY H.S.D. #218
 COMMUNITY U.S.D. #16
 COMMUNITY U.S.D. #4
 COMMUNITY U.S.D. #200
 CONSOLIDATED H.S.D. #230
 COOK COUNTY COMPTROLLER/ROE
 COOK COUNTY S.D. #130
 CORNELL C.C.S.D. #426
 COULTERVILLE U.S.D. #1
 COUNTRY CLUB HILLS S.D. #160
 COWDEN-HERRICK C.U.D. # 3A
 CRAB ORCHARD C.U.S.D. #3
 CRESCENT CITY C.C.S.D. #275
 CRESCENT IROQUOIS C.U.S.D #252
 CRESTON C.C.S.D. #161
 CRETE MONEE C.U.S.D. #201U
 CREVE COEUR S.D. #76
 CRYSTAL LAKE C.C.S.D. #47
 CUMBERLAND C.U.S.D. #77
 CYPRESS S.D. #64
 DAKOTA C.U.S.D. #201
 DALLAS CITY C.U.S.D. #336
 DALZELL S.D. #98
 DAMIANSVILLE S.D. #62
 DANVILLE C.C.S.D. #118
 DARIEN S.D. #61
 DECATUR S.D. #61
 DEER CREEK-MACKINAW C.U.S.D. #701
 DEER PARK C.C.S.D. #82
 DEERFIELD S.D. #109
 DEKALB C.U.S.D. #428
 DEKALB COUNTY ROE
 DEKALB COUNTY SPEC. ED.
 DELABAR VOC ED REG
 DELAND-WELDON C.U.S.D. #57

DELAVAN C.U.S.D. #703
 DEPUE U.S.D. #103
 DES PLAINES C.C.S.D. #62
 DESOTO C.C.S.D. #86
 DEWITT/LIVINGSTON/MCLEAN COUNTIES ROE
 DIAMOND LAKE S.D. #76
 DIETERICH C.U.S.D. #30
 DIMMICK C.C.S.D. #175
 DISTRICT 50 SCHOOLS OF TAZEWELL
 DIVERNON C.U.S.D. #13
 DIXON U.S.D. #170
 DODDS C.C.S.D. #7
 DOLTON S.D. #149
 DOLTON S.D. #148
 DONGOLA S.U.D. #66
 DONOVAN C.U.S.D. #3
 DOWNERS GROVE C.H.S. #99
 DOWNERS GROVE G.S.D. #58
 DUNLAP C.U.S.D. #323
 DUPAGE COUNTY ROE
 DUPAGE H.S.D. #88
 DUPO C.U.S.D. #196
 DUQUOIN C.U.S.D. #300
 DURAND C.U.S.D. #322
 DWIGHT COMMON S.D. #232
 DWIGHT TWP H.S.D. #230
 EARLVILLE C.U.S.D. #9
 EAST ALTON S.D. #13
 EAST ALTON-WOOD RIVER C.H.S. #14
 EAST COLOMA S.D. #12
 EAST DUBUQUE U.S.D. #119
 EAST MAINE S.D. #63
 EAST MOLINE S.D. #37
 EAST PEORIA C.H.S.D. #309
 EAST PEORIA S.D. #86
 EAST PRAIRIE S.D. #73
 EAST RICHLAND C.U.S.D. #1
 EAST ST LOUIS S.D. #189
 EASTERN IL AREA SPEC ED COOP
 EASTERN IL ED FOR EMPLOYMENT SYSTEM
 EASTLAND C.U.S.D. #308
 EDGAR COUNTY C.U.S.D. #6
 EDINBURG C.U.S.D. #4
 EDUC FOR EMPLOYMENT SYSTEM
 EDUCATION FOR EMPLOYMENT

SCHEDULE OF PARTICIPATING EMPLOYERS

EDUCATIONAL DEVELP CENTER
 EDUCATIONAL THERAPY CENTER
 EDWARDS COUNTY C.U.S.D. #1
 EDWARDSVILLE C.U.S.D. #7
 EDWD/GLTN/HDIN/POP/SLN/WBH COUNTIES ROE
 EFFINGHAM C.U.S.D. #40
 EGYPTIAN C.U.S.D. #5
 EISENHOWER COOPERATIVE
 EL PASO C.U.S.D. #375
 ELDORADO C.U.S.D. #4
 ELEMENTARY S.D. #159
 ELMHURST S.D. #205
 ELMWOOD C.U.S.D. #322
 ELMWOOD PARK C.U.S.D. #401
 ELVERADO C.U.S.D. #196
 ELWOOD C.C.S.D. #203
 EMMONS S.D. #33
 ERIE C.U.S.D. #1
 ESWOOD C.C.S.D. #269
 EUREKA C.U.S.D. #140
 EVANSTON C.C.S.D. #65
 EVANSTON TWP H.S.D. #202
 EVERGREEN PARK C.H.S.D. #231
 EVERGREEN PARK E.S.D. #124
 EWING NORTHERN C.C.D. #115
 FAIRFIELD C.H.S.D. #225
 FAIRFIELD P.S.D. #112
 FAIRMONT S.D. #89
 FARMINGTON CENTRAL C.U.S.D. #265
 FARRINGTON C.C.S.D. #99
 FENTON C.H.S.D. #100
 FIELD C.C.S.D. #3
 FIELDCREST C.U.S.D. #6
 FINDLAY C.U.S.D. #2
 FISHER C.U.S.D. #1
 FIVE COUNTY VOC SYSTEM
 FLANAGAN C.U.S.D. #4
 FLORA C.U.S.D. #35
 FLOSSMOOR S.D. #161
 FORD HEIGHTS S.D. #169
 FORD IROQUOIS COUNTY SPEC. ED
 FOREST PARK S.D. #91
 FOREST RIDGE S.D. #142
 FORRESTVILLE VALLEY C.U.S.D. #221
 FORT BOWMAN ACADEMY CHARTER SCHL
 FOUR RIVERS SPECIAL EDUC

FOX LAKE GRADE S.D. #114
 FOX RIVER GROVE C.S.D. #3
 FRANKFORT C.C.S.D. #157C
 FRANKFORT C.U.S.D. #168
 FRANKLIN C.U.S.D. #1
 FRANKLIN PARK S.D. #84
 FRANKLIN/JEFFERSON COUNTIES SPEC. ED.
 FRANKLIN/WILLIAMSON COUNTIES ROE
 FREEBURG C.C.S.D. #70
 FREEBURG C.H.S.D. #77
 FREEPORT S.D. #145
 FREMONT S.D. #79
 FULTON COUNTY C.U.S.D. #3
 FULTON/SCHUYLER COUNTIES ROE
 GALATIA C.U.S.D. #1
 GALENA U.S.D. #120
 GALESBURG C.U.S.D. #205
 GALLATIN C.U.S.D. #7
 GALVA C.U.S.D. #224
 GARDNER C.C.S.D. #72C
 GARDNER SOUTH WILMINGTON H.S.D. #73
 GAVIN S.D. #37
 GEFF C.C.S.D. #14
 GEN GEO PATTON S.D. #133
 GENESEO C.U.S.D. #228
 GENOA C.U.S.D. #304
 GENOA-KINGSTON C.U.S.D. #424
 GEORGETOWN-RIDGE FARM C.U.D. #4
 GERMANTOWN HILLS S.D. #69
 GERMANTOWN S.D. #60
 GIANT CITY C.C.S.D. #130
 GIBSON CTY-MELVIN-SIBLEY #5
 GIFFORD C.C.S.D. #188
 GILLESPIE C.U.S.D. #7
 GIRARD C.U.S.D. #3
 GLEN ELLYN C.C.S.D. #89
 GLEN ELLYN S.D. #41
 GLENBARD TWP H.S.D. #87
 GLENCOE S.D. #35
 GLENVIEW C.C.S.D. #34
 GOLF E.S.D. #67
 GOREVILLE C.U.S.D. #1
 GOWER S.D. #62
 GRAND PRAIRIE C.C.S.D. #6
 GRAND RIDGE C.C.S.D. #95
 GRANITE CITY C.U.S.D. #9
 GRANT C.C.S.D. #110

GRANT C.H.S.D. #124
 GRANT PARK C.U.S.D. #6
 GRASS LAKE S.D. #36
 GRAYSLAKE C.C.S.D. #46
 GRAYSLAKE C.H.S.D. #127
 GRAYVILLE C.U.S.D. #1
 GREENFIELD C.U.S.D. #10
 GREENVIEW C.U.S.D. #200
 GRIDLEY C.U.S.D. #10
 GRIGGSVILLE-PERRY C.U.S.D. #4
 GRUNDY AREA VOCATIONAL CENTER
 GRUNDY/KENDALL COUNTIES ROE
 GURNEE S.D. #56
 HALL TWP H.S.D. #502
 HAMILTON C.C.S.D. #328
 HAMILTON COUNTY C.U.S.D. #10
 HAMILTON/JEFFERSON COUNTIES ROE
 HAMPTON S.D. #29
 HANCOCK/MCDONOUGH COUNTIES ROE
 HARDIN COUNTY C.U.S.D. #1
 HARLEM U.S.D. #122
 HARMONY EMGE S.D. #175
 HARRISBURG C.U.S.D. #3
 HARRISON S.D. #36
 HARTSBURG EMDEN C.U.S.D. #21
 HARVARD C.U.S.D. #50
 HARVEY S.D. #152
 HAVANA C.U.S.D. #126
 HAWTHORN C.C.S.D. #73
 HAZEL CREST S.D. #152-5
 HENRY-SENACHWINE C.U.S.D. #5
 HERITAGE C.U.S.D. #8
 HERRIN C.U.S.D. #4
 HERSCHER C.U.S.D. #2
 HEYWORTH C.U.S.D. #4
 HIAWATHA C.U.S.D. #426
 HIGH MOUNT S.D. #116
 HIGHLAND C.U.S.D. #5
 HIGHLAND PARK TWP H.S.D. #113
 HILLSBORO C.U.S.D. #3
 HILLSIDE S.D. #93
 HINCKLEY BIG ROCK C.U.S.D. #429
 HINSDALE C.C.S.D. #181
 HINSDALE TWP H.S.D. #86
 HOLLIS C.S.D. #328
 HOMER C.C.S.D. #33
 HOMEWOOD S.D. #153

SCHEDULE OF PARTICIPATING EMPLOYERS

HOMWOOD-FLOSSMOOR C.H.S.D. #233
 HONONEGAH C.H.S.D. #207
 HOOPESTON AREA C.U.S.D. #11
 HOOVER SCHRUM MEMORIAL S.D. #157
 HOYLETON C.S.D. #29
 HUNTLEY C.S.D. #158
 HUTSONVILLE C.U.S.D. #1
 IL DEPT. OF HUMAN SERVICES
 IL EDUCATION ASSOCIATION
 IL FEDERATION OF TEACHERS
 IL STATE BOARD OF EDUCATION
 IL VALLEY CENTRAL U.S.D. #321
 IL. DEPT OF CORRECTIONS S.D. #428
 ILLINI BLUFFS C.U.S.D. #327
 ILLINI CENTRAL C.U.S.D. #189
 ILLINOIS ASSN. OF SCHL BOARDS
 ILLIOPOLIS C.U.S.D. #12
 INA C.C.S.D. #8
 INDIAN CREEK C.U.S.D. #425
 INDIAN PRAIRIE C.U.S.D. #204
 INDIAN SPRINGS S.D. #109
 INDIAN VALLEY AREA VOC CENTER
 INDUSTRY C.U.S.D. #165
 IROQUOIS AREA REG DELIVERY SYS
 IROQUOIS COUNTY C.U.S.D. #9
 IROQUOIS WEST C.U.S.D. #10
 IROQUOIS/KANKAKEE COUNTIES ROE
 IRVINGTON C.C.S.D. #11
 ITASCA S.D. #10
 IUKA C.C.S.D. #7
 J.S. MORTON H.S.D. #201
 JACKSON/PERRY COUNTIES ROE
 JACKSONVILLE S.D. #117
 JAMAICA C.U.S.D. #12
 JAMP SPECIAL EDUCATION SERV.
 JASPER C.C.S.D. #17
 JASPER COUNTY C.U.S.D. #1
 JERSEY C.U.S.D. #100
 JO DAVIESS/CARROLL AREA VOC CTR
 JOHNSBURG C.U.S.D. #12
 JOHNSTON CITY C.U.S.D. #1
 JOLIET S.D. #86
 JOLIET TWP H.S.D. #204
 JONESBORO C.C.S.D. #43
 JOPPA-MAPLE GROVE U.S.D. #38
 KANE COUNTY ROE
 KANELAND C.U.S.D. #302
 KANKAKEE AREA CAREER CTR
 KANKAKEE AREA SPEC. ED. COOP #850
 KANKAKEE S.D. #111
 KANSAS C.U.S.D. #3
 KASKASKIA SPEC. ED. #801
 KEENEYVILLE S.D. #20
 KELL C.S.D. #2
 KENDALL COUNTY SPEC. ED. COOP
 KENILWORTH S.D. #38
 KEWANEE C.U.S.D. #229
 KILDEER COUNTRYSIDE C.C.S.D. #96
 KILEY DEVELOPMENTAL CENTER
 KINGS C.S.D. #144
 KINNIKINNICK C.C.S.D. #131
 KIRBY S.D. #140
 KNOX COUNTY ROE
 KNOXVILLE C.U.S.D. #202
 KOMAREK S.D. #94
 LA GRANGE AREA DEPT. SPEC. ED.
 LA GRANGE S.D. #102
 LA GRANGE SOUTH S.D. #105
 LA GRANGE/HIGHLANDS S.D. #106
 LA HARPE C.U.S.D. #335
 LADD C.C.S.D. #94
 LAKE COUNTY ROE
 LAKE BLUFF ELEMENTARY S.D. #65
 LAKE CO AREA VOC SYSTEM
 LAKE COUNTY SPEC. ED.
 LAKE FOREST C.H.S.D. #115
 LAKE FOREST S.D. #67
 LAKE PARK C.H.S.D. #108
 LAKE VILLA C.C.S.D. #41
 LAKE ZURICH C.U.S.D. #95
 LAMOILLE C.U.S.D. #303
 LANSING S.D. #158
 LARAWAY C.C.S.D. #70
 LASALLE COUNTY ROE
 LASALLE E.S.D. #122
 LASALLE-PERU TWP H.S.D. #120
 LASALLE-PUTNAM EDUC. ALLIANCE
 SPEC. ED.
 LAWRENCE COUNTY C.U.S.D. #20
 LEBANON C.U.S.D. #9
 LEE CENTER C.U.S.D. #271
 LEE/OGLE COUNTIES ROE
 LEEPERTOWN C.C.S.D. #175
 LELAND C.U.S.D. #1

LEMONT TWP H.S.D. #210
 LEMONT/BROMBEREK C.S.D. #113
 LENA WINSLOW C.U.S.D. #202
 LEROY C.U.S.D. #2
 LEWISTOWN C.U.S.D. #97
 LEXINGTON C.U.S.D. #7
 LEYDEN C.H.S.D. #212
 LIBERTY C.U.S.D. #2
 LIBERTYVILLE C.H.S.D. #128
 LIBERTYVILLE S.D. #70
 LICK CREEK C.C.S.D. #16
 LIMESTONE C.H.S.D. #310
 LIMESTONE WALTERS C.C.S.D. #316
 LINCOLN C.H.S.D. #404
 LINCOLN E.S.D. #27
 LINCOLN E.S.D. #156
 LINCOLN WAY C.H.S.D. #210
 LINCOLNSHIRE-PRAIRIEVIEW S.D. #103
 LINCOLN-WAY AREA SPEC. ED.
 LINCOLNWOOD S.D. #74
 LINDOP S.D. #92
 LISBON C.C.S.D. #90
 LISLE C.U.S.D. #202
 LITCHFIELD C.U.S.D. #12
 LIVINGSTON C.C.S.D. #4
 LIVINGSTON COUNTY ALTERNATIVE SCHL
 LOCKPORT AREA SPEC. ED. COOP
 LOCKPORT S.D. #91
 LOCKPORT TWP H.S.D. #205
 LOGAN C.C.S.D. #110
 LOGAN/MASON/MENARD COUNTIES ROE
 LOMBARD S.D. #44
 LOSTANT C.U.S.D. #425
 LOVINGTON C.U.S.D. #303
 LOWPOINT-WASHBURN C.U.S.D. #21
 LUDLOW C.C.S.D. #142
 LYONS S.D. #103
 LYONS TWP H.S.D. #204
 MACOMB C.U.S.D. #185
 MACON/PIATT COUNTIES ROE
 MADISON C.U.S.D. #12
 MADISON COUNTY REGION II SPEC. ED.
 MAERCKER S.D. #60
 MAHOMET-SEYMOUR C.U.S.D. #3
 MAINE TWP H.S.D. #207
 MALDEN C.C.S.D. #84
 MALTA C.U.S.D. #433

SCHEDULE OF PARTICIPATING EMPLOYERS

MANHATTAN S.D. #114
 MANNHEIM S.D. #83
 MANTENO C.U.S.D. #5
 MARENGO C.H.S.D. #154
 MARENGO-UNION E.C.S.D. #1650
 MARION C.U.S.D. #2
 MARISSA C.U.S.D. #40
 MAROA FORSYTH C.U.S.D. #2
 MARQUARDT S.D. #15
 MARSEILLES E.S.D. #150
 MARSHALL C.U.S.D. #2C
 MARTINSVILLE C.U.S.D. #3C
 MASCOUTAH C.U.S.D. #19
 MASSAC U.S.D. #1
 MATTESON E.S.D. #162
 MATTOON C.U.S.D. #2
 MAYWOOD S.D. #89
 MAZON-VERONA-KINSMAN E.S.D. #2C
 MCCLELLAN C.C.S.D. #12
 MCHENRY C.C.S.D. #15
 MCHENRY C.H.S.D. #156
 MCHENRY COUNTY ROE
 MCLEAN COUNTY U.S.D. #5
 MEDINAH E.S.D. #11
 MENDOTA C.C.S.D. #289
 MENDOTA TWP H.S.D. #280
 MEREDOSIA-CHAMBERSBURG C.U.S.D. #11
 MERIDIAN C.U.S.D. #15
 MERIDIAN C.U.S.D. #101
 MERIDIAN C.U.S.D. #223
 MERRIAM C.C.S.D. #19
 METAMORA C.C.S.D. #1
 METAMORA TWP H.S.D. #122
 MIDLAND C.U.S.D. #7
 MIDLOTHIAN S.D. #143
 MID-STATE SPECIAL EDUCATION
 MID-VALLEY SPEC. ED. JOINT AGRMT
 MIDWEST CENTRAL C.U.S.D. #191
 MILFORD C.S.D. #280
 MILFORD TWP H.S.D. #233
 MILLBURN C.C.S.D. #24
 MILLER TWP C.C.S.D. #210
 MILLSTADT C.C.S.D. #160
 MINOOKA C.C.S.D. #201
 MINOOKA C.H.S. #111
 MINOOKA S.D. #159
 MOLINE U.S.D. #40

MOMENCE C.U.S.D. #1
 MONMOUTH U.S.D. #38
 MONROE S.D. #70
 MONROE/RANDOLPH COUNTIES ROE
 MONTICELLO C.U.S.D. #25
 MONTMORENCY C.C.S.D. #145
 MORRIS C.H.S.D. #101
 MORRIS S.D. #54
 MORRISON C.U.S.D. #6
 MORRISONVILLE C.U.S.D. #1
 MORTON C.U.S.D. #709
 MORTON GROVE S.D. #70
 MOUNT OLIVE C.U.S.D. #5
 MOUNT PROSPECT S.D. #57
 MT CARROLL C.U.S.D. #304
 MT PULASKI C.U.D. #23
 MT VERNON S.D. #80
 MT VERNON TWP H.S.D. #201
 MT ZION C.U.S.D. #3
 MULBERRY GROVE C.U.S.D. #1
 MUNDELEIN C.H.S.D. #120
 MUNDELEIN ELEMENTARY S.D. #75
 MURPHYSBORO C.U.S.D. #186
 NAPERVILLE C.U.S.D. #203
 NASHVILLE C.C.S.D. #49
 NASHVILLE C.H.S.D. #99
 NATIONAL EDUCATION ASSOCIATION
 NAUVOO-COLUSA C.U.S.D. #325
 NELSON PUBLIC S.D. #8
 NEOGA C.U.S.D. #3
 NEPONSET C.C.S.D. #307
 NETTLE CREEK C.C.S.D. #24C
 NEW ATHENS C.U.S.D. #60
 NEW HOLLAND-MIDDLETOWN S.D. #88
 NEW HOPE C.C.S.D. #6
 NEW LENOX S.D. #122
 NEW SIMPSON HILL C.S.D. #32
 NEW TRIER TWP H.S.D. #203
 NEWARK C.C.S.D. #66
 NEWARK C.H.S.D. #18
 NIANCIC-HARRISTOWN C.U.S.D. #6
 NILES E.S.D. #71
 NILES TWP C.H.S.D. #219
 NOKOMIS C.U.S.D. #22
 NORRIDGE S.D. #80
 NORRIS CITY-OMAHA-ENFIELD
 C.U.S.D. #325

NORTH BOONE C.U.S.D. #200
 NORTH CENTRAL REG EDUC LAB
 NORTH CHICAGO S.D. #187
 NORTH CLAY C.U.S.D. #25
 NORTH DUPAGE SPEC. ED. COOP
 NORTH GREENE U.S.D. #3
 NORTH PALOS S.D. #117
 NORTH PEKIN-MARQUETTE HTS S.D. #102
 NORTH SHORE S.D. #112
 NORTH WAMAC S.D. #186
 NORTH WAYNE C.U.S.D. #200
 NORTHBROOK ELEM S.D. #27
 NORTHBROOK S.D. #28
 NORTHBROOK-GLENVIEW S.D. #30
 NORTHFIELD TWP H.S.D. #225
 NORTHWEST C.U.S.D. #175
 NORTHWEST SPECIAL ED. DISTRICT
 NORTHWEST SUBURBAN SPEC. ED. ORG.
 NORTHWESTERN C.U.S.D. #2
 NORWOOD E.S.D. #63
 OAK GROVE EAST S.D. #68
 OAK GROVE S.D. #68
 OAK LAWN C.H.S.D. #229
 OAK LAWN/HOMETOWN S.D. #123
 OAK PARK E.S.D. #97
 OAK PARK/RIVER FOREST S.D. #200
 OAKDALE C.C.S.D. #1
 OAKLAND C.U.S.D. #5
 OAKWOOD COMMUNITY U.S.D. #76
 OBLONG C.U.S.D. #4
 ODELL C.C.S.D. #435
 ODIN C.H.S.D. #700
 ODIN S.D. #122
 O'FALLON C.C.S.D. #90
 O'FALLON T.H.S.D. #203
 OGDEN C.C.S.D. #212
 OGLE COUNTY SPEC. ED.
 OGLESBY E.S.D. #125
 OHIO AND WABASH VALLEY VOC SYS
 OHIO C.C.S.D. #17
 OHIO C.H.S.D. #505
 OKAW AREA VOCATIONAL CENTER
 OLYMPIA C.U.S.D. #16
 OPDYKE-BELLE-RIVE C.C.S.D. #5
 OPHIR C.C.S.D. #235
 ORANGEVILLE C.U.S.D. #203
 OREGON C.U.S.D. #220

SCHEDULE OF PARTICIPATING EMPLOYERS

ORION C.U.S.D. #223
 ORLAND PARK S.D. #135
 OSWEGO C.U.S.D. #308
 OTTAWA E.S.D. #141
 OTTAWA TWP H.S.D. #140
 OTTER CREEK-HYATT S.D. #58
 PALATINE C.C.S.D. #15
 PALATINE TWP H.S.D. #211
 PALESTINE C.U.S.D. #3
 PALOS C.C.S.D. #118
 PALOS HEIGHTS S.D. #128
 PANA C.U.S.D. #8
 PANHANDLE C.U.S.D. #2
 PARIS C.U.S.D. #4
 PARIS-UNION S.D. #95
 PARK FOREST S.D. #163
 PARK RIDGE C.C.S.D. #64
 PASS/ADULT EDUCATION PROGRAM
 PATOKA C.U.S.D. #100
 PAWNEE C.U.S.D. #11
 PAXTON-BUCKLEY-LODA S.D. #10
 PAYSON C.U.S.D. #1
 PEARL CITY C.U.S.D. #200
 PECATONICA C.U.S.D. #321
 PEKIN C.H.S.D. #303
 PEKIN S.D. #108
 PEMBROKE C.C.S.D. #259
 PENNOYER S.D. #79
 PEORIA COUNTY ROE
 PEORIA HEIGHTS C.U.S.D. #325
 PEORIA S.D. #150
 PEOTONE C.U.S.D. #207
 PERANDOE SPEC. ED. DIST.
 PERU ELEMENTARY S.D. #124
 PHILIP J ROCK SERV CTR
 PIKELAND C.U.S.D. #10
 PINCKNEYVILLE S.D. #50
 PINCKNEYVL C.H.S.D. #101
 PLAINFIELD S.D. #202
 PLANO C.U.S.D. #88
 PLEASANT HILL C.U.S.D. #3
 PLEASANT HILL S.D. #69
 PLEASANT PLAINS C.U.S.D. #8
 PLEASANT VALLEY S.D. #62
 PLEASANTDALE S.D. #107
 POLO C.U.S.D. #222
 PONTIAC C.C.S.D. #429
 PONTIAC TWP H.S.D. #90
 PONTIAC-W HOLLIDAY S.D. #105
 POPE COUNTY C.U.S.D. #1
 PORTA C.U.S.D. #202
 POSEN-ROBBINS E.S.D. #143.5
 POTOMAC C.U.S.D. #10
 PRAIRIE CENTRAL C.U.S.D. #8
 PRAIRIE DU ROCHER C.C.S.D. #134
 PRAIRIE GROVE C.S.D. #46
 PRAIRIE HILL C.C.S.D. #133
 PRAIRIE HILLS E.S.D. #144
 PRAIRIEVIEW C.C.S.D. #192
 PRINCETON E.S.D. #115
 PRINCETON TWP H.S.D. #500
 PRINCEVILLE C.U.S.D. #326
 PROFESSIONAL DEV ALLIANCE/ROE
 PROJECT AREA 1 HUB-ROE
 PROPHETSTOWN-LYNDON-TAMPICO S.D. #3
 PROSPECT HEIGHTS S.D. #23
 PROVISIO TWP H.S.D. #209
 PUFFER-HEFTY S.D. #69
 PUTNAM COUNTY C.U.S.D. #535
 QUEEN BEE S.D. #16
 QUINCY S.D. #172
 R O W V A C.U.S.D. #208
 RACCOON C.S.D. #1
 RAMSEY C.U.S.D. #204
 RANDOLPH COUNTY SPEC. ED.
 RANKIN C.S.D. #98
 RANTOUL CITY S.D. #137
 RANTOUL TWP H.S.D. #193
 REAVIS TWP H.S.D. #220
 RED BUD C.U.S.D. #132
 RED HILL C.U.S.D. #10
 REED CUSTER C.U.S.D. #255
 REGIONAL DELIVERY SYSTEM
 VOCATIONAL ED & GIFTED PROGRAM
 REGIONAL FILM LIBRARY
 REGIONAL OFFICE OF EDUCATION #12
 REGIONAL VOCATIONAL SYSTEM
 RHODES S.D. #84.5
 RICH TOWNSHIP H.S.D. #227
 RICHLAND S.D. #88A
 RICHMOND BURTON H.S.C.D. #157
 RICHMOND C.S.D. #13
 RIDGELAND S.D. #122
 RIDGEVIEW C.U.S.D. #19
 RIDGEWOOD C.H.S.D. #234
 RILEY C.C.S.D. #18
 RIVER BEND C.U.S.D. #2
 RIVER FOREST S.D. #90
 RIVER GROVE S.D. #85.5
 RIVER RIDGE C.U.S.D. #210
 RIVER TRAILS S.D. #26
 RIVERDALE C.U.S.D. #100
 RIVERDALE S.D. #14
 RIVERSIDE S.D. #96
 RIVERSIDE/BROOKFIELD #208
 RIVERTON C.U.S.D. #14
 RIVERVIEW C.C.S.D. #2
 ROANOKE BENSON C.U.S.D. #60
 ROBEIN S.D. #85
 ROBINSON C.U.S.D. #2
 ROCHELLE C.C.S.D. #231
 ROCHELLE TWP H.S.D. #212
 ROCHESTER C.U.S.D. #3A
 ROCK FALLS E.S.D. #13
 ROCK FALLS TWP H.S.D. #301
 ROCK ISLAND COUNTY ROE
 ROCK ISLAND S.D. #41
 ROCKDALE S.D. #84
 ROCKFORD S.D. #205
 ROCKRIDGE C.U.S.D. #300
 ROCKTON S.D. #140
 ROE PROFESSIONAL SERVICES #19
 ROME C.C.S.D. #2
 RONDOUT S.D. #72
 ROOKS CREEK C.C.S.D. #425
 ROSELLE S.D. #12
 ROSEMONT ELEM. S.D. #78
 ROSEVILLE C.U.S.D. #200
 ROSSVILLE-ALVIN C.U.S.D. #7
 ROUND LAKE AREA S.D. #116
 ROXANA C.U.S.D. #1
 RUTLAND C.C.S.D. #230
 SALEM C.H.S.D. #600
 SALEM S.D. #111
 SALT CREEK S.D. #48
 SANDOVAL C.U.S.D. #501
 SANDRIDGE S.D. #172
 SANDWICH C.U.S.D. #430
 SANGAMON COUNTY ROE
 SANGAMON AREA SPEC. ED.
 SANGAMON AREA VOC. ED. REGION

SCHEDULE OF PARTICIPATING EMPLOYERS

SARATOGA C.C.S.D. #60C
 SAUK VILLAGE C.C.S.D. #168
 SAUNEMIN C.C.S.D. #438
 SAVANNA C.U.S.D. #300
 SCALES MOUND C.U.S.D. #211
 SCHAUMBURG C.C.S.D. #54
 SCHILLER PARK S.D. #81
 SCHOOL ASSOCIATION FOR SPEC. ED. IN
 DUPAGE COUNTY
 SCHOOL DISTRICT U46
 SCHUYLER COUNTY C.U.S.D. #1
 SCOTT-MORGAN C.U.S.D. #2
 SELMAVILLE C.C.S.D. #10
 SENECA C.C.S.D. #170
 SENECA TWP H.S.D. #160
 SERENA C.U.S.D. #2
 SESSER-VALIER C.U.S.D. #196
 SHAWNEE C.U.S.D. #84
 SHELBYVILLE C.U.S.D. #4
 SHELDON C.U.S.D. #5
 SHERRARD C.U.S.D. #200
 SHILOH C.U.S.D. #1
 SHILOH VILLAGE S.D. #85
 SHIRLAND C.C.S.D. #134
 SIGNAL HILL S.D. #181
 SILVIS S.D. #34
 SKOKIE S.D. #68
 SKOKIE S.D. #69
 SKOKIE S.D. #73.5
 SKOKIE-FAIRVIEW S.D. #72
 SMITHTON C.C.S.D. #130
 SOMONAUK C.U.S.D. #432
 SOUTH WILL CNTY COOP FOR SPEC. ED.
 SOUTH BELOIT C.U.S.D. #320
 SOUTH CENTRAL C.U.S.D. #401
 SOUTH COOK ISC #4
 SOUTH EASTERN SPEC. ED.
 SOUTH FORK S.D. #14
 SOUTH HOLLAND S.D. #150
 SOUTH HOLLAND S.D. #151
 SOUTH PEKIN S.D. #137
 SOUTH WILMINGTON C.S.D. #74
 SOUTHEASTERN C.U.S.D. #337
 SOUTHERN C.U.S.D. #120
 SOUTHWEST COOK SPEC. ED. COOP
 SOUTHWESTERN C.U.S.D. #9
 SPARTA C.U.S.D. #140
 SPEC. ED. JOINT AGREEMENT #804
 NORTH SUBURBAN
 SPEC. ED. JOINT AGREEMENT #802
 COOK COUNTY
 SPEC. ED. JOINT AGREEMENT #803
 PROVISIO AREA
 SPECIAL EDUCATIONAL COOP
 SPECIAL EDUCATION DIST. - REGION 3
 SPECIAL EDUCATION DISTRICT OF
 MCHENRY COUNTY
 SPECIAL EDUCATION DISTRICT OF
 PEORIA COUNTY
 SPECIAL EDUCATIONAL TEACHER OF
 MACOUPIN COUNTY
 SPOON RIVER VALLEY C.U.S.D. #4
 SPRING GROVE S.D. #11
 SPRING LAKE C.C.S.D. #606
 SPRING VALLEY C.C.S.D. #99
 SPRINGFIELD BALL CHARTER SCHOOL
 SPRINGFIELD S.D. #186
 ST. ANNE C.C.S.D. #256
 ST. ANNE C.H.S.D. #302
 ST. CLAIR COUNTY ROE
 ST. ELMO C.U.S.D. #202
 ST. GEORGE C.C.S.D. #258
 ST. JOSEPH C.C.S.D. #169
 ST. JOSEPH OGDEN C.H.S. #305
 ST. LIBORY S.D. #30
 ST. ROSE S.D. #14
 ST. CHARLES C.U.S.D. #303
 STARK COUNTY C.U.S.D. #100
 STAUNTON C.U.S.D. #6
 STEELEVILLE C.U.S.D. #138
 STEGER S.D. #194
 STERLING C.U.D. #5
 STEWARD ELEMENTARY S.D. #220
 STEWARDSON-STRASBURG C.U.S.D. #5
 STOCKTON C.U.S.D. #206
 STREATOR ELEMENTARY S.D. #44
 STREATOR TWP H.S.D. #40
 STREATOR WOODLAND C.U.S.D. #5
 SUBURBAN COOK COUNTY ROE
 SULLIVAN C.U.S.D. #300
 SUMMERSVILLE S.D. #79
 SUMMIT HILL S.D. #161
 SUNNYBROOK S.D. #171
 SUNSET RIDGE S.D. #29
 SYCAMORE C.U.S.D. #427
 TAFT S.D. #90
 TAMAROA S.D. #5
 TAYLORVILLE C.U.S.D. #3
 TAZEWELL COUNTY ROE
 TAZEWELL-MASON COUNTIES SPECIAL
 EDUCATION ASSOCIATION
 TEACHERS RETIREMENT SYSTEM
 TECHNOLOGY CENTER OF DUPAGE CNTY
 TEUTOPOLIS C.U.S.D. #50
 THE CENTER
 THOMASBORO C.C.S.D. #130
 THOMPSONVILLE C.H.S.D. #112
 THOMPSONVILLE S.D. #62
 THOMSON C.U.S.D. #301
 THORNTON FRACTIONAL H.S.D. #215
 THORNTON S.D. #154
 THORNTON TWP H.S.D. #205
 THREE RIVERS EDUCATION FOR
 EMPLOYMENT SYSTEMS
 TINLEY PARK S.D. #146
 TOLONO C.U.S.D. #7
 TONICA C.C.S.D. #79
 TOWER HILL C.U.S.D. #6
 TOWNSHIP H.S.D. #214
 TREMONT C.U.S.D. #702
 TRI CITY C.U.S.D. #1
 TRI COUNTY SPEC. ED. ASSOCIATION
 TRI COUNTY SPEC. ED. COOP
 TRI POINT C.U.S.D. #6-J
 TRI VALLEY C.U.S.D. #3
 TRIAD C.U.S.D. #2
 TRICO C.U.S.D. #176
 TRIOPIA C.U.S.D. #27
 TROY C.C.S.D. #30C
 TRUANTS ALTERNATIVE OPTIONAL
 EDUCATION PROGRAM
 TUSCOLA C.U.S.D. #301
 TWIN RIVERS REGIONAL VOCATIONAL
 DEL SYS
 TWO RIVERS PROFESSIONAL DEVELOPMENT
 UNION C.U.S.D. #115
 UNION RIDGE S.D. #86
 UNION S.D. #81
 UNITED TWP H.S.D. #30
 UNITY POINT C.C.S.D. #140
 URBANA S.D. #116

SCHEDULE OF PARTICIPATING EMPLOYERS

| | |
|--------------------------------------|------------------------------------|
| UTICA E.S.D. #135 | WHEELING C.C.S.D. #21 |
| VIT C.U.S.D. #2 | WHITESIDE COUNTY ROE |
| VALLEY VIEW C.U.S.D. #365 | WHITESIDE REGIONAL VOCATIONAL SYS. |
| VALMEYER C.U.S.D. #3 | WHITESIDE S.D. #115 |
| VANDALIA C.U.S.D. #203 | WILL COUNTY AREA CAREER CENTER |
| VENICE C.U.S.D. #3 | WILL COUNTY S.D. #92 |
| VERMILION COUNTY SPEC. ED. ASSOC. | WILLIAMSFIELD C.U.S.D. #210 |
| VIENNA S.D. #55 | WILLIAMSON COUNTY SPEC. ED. DIST. |
| VIENNA TWP H.S.D. #133 | WILLIAMSVILLE C.U.S.D. #15 |
| VILLA GROVE C.U.S.D. #302 | WILLOW GROVE S.D. #46 |
| VILLA PARK S.D. #45 | WILLOW SPRINGS S.D. #108 |
| VIRDEN C.U.S.D. #4 | WILMETTE S.D. #39 |
| VIRGINIA C.U.S.D. #64 | WILMINGTON C.U.S.D. #209 |
| WABASH & OHIO VALLEY SPEC. ED. DIST. | WINCHESTER C.U.S.D. #1 |
| WABASH C.U.S.D. #348 | WINDSOR C.U.S.D. #1 |
| WALLACE C.C.S.D. #195 | WINFIELD S.D. #34 |
| WALTHAM C.C.S.D. #185 | WINNEBAGO C.U.S.D. #323 |
| WALTONVILLE C.U.S.D. #1 | WINNETKA S.D. #36 |
| WARREN C.U.S.D. #205 | WINTHROP HARBOR S.D. #1 |
| WARREN C.U.S.D. #222 | WOLF BRANCH S.D. #113 |
| WARREN TWP H.S.D. #121 | WOOD DALE S.D. #7 |
| WARRENSBURG-LATHAM C.U.S.D. #11 | WOOD RIVER-HARTFORD E.S.D. #15 |
| WARSAW C.U.S.D. #316 | WOODFORD COUNTY SPEC. ED. |
| WASHINGTON C.H.S.D. #308 | WOODLAND C.C.S.D. #50 |
| WASHINGTON S.D. #52 | WOODLAWN C.C.S.D. #4 |
| WATERLOO C.U.S.D. #5 | WOODLAWN C.H.S.D. #205 |
| WAUCONDA C.U.S.D. #118 | WOODRIDGE S.D. #68 |
| WAUKEGAN C.U.S.D. #60 | WOODSTOCK C.U.S.D. #200 |
| WAVERLY C.U.S.D. #6 | WORTH SCHOOL DISTRICT #127 |
| WAYNE CITY C.U.S.D. #100 | YORKVILLE C.U.S.D. #115 |
| WEBBER TWP H.S.D. #204 | YORKWOOD C.U.S.D. #225 |
| WESCLIN C.U.S.D. #3 | ZEIGLER ROYALTON C.U.S.D. #188 |
| WEST CENTRAL IL SPEC. ED. COOP | ZION ELEMENTARY S.D. #6 |
| WEST CHICAGO C.H.S.D. #94 | ZION-BENTON TWP H.S.D. #126 |
| WEST CHICAGO E.S.D. #33 | |
| WEST HARVEY-DIXMOOR S.D. #147 | |
| WEST LINCOLN-BROADWELL S.D. #92 | |
| WEST NORTHFIELD S.D. #31 | |
| WEST PIKE C.U.S.D. #2 | |
| WEST RICHLAND C.U.S.D. #2 | |
| WEST WASHINGTON C.U.S.D. #10 | |
| WESTCHESTER S.D. #92.5 | |
| WESTERN SPRINGS S.D. #101 | |
| WESTMER C.U.S.D. #203 | |
| WESTMONT C.U.S.D. #201 | |
| WESTVILLE C.U.S.D. #2 | |
| WETHERSFIELD C.U.S.D. #230 | |