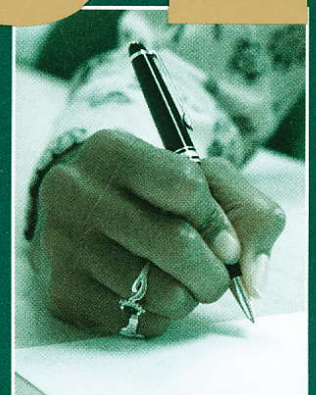
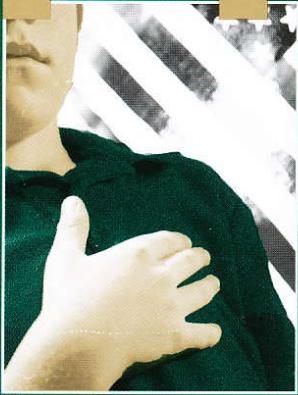


PROTECTING THE PROMISE



Teachers' Retirement System of the State of Illinois

A Component Unit of the State of Illinois
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

STATEMENT OF PURPOSE

Retirement Security for Illinois Educators

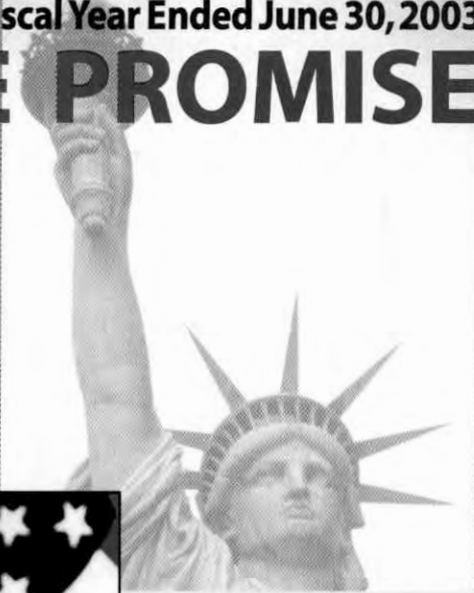
FISCAL YEAR HIGHLIGHTS

	2003	2002
Active contributing members	152,117	155,979
Inactive noncontributing members	86,279	66,971
Benefit recipients	73,431	67,949
Total membership	<u>311,827</u>	<u>290,899</u>
Actuarial accrued liability (AAL)	\$46,933,432,000	\$43,047,674,000
Less net assets held in trust for pension benefits	23,124,823,000	22,366,285,000
Unfunded actuarial accrued liability (UAAL)	\$23,808,609,000	\$20,681,389,000
Funded ratio (actuarial value of assets/AAL)	49.3%	52.0%
Total fund investment return, net of fees	4.9%	(3.2%)
Benefits and refunds paid		
Benefits paid	\$1,998,622,284	\$1,759,748,668
Refunds paid	43,114,742	38,755,604
Total	<u>\$2,041,737,026</u>	<u>\$1,798,504,272</u>
Income		
Member contributions*	\$732,020,451	\$681,151,770
Employer contributions (includes State of Illinois contributions)	1,021,262,225	907,357,912
Total investment income (loss)	1,060,852,111	(723,987,045)
Total	<u>\$2,814,134,787</u>	<u>\$864,522,637</u>

* Includes member payments and accounts receivable under the Payroll Deduction Program.

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

PROTECTING THE PROMISE



Teachers' Retirement System of the State of Illinois

A Component Unit of the State of Illinois
P.O. Box 19253, 2815 West Washington Street
Springfield, Illinois 62794-9253
www.trs.state.il.us

ACKNOWLEDGEMENTS



Public confidence in the integrity of the government is indispensable to faith in democracy.

Gov. Adlai E. Stevenson

2002-2003 TRS RETIREES



Nikki Carpenter

Nikki was the administrative clerk who greeted visitors at the front desk. She began her retirement in November 2002 after working for TRS nine years.



John Day

During his 10 years at TRS, John served in many positions including the director of government affairs, interim executive director, assistant executive director, and acting chief investment officer. He retired in April 2003.



Betsy Fliege

Betsy retired as the Information Systems administrative coordinator in December 2002 after 18 years with TRS. She had previously held positions in the Legal and Member Services Departments.



Tracy Scaduto

After working in the Accounting Department for over 20 years, Tracy retired from her position as accounting manager in April 2003.



Anita Troemper

After serving TRS for 32 years, Anita retired as a member accounts analyst in December 2002. She also held positions within Data Processing and Member Services.



Betty Wilson

Betty assisted TRS for 20 years, primarily in the Information Systems Department. She retired in April 2003 as the payroll/insurance manager.

CONTENTS

INTRODUCTION

4	Certificate of Achievement
5	Letter of Transmittal
8	A Message from the Executive Director
11	Board of Trustees
12	Organizational Structure
13	Consulting and Professional Services

FINANCIAL

16	Independent Auditors' Report
18	Management Discussion and Analysis
22	Basic Financial Statements
22	Statement of Plan Net Assets
23	Statement of Changes in Plan Net Assets
24	Notes to Financial Statements
37	Required Supplementary Information
37	Schedule of Funding Progress
37	Schedule of Contributions from Employers and Other Contributing Entities
38	Notes to Required Supplementary Information
39	Other Supplementary Information
39	Schedule of Administrative Expenses
39	Schedule of Investment Expense
39	Schedule of Payments to Consultants

INVESTMENTS

42	Introduction
43	Summary Data
43	Fund Performance vs. Benchmarks and Market Values
44	Performance Summary
45	Asset Allocation vs. Targets
46	Strategic Investment Listing
	Allocation Targets vs. Total Assets
46	Portfolio Securities Summary
47	Portfolio Securities Summary
47	Securities Holdings (Historical)
47	Securities Holdings
48	Growth of \$10,000
48	U.S. Equity
52	International Equity
54	Fixed Income
57	Private Equity
60	Real Estate

62	Brokerage Activity
62	Top 50 Brokers Used by TRS Managers
63	External Manager Fee Payments
64	Schedule of Investment Manager Fees
66	Securities Lending
66	Securities Lending Summary

ACTUARIAL

68	Actuary's Certification
70	Actuarial Assumptions and Methods
72	Annual Actuarial Valuation
72	Actuarial Valuation with Market Value Assets
72	Reconciliation of Unfunded Liability
73	Reconciliation of Unfunded Liability
74	State Funding
75	State Funding Amounts
75	Tests of Financial Condition
75	Funded Ratio Test
76	Unfunded Liability as a Percentage of Payroll Test
76	Solvency Test
77	Other Information
77	Retirees and Beneficiaries Added to and Removed from Rolls
78	Average Annual Salary for Active Members by Years of Service
80	Active Members by Age and Years of Service
82	Plan Summary

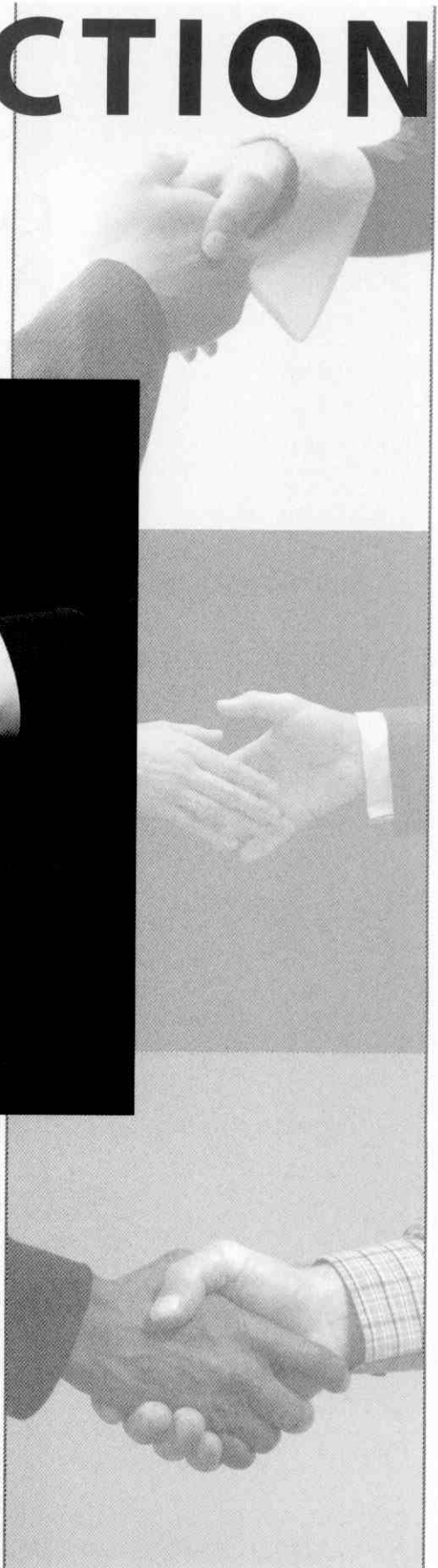
STATISTICAL

88	Retired Members by Years of Service and Years in Retirement
90	Average Monthly Benefits
90	Retirement Benefits
91	Disability Benefits
92	Survivor Benefits
93	Revenue by Source
93	Expenses by Type
93	Schedule of Benefit Expenses by Type
94	Schedule of Participating Employers

ACKNOWLEDGEMENTS

104	TRS Retirees
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INTRODUCTION



Though force can protect in emergency, only justice, fairness, consideration and cooperation can finally lead men to the dawn of eternal peace.

Dwight David Eisenhower

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, 2002

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



President

Executive Director



Retirement Security for Illinois Educators

Teachers' Retirement System of the State of Illinois

Jon Bauman, Executive Director

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

LETTER OF TRANSMITTAL

December 15, 2003

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, 2003. 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, 2003.

TRS was established by the state of Illinois on July 1, 1939, to provide retirement, disability, and death benefits to teachers at Illinois public elementary and secondary schools outside the city of Chicago.

This report consists of five sections:

- The Introductory Section contains the Certificate of Achievement for Excellence in Financial Reporting, this Letter of Transmittal, a message from our executive director that outlines the major activities of the past year and plans for the future, identification of the TRS Board of Trustees and organizational structure, and consulting and professional service providers.
- The Financial Section contains the Independent Auditors' Report, a Management Discussion and Analysis, the financial statements and related notes, and required supplementary schedules.
- The Investment Section contains information detailing TRS performance, investment managers, and the TRS investment portfolio.
- The Actuarial Section contains the actuary's letter of certification, actuarial assumptions and methods, the latest actuarial valuation, certain statistical information on members and benefit recipients, and a plan summary including any changes in the plan.
- The Statistical Section contains information and additional statistical data pertaining to benefit recipients 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 budget for TRS administrative expenses is 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).

Please refer to the Management Discussion and Analysis which contains an overview of the financial highlights and a financial analysis of TRS. Major TRS initiatives and accomplishments are contained in the executive director's message.

REVENUES AND EXPENSES

The three sources for TRS funding include member contributions, investment income, and employer contributions through state appropriations and payments by school districts. TRS expenses include payments of benefits, refunds, and administrative expenses. Negative amounts are enclosed in parentheses () throughout this report.

Revenues (\$ millions)

Source	2003	2002	Increase/(Decrease)	
			Amount	% Change
Member contributions	\$732	\$681	\$51	7.5%
State of Illinois	930	815	115	14.1
Employer contributions	91	93	(2)	(2.2)
Total investment income (loss)	1,061	(724)	1,785	246.5
Total	\$2,814	\$865	\$1,949	225.3%

Expenses (\$ millions)

Source	2003	2002	Increase/(Decrease)	
			Amount	% Change
Benefits payments	\$1,999	\$1,760	\$239	13.6%
Refunds	43	39	4	10.3
Administrative/Other	14	15	(1)	(6.7)
Total	\$2,056	\$1,814	\$242	13.3%

INVESTMENTS

TRS investments had a 4.9 percent return net of fees for the year. Total investment income for FY03 was \$1,061 million. The TRS trust fund is invested by authority of the Illinois General Assembly under the prudent person rule that requires investments to be managed solely in the interest of TRS members and beneficiaries. The portfolio is fully diversified across different asset classes. Within each asset class there are a number of investment managers to ensure the appropriate diversity across the various investment styles, allowing the portfolio to achieve broad exposure to the market, while minimizing risk. This broad diversification serves as the best defense against the uncertainty of volatile world markets.

The Investment Section of this report contains a summary of the portfolio and investment activities.

FUNDING

The actuarial value of assets (net assets at market value) was \$23.125 billion at June 30, 2003. Net assets increased \$759 million. TRS's actuarial accrued liability was \$46.933 billion at June 30, 2003, resulting in a funded ratio of 49.3 percent. This funded ratio is a decrease from the funding ratio of 52.0 percent for FY02.

The Actuarial Section of this report contains the actuary's letter and further information on TRS's funding.

In July 2003, shortly after the end of FY03, TRS received \$4.330 billion in funding resulting from the sale of general obligation bonds by the state of Illinois. Discussion regarding this subsequent event may be found in the Management Discussion and Analysis and in the Notes to the Financial Statements.

INDEPENDENT AUDIT

Each year TRS's 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's financial statements is included in the Financial Section of this report.

GFOA AWARD

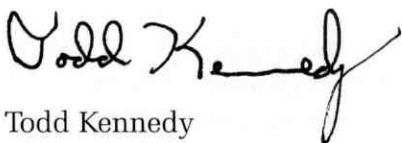
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the certificate, 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. TRS has received a certificate for the last 14 years. We believe our current report continues to meet the program requirements and are submitting it to the GFOA for consideration again this year.

ACKNOWLEDGMENTS

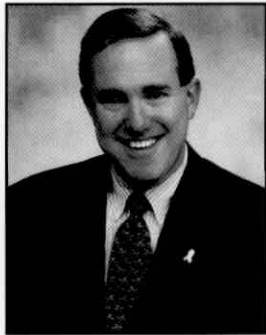
Information for this report was gathered by and reflects the combined efforts of TRS staff under the leadership of the Board of Trustees and the executive director. It is intended to provide complete and reliable information as a basis for making management decisions, to determine our compliance with 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 a 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.



Todd Kennedy
Director of Finance

A MESSAGE FROM THE EXECUTIVE DIRECTOR



*Executive Director
Jon Bauman*

December 15, 2003

We make many promises throughout our lives. Some are easy to keep and quickly fulfilled. Others require determination, conviction, and sustained effort. In marriage, we make a life-long commitment to our partner. As parents, we promise love, nurturing, discipline, and sustenance. In our working lives, we dedicate ourselves to difficult tasks.

As a retirement system, we have dedicated ourselves to protecting the essential promise of retirement security for over 311,000 teachers and retired teachers in Illinois. Illinois educators are fortunate to be served by a defined benefit plan that assures that benefits are never reduced in times of economic crisis, budget woes, or market declines.

During the past year, we opposed proposals to consolidate the investment of the TRS retirement trust fund with other statewide systems. We feel our record of top quartile performance in tough economic times merits the continued independent investment of TRS assets.

A PROMISE OF SERVICE

Within the TRS organization, substantially all of our employees are dedicated to direct service to members and employers, or to supporting those activities. Our recent strategic planning process identified our mission as, "Deliver superior service through skilled staff, innovative technology, and careful investment." It is not accidental that the very first words are "deliver superior service." It is the central focus of all that we do at TRS.

As part of our planning process, we completed several "breakthrough" projects to quickly implement improvements benefiting those we serve. A new *Member Guide* was published and mailed to all active and retired members. A new *Employer Guide* was provided to all TRS employers. Many of our brochures were revised to better target the information to specific needs. A new, Web-based employer remittance system is much easier to use than the phone-based remittance system or the obsolete paper-based remittance system.

Our service statistics are impressive. For example, we received over 171,000 inquiries through our toll free call center. We held over 140 large group meetings, provided in-office counseling to 7,229 members, and conducted numerous teleconferences to provide individual counseling to members across the state. The annual summer retirement season once again required maximum effort from our staff and technology to initiate 4,300 retirements during a compressed timeframe.

Our efforts will not be successful if they do not meet our members' expectations. During February, we offered 15,000 randomly selected members the opportunity to rate their satisfaction with TRS member services. Overall, respondents viewed our services as either "Excellent" or "Good." In keeping with our determination to provide personalized service in an era of computers and technology, our individual conferences received the highest rating. Over 70 percent characterized this service as excellent. We will work hard to continue to earn your confidence.

A PROMISE OF STEWARDSHIP

Whether the markets are strong or weak, your retirement system seeks to preserve the value of the fund. Our emphasis on capital preservation has been rewarded. As we awaited the return of market stability, the TRS fund maintained its conservative, risk-aware approach, minimized fund losses during an extremely difficult period, and placed well into the top quartile of large public funds in both 2001 and 2002. Our proactive steps to position the fund for the market's return to more normal times was rewarded as well. For FY03, our total return after expenses was 4.9 percent, placing TRS in the top 16 percent of large public pension plans.

Our long-term performance rankings are consistently in the top quartile. Our 10-year return is in the top 10 percent of large public funds. The overall return is 9.0 percent before investment expenses.

Concurrent with the market's return to positive territory, the General Assembly enacted a \$10 billion pension obligation bond program. The program provides the state with a measure of relief with respect to funding of state contributions for the 2004 fiscal year, while simultaneously providing TRS with an additional \$4.3 billion for immediate investment. The monies, which were received and invested on July 2, 2003, have improved our financial position and funded ratio, which stood at 49.3 percent on June 30, and rose to an estimated 58.5 percent on July 2.

To invest this substantial cash infusion prudently, our investment staff, in consultation with our external investment counsel, conducted performance reviews of all TRS investment managers. The TRS Board of Trustees has approved a strategy to invest the additional monies with many existing active managers that meet our performance expectations, to seek additional firms as appropriate, and to invest a significant portion in index funds offered by The Northern Trust Company. To ensure accountability of the additional assets entrusted to our stewardship, TRS will maintain separate reports covering the performance of pension obligation bond assets.

Money Management Letter, a publication of Institutional Investor, named me as Public Plan Sponsor of the Year. The award reflects the collective achievements of the TRS Board and staff, our investment consultant, and external money managers. In this and the coming years, we pledge to apply our skills, resources, and energy to secure excellent returns and to minimize risk. We will maintain our diversified portfolio approach and our commitment to employing only the best external money managers.

A PROMISE OF INNOVATION

Each year we undertake and complete significant projects to enhance our delivery of services to the membership.

- In January, we inaugurated a new information system. In naming the system, we chose STAR, which stands for "Serving Teachers And Retirees." The effort represents a total re-examination of our business practices to provide technology to meet the needs of our members for many years into the future. Developed primarily by our information technology staff, STAR will improve productivity and will enable us to further improve member services and operational economies.

- We will continue to work with the Governor, the legislature, and our constituent groups to secure permanent funding for the retired teacher health insurance program. The current law will sunset on June 30, 2004, making an early, effective resolution imperative.
- Active teachers who have been employed continuously with the same school district since March 31, 1986, will have a one-time opportunity to make a voluntary decision to pay Medicare taxes to gain program eligibility. The option will be particularly attractive to singles and those married to persons without Social Security coverage who have been unable to earn sufficient Medicare credits. We will provide extensive education materials over the next few months to all members affected.
- We are continuing with phase II of a program to develop a voluntary, TRS-sponsored 403(b) retirement savings plan. Initial surveys of members and employers showed interest that warrants further investigation.

SPECIAL RECOGNITION

Michael Colsch resigned as a member of the TRS Board of Trustees in April concurrent with beginning a key position with the Illinois Toll Highway Authority. A valued member of the Board, Mike brought a special expertise in budgeting and public policy.

In addition, six of the TRS staff elected to retire this year. Their collective service to TRS was 109 years. They are recognized on page 104. I appreciate their dedicated service to the members of TRS and their many contributions to our success.

IN CLOSING

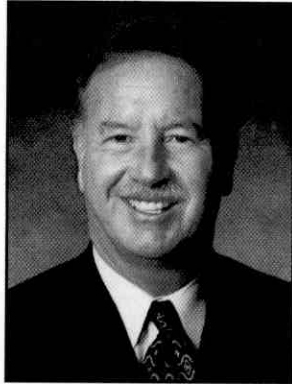
During the past year, we have worked hard to demonstrate that retirement security is a vibrant, meaningful promise. Though the work is often demanding, it is rewarding as well. On behalf of the TRS Board and staff, thank you for your support and trust.



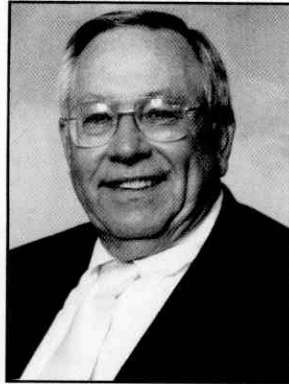
Jon Bauman
Executive Director

BOARD OF TRUSTEES

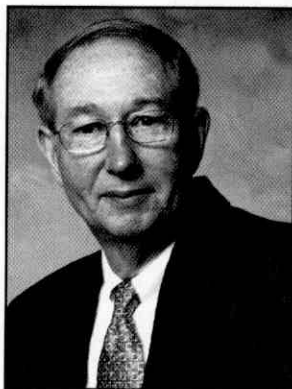
As of December 1, 2003



Robert Schiller
President
Springfield



Phillip Schmidt
Vice President
Springfield



James Bruner
Jacksonville



John Glennon
Lake Forest



Sharon Leggett
Evanston



Cynthia O'Neill
Carlyle



Jan Cleveland
Carmi



Cinda Klickna
Rochester



Stuart Levine
Highland Park



Molly Phalen
Rockford

ORGANIZATIONAL STRUCTURE

As of December 1, 2003

BOARD OF TRUSTEES



Jon Bauman
Executive Director



Ruby Reynolds Taylor
Chief Operating Officer



Tom Gray
General Counsel



Mike Bartletti
Director of Real Estate



Terry Viar
Director of Member Services



Kathleen Farney
Director of Research



Stan Rupnik
Director of Investments



Todd Kennedy
Director of Finance



Gina Larkin
Director of Human Resources



Stacy Smith
Internal Audits Manager



Ed Mabie
Information Systems Officer



Kathy Pearce
Communications Supervisor



Nick Yelverton
Government Affairs Officer

CONSULTING AND PROFESSIONAL SERVICES

ACTUARY

Mellon Human Resources & Investor Solutions
(formerly Buck Consultants, Inc.)
Chicago, Illinois

EXTERNAL AUDITORS

(As special assistants to the Office of the Auditor General)

McGladrey & Pullen, LLP
Schaumburg, Illinois

INFORMATION SYSTEMS

Accuvoice Inc.
Northbrook, Illinois

Ashbaugh and Associates
Springfield, Illinois

Ciber
Springfield, Illinois

Hupp Information Technologies
Springfield, Illinois

Kestner Consulting Inc.
Springfield, Illinois

King Technology, Inc.
Springfield, Illinois

Sentinel Technologies
Chicago, Illinois

INVESTMENT CONSULTANTS

(Investment management firms are listed throughout the Investment Section.)

Callan Associates Inc.
(general consultant)
San Francisco, California

Joseph J. Blake and Associates, Inc.
(real estate appraisals)
Chicago, Illinois

Risk Resources
(real estate insurance)
Elmhurst, Illinois

EXTERNAL LEGAL COUNSEL

Cavanagh & O'Hara
Springfield, Illinois

Chapman and Associates
Granite City, Illinois

Gardner Carton & Douglas
(beginning October 2002)
Chicago, Illinois

Heyl Royster Voelker & Allen
Springfield, Illinois

Lowenstein, Hagen & Smith, P.C.
Springfield, Illinois

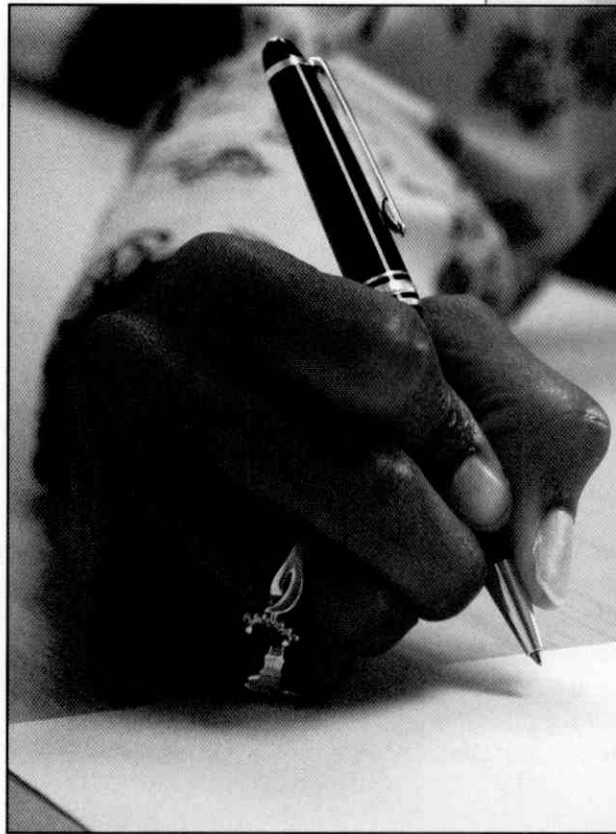
Milberg Weiss Bershad Hynes & Lerach
San Diego, California

Piper Rudnick
(through October 2002)
Chicago, Illinois

MASTER TRUSTEE

The Northern Trust Company
Chicago, Illinois

FINANCIAL



As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.

John Fitzgerald Kennedy

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois

Board of Trustees
Teachers' Retirement System of
The State of Illinois

As Special Assistant Auditors for 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, 2003 and 2002, and the related statement of changes in plan net assets for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of the State of Illinois as of June 30, 2003 and 2002, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 18 through 21 and the schedules of funding progress and contributions from employers and other contributing entities on pages 37 and 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

In accordance with Government Auditing Standards, we will also issue, under separate cover, our report dated November 26, 2003 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the System. The introduction section, other supplementary information on page 39, investments section, actuarial section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The other supplementary information on page 39 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introduction, investments, actuarial, statistical and acknowledgements sections listed in the table of contents were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 26, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Teachers' Retirement System of the state of Illinois provides an overview of financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter in the Introduction Section on page 5, and the Basic Financial Statements and related notes that follow this discussion.

FINANCIAL HIGHLIGHTS

- TRS net assets at June 30, 2003, were \$23.1 billion.
- During FY03, TRS net assets increased \$759 million.
- Contributions from members, employers, and the state of Illinois were \$1,753 million, an increase of \$165 million or 10.4 percent during the fiscal year.
- Total investment income was \$1,061 million, an increase of \$1,785 million or 246.5 percent compared to FY02.
- Benefits and refunds paid to members and annuitants were \$2,042 million, an increase of \$243 million or 13.5 percent compared to FY02.
- The pension benefit obligation or total actuarial accrued liability was \$46.9 billion at June 30, 2003.
- The unfunded actuarial accrued liability increased from \$20.68 billion at June 30, 2002 to \$23.81 billion at June 30, 2003. The funded ratio decreased from 52.0 percent at June 30, 2002 to 49.3 percent at June 30, 2003.

The Basic Financial Statements contained in this section of the *Comprehensive Annual Financial Report* consist of:

Statement of Plan Net Assets. This section reports the pension trust funds assets, liabilities, and resultant net assets available to pay benefits at the end of the fiscal year. It is the balance sheet of TRS and reflects the financial position of the Teachers' Retirement System as of June 30, 2003.

Statement of Changes in Plan Net Assets. The changes in plan net assets report transactions that occurred during the fiscal year. It is the income statement of TRS and reflects the revenues and expenses recorded throughout the fiscal year. The Statement of Changes in Plan Net Assets supports the change in the value of the net assets reported on the Statement of Plan Net Assets.

Notes to the financial statements. The notes are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The required supplementary information and other schedules following the notes to the financial statements provide historical and additional detailed information considered useful in evaluating the financial condition of the Teachers' Retirement System. The following are condensed comparative financial statements of the TRS pension trust fund.

Condensed Comparative Statement of Plan Net Assets

	As of June 30, 2003	As of June 30, 2002	Increase/(Decrease) Amount	Percentage Change
Cash	\$3,651,963	\$6,039,088	\$(2,387,125)	(39.5)%
Receivables and prepaid expenses	286,769,806	393,200,477	(106,430,671)	(27.1)
Investments	23,935,615,863	22,944,918,073	990,697,790	4.3
Invested securities lending collateral	2,154,422,658	1,897,635,461	256,787,197	13.5
Capital assets	2,630,930	3,113,533	(482,603)	(15.5)
Total assets	26,383,091,220	25,244,906,632	1,138,184,588	4.5
Total liabilities	3,258,268,149	2,878,621,920	379,646,229	13.2
Net assets	\$23,124,823,071	\$22,366,284,712	\$758,538,359	3.4

Condensed Comparative Statement of Changes in Plan Net Assets

	Year Ended June 30, 2003	Year Ended June 30, 2002	Increase/(Decrease) Amount	Percentage Change
Contributions	\$1,753,282,676	\$1,588,509,682	\$164,772,994	10.4%
Total investment income (loss)	1,060,852,111	(723,987,045)	1,784,839,156	246.5
Total additions	2,814,134,787	864,522,637	1,949,612,150	225.5
Benefits and refunds	2,041,737,026	1,798,504,272	243,232,754	13.5
Administrative expenses/transfers	13,859,402	15,379,736	(1,520,334)	(9.9)
Total deductions	2,055,596,428	1,813,884,008	241,712,420	13.3
Net increase (decrease) in net assets	758,538,359	(949,361,371)	1,707,899,730	179.9
Net assets beginning of year	22,366,284,712	23,315,646,083	(949,361,371)	(4.1)
Net assets end of year	\$23,124,823,071	\$22,366,284,712	\$758,538,359	3.4%

FINANCIAL ANALYSIS

TRS was created to provide retirement, survivor, and disability benefits to qualified members. Increases or decreases in plan net assets serve as useful indicators of TRS's financial position. Net assets available to pay benefits were \$23.1 and \$22.4 billion at June 30, 2003 and 2002, respectively. Net assets increased \$759 million during FY03 and decreased \$949 million during FY02.

CONTRIBUTIONS

Contributions increased \$165 and \$123 million during FY03 and FY02, respectively. During FY03, member contributions increased \$51 million and employer contributions from school districts decreased \$2 million. During FY02, member contributions increased \$38 million while employer contributions from school districts decreased \$5 million. The decrease in the employer contributions from school districts is attributable to a decrease in the employer contribution rate that was effective mid-year in FY02 and throughout FY03. Contributions from the state of Illinois increased \$115 and \$91 million in FY03 and FY02, respectively. The state of Illinois provides contributions through state appropriations. The increase in the state contributions were in accordance with actuarial funding requirements determined under Public Act 90-582 which provides for a 50-year funding plan that includes a 15-year phase in period.

INVESTMENTS

The TRS trust fund is invested by authority of the Illinois General Assembly and managed solely in the interest of fund participants and beneficiaries. Principles guiding the investment of funds include preserving the long-term principal of the trust fund and maximizing total return with prudent risk parameters.



Diversification is the cornerstone of the TRS investment philosophy. Investing in a number of broad asset classes helps to minimize the risk associated with a downturn in any single asset class, such as that seen in the equity markets in past years. An additional layer of diversification is provided by employment of multiple investment managers of varying investment styles within each asset class. This broad exposure to markets serves as the portfolio's best defense against the uncertainty of market volatility.

TRS investments resulted in a 4.9 and (3.2) percent rate of return, net of fees, for FY03 and FY02, respectively. Total investments increased \$1 billion from \$22.9 billion at June 30, 2002 to \$23.9 billion at June 30, 2003. The five- and 10-year returns are 3.6 percent and 8.4 percent, respectively. The 10-year return falls just slightly short of the actuarial assumption rate of 8.5 percent.

Fiscal year 2003 ended with a long-awaited return to positive performance in the world financial markets. A conservative investment approach and broad diversification continued to result in a favorable performance when compared to its peers. For the second consecutive year TRS surpassed the returns of over 84 percent of large public funds.

BENEFITS AND REFUNDS

Survivor, disability, and retirement benefit payments increased \$239 and \$193 million during FY03 and FY02, respectively. During FY03, benefit payments increased from \$1,760 million with 67,949 recipients during FY02 to \$1,999 million with 73,431 recipients. The overall increase in benefit payments is due mainly to an increase in retirement benefit payments. Retirement benefits increased as a result

of an automatic 3 percent annual increase in retirement benefits, an increase in the number of retirees from 59,360 as of June 30, 2002 to 64,702 as of June 30, 2003, and an increase in the final average salaries of teachers that retired during the fiscal year.

Refunds of contributions increased \$4 and \$3 million during FY03 and FY02, respectively. The increase in refunds is a result of increases in 2.2 upgrade contribution refunds, withdrawal of contributions by members leaving teaching, and an increase in survivor benefit refunds.

ACTUARIAL

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 actuarial accrued liability increased \$3.89 and \$3.88 billion during FY03 and FY02, respectively to \$46.93 billion at June 30, 2003 and \$43.05 billion at June 30, 2002. The unfunded liability is the present value of future benefits payable that are not covered by assets as of the valuation date. The unfunded liability increased \$3.13 and \$4.83 billion during FY03 and FY02, respectively, to \$23.81 billion at June 30, 2003 and \$20.68 billion at June 30, 2002. The funded ratio reflects the percentage of the accrued liability covered by net assets at market value. The funded ratio decreased from 52.0 percent at June 30, 2002 to 49.3 percent at June 30, 2003. Increases in the unfunded liability and decreases in the funded ratio indicate a decline in a system's financial position.

To comply with the Illinois Pension Code, an actuarial experience analysis is performed once every five years to review the actuarial assumptions. In FY02, TRS's actuaries conducted an experience analysis of the previous five-year period ended June 30, 2001. The analysis resulted in a decrease in the salary increase assumption, a decrease in the inflation rate assumption, higher rates of retirement, and minor changes in several other assumptions. The net effect of all the actuarial changes decreased the June 30, 2002, actuarial accrued liability by approximately \$346 million compared to the accrued liability that would have been calculated under the old assumptions.

GASB Statement Number 34 requires the Management Discussion and Analysis to include a description of currently known facts expected to have a significant effect on TRS's financial position. On July 2, 2003, TRS received \$4.33 billion in bond proceeds from the state of Illinois. These funds represented a portion of the \$10 billion of general obligation bonds issued by the state of Illinois for the purpose of reducing the unfunded liabilities for Teachers' Retirement System, State Employees' Retirement System, State Universities Retirement System, General Assembly Retirement System, and Judges' Retirement System. Because the bond proceeds were an appropriation for FY04, the \$4.33 billion received is not reflected in this report. If the proceeds had been included, the funded ratio would have increased from 49.3 percent to 58.5 percent.

BASIC FINANCIAL STATEMENTS

Teachers' Retirement System of the State of Illinois Statement of Plan Net Assets as of June 30, 2003, and 2002

	2003	2002
Assets		
Cash	\$3,651,963	\$6,039,088
Receivables and prepaid expenses		
Member payroll deduction	69,189,321	111,106,770
Member contributions	39,383,845	38,806,046
Employer contributions	7,379,497	8,811,602
State of Illinois	2,965,709	651,505
Investment income	165,638,540	233,414,394
Prepaid expenses	2,212,894	410,160
Total receivables and prepaid expenses	<u>286,769,806</u>	<u>393,200,477</u>
Investments, at fair value		
Fixed income	7,314,849,657	8,795,239,241
Equities	12,649,352,623	10,126,648,199
Real estate	2,412,293,598	2,202,925,998
Short-term investments	866,824,921	1,201,995,818
Private equity investments	668,389,537	594,153,359
Foreign currency	23,905,527	23,955,458
Total investments	<u>23,935,615,863</u>	<u>22,944,918,073</u>
Collateral from securities lending	2,154,422,658	1,897,635,461
Property and equipment, at cost, net of accumulated depreciation of \$6,456,750 and \$6,216,008 in 2003 and 2002, respectively	<u>2,630,930</u>	<u>3,113,533</u>
Total assets	<u>26,383,091,220</u>	<u>25,244,906,632</u>
Liabilities		
Benefits and refunds payable	8,633,145	7,204,169
Administrative and investment expenses payable	75,872,933	81,017,997
Payable to brokers for unsettled trades, net	1,019,339,413	892,764,293
Securities lending transactions	2,154,422,658	1,897,635,461
Total liabilities	<u>3,258,268,149</u>	<u>2,878,621,920</u>
Net assets held in trust for pension benefits	<u>\$23,124,823,071</u>	<u>\$22,366,284,712</u>

(A schedule of funding progress is presented on page 37.)

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, 2003, and 2002

	2003	2002
Additions		
Contributions		
Members	\$732,020,451	\$681,151,770
State of Illinois	929,709,762	814,739,766
Employers		
Early retirement	46,773,190	41,347,938
Federal funds	33,354,836	26,282,792
2.2 benefit formula	11,424,437	24,987,416
Total contributions	<u>1,753,282,676</u>	<u>1,588,509,682</u>
Investment income		
From investment activities		
Net appreciation (depreciation) in fair value	467,463,329	(1,461,163,444)
Interest	343,075,998	463,758,715
Real estate operating income, net	184,785,558	174,430,870
Dividends	139,831,006	132,356,304
Private equity income	8,887,682	28,036,960
Other investment income	3,560,189	13,640,070
Investment activity income (loss)	<u>1,147,603,762</u>	<u>(648,940,525)</u>
Less investment expense	(92,431,726)	(86,308,190)
Net investment activity income (loss)	<u>1,055,172,036</u>	<u>(735,248,715)</u>
From securities lending activities		
Securities lending income	28,660,317	59,315,009
Securities lending management fees	(1,420,317)	(2,816,327)
Securities lending borrower rebates	(21,559,925)	(45,237,012)
Net security lending activity income	<u>5,680,075</u>	<u>11,261,670</u>
Total investment income (loss)	<u>1,060,852,111</u>	<u>(723,987,045)</u>
Total additions	<u>2,814,134,787</u>	<u>864,522,637</u>
Deductions		
Retirement benefits	1,890,511,562	1,660,997,776
Survivor benefits	88,996,829	80,461,343
Disability benefits	19,113,893	18,289,549
Refunds	43,114,742	38,755,604
Administrative expenses	13,859,402	13,487,393
Prior service credits and transfers	0	1,892,343
Total deductions	<u>2,055,596,428</u>	<u>1,813,884,008</u>
Net increase (decrease)	<u>758,538,359</u>	<u>(949,361,371)</u>
Net assets held in trust for pension benefits		
Beginning of year	<u>22,366,284,712</u>	<u>23,315,646,083</u>
End of year	<u>\$23,124,823,071</u>	<u>\$22,366,284,712</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 includes no other entities 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 contributions. Effective July 1, 1998, Public Act 90-582 required employers to pay an employer contribution equal to 0.3 percent of covered payroll during FY99. The contribution was increased to 0.58 percent of covered payroll from July 1, 2000 through December 31, 2001. For the period January 1, 2002 through June 30, 2003, the employer contribution was reduced to 0.18 percent of covered payroll. In addition, the state of Illinois provides employer contributions. For information about employer contributions made by the state of Illinois, see "Funding" on page 26.

Number of Employers (as of June 30)

	2003	2002
Local school districts	890	890
Special districts	141	140
State agencies	27	27
Total	<u>1,058</u>	<u>1,057</u>

3. Members

TRS Membership (as of June 30)

	2003	2002
Retirees and beneficiaries receiving benefits	73,431	67,949
Inactive members entitled to but not yet receiving benefits	86,279	66,971
Active members	152,117	155,979
Total	<u>311,827</u>	<u>290,899</u>

4. Benefit Provisions

Governed by the Illinois Pension Code (40 ILCS 5/16), which is subject to amendment by the Illinois General Assembly and approval by the Governor, 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 0.50 percent for each month the member is under age 60. A member who is age 55 and has fewer than 35 years of service credit may use 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 last 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.

Public Act 90-582 improved retirement benefits for TRS members by changing the rate at which 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.

Essentially all retirees receive 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.

On June 25, 2002, Governor Ryan signed the State Employee 5&5 Early Retirement Incentive (Public Act 92-0566) into law.

Under the terms of this legislation, a TRS member employed by a state agency could elect to purchase five years of service credit and enhanced age. The member had to pay TRS an employee contribution based on the member's highest annual salary rate used in the determination of final average salary. The required 5&5 contribution had to be deducted from any lump-sum payment at termination.

If there was no lump sum or if the lump sum was less than the contribution required, the remaining amount due was treated as a reduction from the retirement annuity in 24 equal monthly installments. A member had to retire between August 1, 2002 and December 31, 2002 unless extended by the agency director to a date no later than April 30, 2003.

5. Funding

Member, employer, and state contributions are statutorily defined by the Illinois Pension Code (40 ILCS 5/16), which is subject to amendment by the Illinois General Assembly and approval by the Governor.

Effective July 1, 1998, member contributions increased from 8 percent to 9 percent of salary. These contributions are allocated as follows: 7.5 percent for retirement, 0.50 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 and Education Assistance Fund. Additional sources of state contributions are the State Pensions Fund and the General Revenue Fund. Effective July 1, 1998, the state began making contributions for the 2.2 benefit formula that are included in statutorily specified minimum state contribution rates. 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.

The actuarial funding requirements for FY03 and FY02 were determined under Public Act 90-582. State funding law provides for a 50-year funding plan that includes a 15-year phase-in period. Minimum state contribution rates are specified in the statute for FY99 through FY04. Public Act 93-002, first effective in FY05, establishes a procedure for calculating state contributions after the receipt of pension obligation bond proceeds in early FY04. This procedure will continue through FY33. TRS's 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's financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which member 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. New Accounting Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, "Deposit and Investment Risk Disclosures" an amendment of GASB Statement No. 3. The statement establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk, and foreign currency risk. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2004.



4. 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. Fair value for private equity assets is determined by the general partner in accordance with the provisions of the individual equity agreements.

5. 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 three to 10 years while vehicles are assigned a five-year life. TRS's office building is depreciated over 40 years.

6. 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, 2003, and 2002 totaled \$1,390,654 and \$1,360,953 respectively, and are included as administrative and investment expenses payable.

7. 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, dividends and real estate income owed to TRS as of June 30.

TRS assesses penalties for late payment of contributions and may 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 these amounts to be fully collectible.

Members may enter into Payroll Deduction Program agreements with their employers to pay for their optional service balances, to repay refunds previously taken from TRS, to pay for their 2.2 benefit formula upgrade balances, or to pay estimated ERO contributions. 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's balance or upon the member's death, disability, retirement, or termination of employment.
- The amount deducted must be a minimum of \$50 per month and cannot be changed during the term 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 60 months. TRS had outstanding balances in payroll deduction agreements totalling \$69,189,321 and \$111,106,770 as of June 30, 2003, and 2002, respectively.

8. 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's deposits were \$3,353,886 and \$3,651,963 at June 30, 2003, and \$2,281,489 and \$6,039,088 at June 30, 2002. Of the bank balance, \$1,764,260 and \$303,041 were on deposit with the state treasurer at June 30, 2003, and 2002, 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

	2003	<u>Fair Value</u>	2002
Category 1			
Government obligations	\$2,621,779,743	\$4,943,310,948	
Corporate obligations	2,581,192,122	2,345,278,328	
Preferred stock	122,216,598	100,963,556	
Short-term investments			
Commercial paper (including short-term collateral and other)	131,576,415	38,255,078	
U.S. Treasury bills	110,756,857	77,397,673	
Common stock	6,389,798,694	4,843,826,185	
	11,957,320,429	12,349,031,768	
Not Categorized			
Investments held by broker-dealers under securities loans			
Government obligations	881,558,768	1,201,846,412	
Corporate obligations	227,264,276	229,571,417	
Common stock	1,296,002,734	894,790,840	
Real estate equity	2,272,624,364	2,134,439,485	
Mutual funds	5,874,851,004	4,355,554,131	
Private equity investments			
Limited partnerships	668,389,537	594,153,359	
Foreign currency	23,905,527	23,955,458	
Collective investment funds (U.S. dollars)	735,248,505	1,163,740,739	
Security lending short-term collateral investment pool	2,152,873,377	1,895,469,925	
Investments and collateral from securities lending	26,090,038,521	24,842,553,534	
Less collateral from securities lending	<u>(2,154,422,658)</u>	<u>(1,897,635,461)</u>	
Total investments*	<u>\$23,935,615,863</u>	<u>\$22,944,918,073</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's investments and related category of custodial credit risk at June 30, 2003, and 2002. TRS's 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's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty but not in TRS's name. As of June 30, 2003, and 2002, TRS holds no securities classified in either Category 2 or Category 3.

TRS has nonrecourse mortgages totalling \$614,593,685 and \$292,888,883 on real estate equities at June 30, 2003, and 2002, 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 \$5,575,540 and \$31,212,240 of mortgages receivable which are fully secured by the properties at June 30, 2003, and 2002, respectively.

At June 30, 2003, and 2002, TRS did not have any investments in one organization that exceeded 5 percent of net assets held in trust for pension 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's 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's 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 55 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 70 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, 2003, and 2002, TRS had outstanding loaned investment securities having a market value of \$2,404,825,778 and \$2,326,208,668, respectively, against which it had received collateral of \$2,487,998,438 and \$2,419,253,253, 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 where the return depends upon the value of other assets such as commodity prices, bond and stock prices, or a market index. To varying degrees, derivative transactions involve credit risk and market risk. Credit risk is the possibility that a 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. Imposing limits on the types, amounts, and degree of risk that investment managers may undertake regulates the market risk associated with the constantly fluctuating prices of derivatives. 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's derivative investments included foreign currency forward contracts, index futures, and options. Derivative contracts are used by experienced investment personnel to implement tactical strategies upon the portfolio in a cost-effective manner.

Foreign Currency Forward Contracts

Objective: Foreign currency forward contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. TRS uses these contracts primarily to hedge the currency exposure of its investments.

Terms: Foreign currency forward contracts are in the form of either forward purchases or forward sales of foreign currency. Forward purchases obligate TRS to purchase specific foreign currency at an agreed upon price. Forward sales obligate TRS to sell specific foreign currency at an agreed upon price. At June 30, 2003, and June 30, 2002, foreign currency forward purchase or sell contracts include primarily the following currencies: Swedish krona, euro, Brazilian real, Japanese yen, Canadian dollar, Swiss franc, British pound sterling, Danish krone, and Australian dollar. These contracts have various settlement dates within 12 months of June 30, 2003.

Fair Value: As of June 30, 2003, and June 30, 2002, TRS's open foreign currency forward contracts had a net negative fair value of (\$464,426) and (\$6,294,570), respectively.

Market Value	as of June 30, 2003	as of June 30, 2002
Forward currency purchases	\$578,413,212	\$1,203,574,487
Forward currency sales	(578,877,638)	(1,209,869,057)
Unrealized gain/(loss)	(464,426)	(6,294,570)

Financial Futures

Objective: Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, circumvent changes in interest rates, or to replicate an index.

Terms: Futures contracts are standardized and traded on organized exchanges, thereby minimizing TRS's credit risk. As the market value of the futures contract varies from the original contract price, a gain or a loss is recognized and paid to or received from the clearinghouse. At June 30, 2003, and June 30, 2002, TRS had outstanding futures contracts with an underlying notional value of \$1,149,927,012 and \$1,122,593,616, respectively. Contractual principal values do not represent the actual values in the Statement of Plan Net Assets. The contracts have various expiration dates through March 2005.

Fair Value: Gains and losses on futures contracts are settled daily based on the change of the index price for the underlying notional value. Because of daily settlement, the futures contracts have no fair value.

Type	FY03 Number of Contracts	FY03 Contractual Principal	FY02 Number of Contracts	FY02 Contractual Principal
Fixed Income Index Futures (net)	269	\$31,576,813	2,087	\$224,125,141
International Fixed Income Index Futures (net)	69	8,980,674	0	0
Stock Index Futures (net)	3,998	972,813,350	3,175	785,891,875
Currency Index Futures (net)	554	136,556,175	461	112,576,600
Total		<u>\$1,149,927,012</u>		<u>\$1,122,593,616</u>

Financial Options

Objective: Financial options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a 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.

Terms: At June 30, 2003, TRS had outstanding options contracts with an underlying notional value of \$25,184,500. Contractual principal values do not represent the actual values in the Statement of Plan Net Assets. The contracts have various expiration dates through April 2005.

Fair Value: Fluctuations in the fair value of financial options are recognized in TRS's financial statements as incurred rather than at the time the options are exercised or when they expire. As of June 30, 2003, and 2002, the fair value of

option contracts written was (\$464,047) and (\$664,528), respectively. The fair value represents the amount needed to close all positions as of that date. The table below presents the aggregate contractual principal (notional value) of TRS's outstanding contracts at June 30, 2003, and 2002.

Type	FY03 Number of Contracts	FY03 Contractual Principal	FY03 Fair Value	FY02 Number of Contracts	FY02 Contractual Principal	FY02 Fair Value
Fixed Income Written Call Options	367	\$9,093,000	(\$68,797)	343	\$14,110,800	(\$474,375)
Fixed Income Written Put Options	4,178	7,939,000	(327,125)	3,300	0	3
Currency Written Put Options	650	8,152,500	(68,125)	6,161	84,581,500	(190,156)
Total			<u><u>(\$464,047)</u></u>			<u><u>(\$664,528)</u></u>

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, the Illinois General Assembly passed legislation that allowed the crediting of income at fair value, as opposed to book value, to the Employer's Contribution Reserve.

1. Members' Contribution

	2003	2002
Balances at June 30	\$9,780,678,167	\$9,167,409,595

This reserve accumulates, with 6 percent interest, the contributions by members prior to retirement. Contributions have been 7.5 percent of salary since July 1, 1998. 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.

Effective July 1, 2003, Public Act 93-0469 will combine the Member's and Employer's Contribution Reserves into a new Benefit Trust Reserve.

2. Minimum Retirement Annuity

	2003	2002
Balances at June 30	\$3,719,746	\$3,479,416

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 appropriated 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. Employer's Contribution

	2003	2002
Balances at June 30	\$13,340,425,158	\$13,195,395,701

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 and employer contributions, income from TRS invested 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 members, all 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) as calculated by the actuary was \$23,808,609,000 in 2003 and \$20,681,389,000 in 2002.

Effective July 1, 2003, Public Act 93-0469 will combine the Member's and Employer's Contribution Reserves into a new Benefit Trust Reserve.

F. TRS EMPLOYEE PENSION BENEFITS

1. Plan Description

All full-time TRS employees who are not eligible to participate in TRS 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's financial position and results of operations for FY03 and FY02 are included in the state of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2003, and 2002, respectively. SERS also issues a separate CAFR that may be obtained by writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255 or by calling (217) 785-7444. The state of Illinois CAFR may be obtained by

writing to Office of the Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1858 or by calling (217) 782-2053.

A summary of SERS's 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 FY03, FY02, and FY01, the SERS employer contribution rates were 10.321 percent, 10.040 percent, and 9.944 percent, respectively. TRS made the required contributions to SERS for the current year and each of the two preceding years. TRS contributions for the years ending FY03, FY02, and FY01 were \$541,552, \$529,400, and \$523,129, respectively. Effective for pay periods beginning after July 1, 1993, the TRS Board of Trustees opted to pay the employee contribution for all employees. The contribution pickup (4 percent for SERS members, 9 percent for TRS members beginning in FY02 and 8 percent for TRS members in prior years) was included in the FY03 and FY02 administrative budgets approved by the board.

TRS pays an employer contribution for its employees who are members of TRS. Additional employer contributions for these employees are paid by the state of Illinois and are 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 requires 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, 2003, and 2002. 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.

G. SUBSEQUENT EVENTS

House Bill 2660 became law on April 7, 2003. Public Act 93-002 authorized the state of Illinois to issue \$10 billion in general obligation bonds for the purpose of making contributions to designated retirement systems. TRS is one of the designated retirement systems for the purpose of this new law. In addition, the Pension Contribution Fund was created as a special fund in the state treasury.

On June 12, 2003, the state of Illinois issued \$10 billion in general obligation bonds, pension funding series of June 2003, and deposited the net bond proceeds of \$7,317,292,916 into the Pension Contribution Fund. Bond proceeds of \$2,682,707,084 will be utilized

- to reimburse the General Revenue Fund \$2,160,000,000 for the last quarter of the state's FY03 required contributions and the total FY04 required contributions to the designated retirement systems, and
- to fund \$481,038,334 in interest payments due December 1, 2003 and June 1, 2004 on the general obligation bonds, pension funding series of June 2003, and
- to fund bond issuance and other costs totaling \$41,668,750.

The net bond proceeds of \$7,317,292,916 were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in Public Act 93-0002. Pursuant to the amendments to the General Obligation Bond Act (30 ILCS 330/7.2), the Governor's Office of Management and Budget has determined the percentage distribution of the proceeds. The allocation of the proceeds was based on the percentage distribution of the state's total actuarial reserve deficiency as of June 30, 2002.

TRS received an allocation of bonds proceeds equal to \$4,330,373,948 on July 1, 2003. The monies were deposited into TRS's Master Trust account with The Northern Trust Company on July 2, 2003.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress¹

Actuarial Valuation Date	Actuarial Value of Assets (a)	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)
6/30/96	\$15,103,927,000	\$26,141,794,000	57.8%	\$11,037,867,000	\$4,734,250,000	233.1%
6/30/97	17,393,108,000	26,951,585,000	64.5	9,558,477,000	5,013,583,000	190.7
6/30/98	19,965,887,000	29,908,241,000	66.8	9,942,354,000	5,323,403,000	186.8
6/30/99	22,237,709,000	33,205,513,000	67.0	10,967,804,000	5,698,117,000	192.5
6/30/00	24,481,413,000	35,886,404,000	68.2	11,404,991,000	6,062,884,000	188.1
6/30/01	23,315,646,000	39,166,697,000	59.5	15,851,051,000	6,430,612,000	246.5
6/30/02	22,366,285,000	43,047,674,000	52.0	20,681,389,000	6,785,236,000	304.8
6/30/03	23,124,823,000	46,933,432,000	49.3	23,808,609,000	7,059,032,000	337.3

Schedule of Contributions from Employers and Other Contributing Entities¹

Year Ended June 30	State Contributions ²	Federal and Employer Contributions ²	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	100.0%
1997	377,969,000	17,379,000	395,348,000	927,842,000	42.6	395,269,000	100.0
1998	460,439,000	17,246,000	477,685,000	983,312,000	48.6	478,439,000	99.8
1999	567,068,000	36,535,000	603,603,000	932,909,000	64.7	592,547,000	101.9
2000	634,039,000	54,547,000	688,586,000	1,003,612,000	68.6	686,384,000	100.3
2001	719,357,000	58,985,000	778,342,000	1,102,441,000	70.6	775,732,000	100.3
2002	810,619,000	51,270,000	861,889,000	1,163,262,000	74.1	872,283,000	98.8
2003	926,066,000	44,779,000	970,845,000	1,427,519,000	68.0	963,858,000	100.7

¹ For consistency with figures reported by TRS's 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.

In FY02, the annual contribution required per state statute is the state funding requirement certified before Public Act 92-505 was enacted. This act allowed districts to reduce their contributions to TRS by the amount they contributed to the Teachers' Health Insurance Security Fund. The diversion was effective January 1, 2002 through June 30, 2003.

In FY03, the annual contributions required per state statute is the state funding requirement certified after Public Act 92-505 was enacted. The diversion to THIS Fund was effective for the entire fiscal year.

² Excludes ERO, ERI, minimum retirement, and supplemental annuity contributions. Beginning in FY01, the supplemental annuity appropriation was not requested. These amounts are not counted for actuarial purposes.

See accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Dates	June 30, 2003	June 30, 2002
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 2.2 benefit formula change as a level percent of payroll	Minimum state contribution rates in statute include cost 2.2 benefit 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	42 years, closed	43 years, closed
Asset valuation method:	Fair value	Fair value
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.9-10.1% composite 6.5%	5.9-10.1% composite 6.5%
Group size growth rate	0%	0%
Assumed inflation rate	3.5%	3.5%
Post-retirement increase	3% compounded	3% compounded
Mortality table	1995 Buck Mortality Tables (rated forward three years for male benefit recipients only)	1995 Buck Mortality Tables (rated forward three years for male benefit recipients only)

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses (for years ended June 30)

	2003	2002
Personal services	\$9,499,683	\$9,328,695
Professional services	1,385,493	1,434,574
Postage	488,524	390,748
Machine repair and rental	553,562	473,750
Other contractual services	716,257	657,504
Commodities	488,669	396,268
Occupancy expense	194,205	174,040
Depreciation	532,511	631,520
Loss on disposal of equipment	498	294
Total administrative expenses	\$13,859,402	\$13,487,393

Schedule of Investment Expense (for years ended June 30)

	2003	2002
Investment manager fees	\$71,646,159	\$62,293,193
Private equity investment expense	18,614,717	22,606,797
Miscellaneous	2,170,850	1,408,200
Total investment expense	\$92,431,726	\$86,308,190

Schedule of Payments to Consultants (for years ended June 30)

	2003	2002
Actuarial services	\$149,870	\$187,558
External auditors	110,226	108,127
Legal services	273,951	244,016
Management consultants		
Information systems	692,086	774,452
TRS STAR audit	6,234	61,989
Benchmarking	25,000	0
Salary review	250	15,190
Executive search	76,226	37,708
403(b) survey	25,000	0
Member satisfaction survey	20,000	0
Other	6,650	5,534
Total payments to consultants	\$1,385,493	\$1,434,574

See accompanying Independent Auditors' Report.

INVESTMENTS



Confidence... thrives on honesty, on honor, on the sacredness of obligations, on faithful protection and on unselfish performance. Without them it cannot live.

Franklin D. Roosevelt

INTRODUCTION

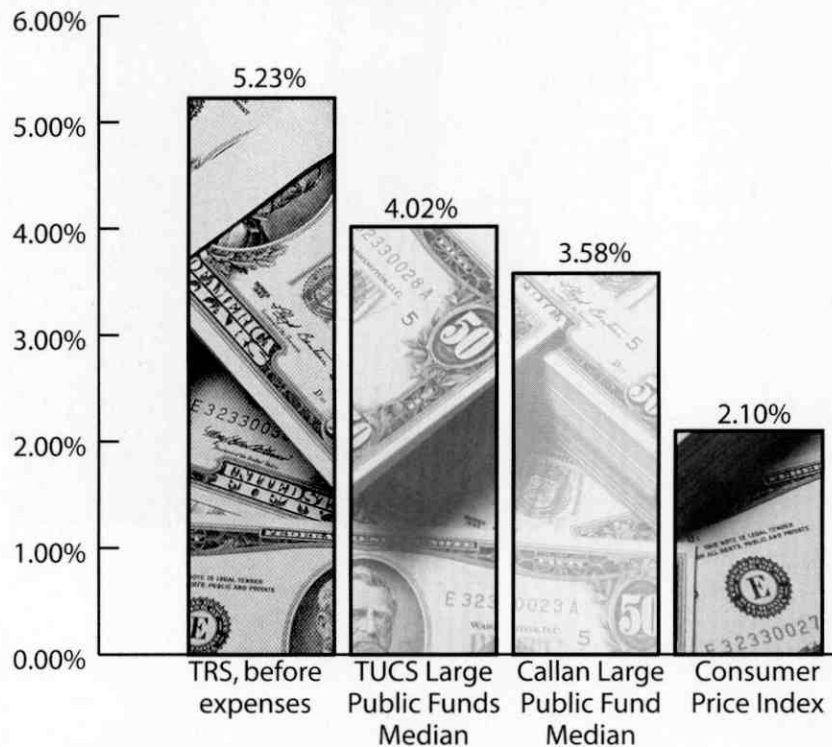
Following nine months of erratic performance by the major stock indices, the well-positioned TRS investment portfolio benefited from improved market conditions. By preserving capital during difficult times and fine-tuning our investment strategy, TRS reported an impressive 4.9 percent overall return for FY03, ranking in the top 16 percent of large public pension funds ranked by Callan Associates. The 4.9 percent figure is net of all investment fees and expenses. The 2003 performance placed TRS in the top quartile of the Wilshire Trust Universe Comparison Service (TUCS) for the one-, three-, five-, and 10-year periods.

Total returns in FY03 exceeded \$1.0 billion.

For the second consecutive year, annual TRS returns have outperformed approximately 84 percent of the large public funds.

Financial analysts most commonly use returns before expenses to assess overall performance. Using this approach, TRS at 5.2 percent substantially outperformed the median return of 3.9 percent.

Return Comparison year ended June 30, 2003



Source: Callan Associates, Wilshire Associates

The portfolio is fully diversified across different asset classes. Within each asset class there are a number of investment managers to ensure the appropriate diversity across the various investment styles, allowing the portfolio to achieve broad exposure to the market while minimizing risk. This broad diversification serves as the best defense against the uncertainty of volatile world markets.

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, 2003, TRS's total investments, including accrued investment income, at market value totaled \$24,101,254,403.

TRS's investments are guided by the TRS Investment Policy. Investment principles include preserving the long-term principal of the trust fund, maximizing total return with prudent risk parameters, and acting in the exclusive interest of TRS members.

As master trustee, The Northern Trust Company has provided to TRS, unless otherwise noted, detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities, and other transactions pertinent to the fund for the period July 1, 2002 through June 30, 2003. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2003. Additionally, The Northern Trust Company calculated, in accordance with the Association of Investment Management and Research (AIMR) Performance Presentation Standards, performance rates of return by portfolio, composite, and for all respective indices utilized throughout this section. TRS staff, in collaboration with the staff of The Northern Trust Company, prepared the Investment Section.

A complete listing of investment holdings is available on request.

Summary Data June 30, 2003

Total Fund Market Value	\$24.101 billion
One-Year Return (net of fees)	4.9%
Five-Year Return (net of fees)	3.6%
10-Year Return (net of fees)	8.4%
Percent Externally Managed	100.0%
Number of External Managers	69
Custodian	The Northern Trust Company
General Consultant	Callan Associates Inc.

As of December 31, 2002, TRS is ranked 41st out of all 200 plan sponsor funds in the United States, including corporate, government, and endowment funds. Rankings are based on market value of total assets, as submitted to *Pensions & Investments*.

FUND PERFORMANCE VS. BENCHMARKS AND MARKET VALUES

As of June 30, 2003, TRS's total investments, including accrued investment income, at market value totaled \$24.101 billion, an increase of \$923 million from last year.

A summary of holdings and various assets is discussed throughout the Investments Section. The totals represent the actual assets (gross of any liabilities), amounts due to brokers and expenses. The liability portions of the fund are included in the financial statements located on pages 22 and 23.

TRS had a total fund annualized return of 5.2 percent, gross of fees, and 4.9 percent, net of fees, for the one-year period ending June 30, 2003. The following Performance Summary table shows the performance of the total investment portfolio, including accrued income and miscellaneous assets, versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS's total return for FY03 surpassed the policy index return for the year ended June 30, 2003. The total return for FY03, however, did not meet the 8.5 percent actuarial investment return assumption or the real rate of return expectations, which are to exceed the rate of inflation, as measured by the Consumer Price Index, by 5.0 percent. TRS did, however, outperform the real rate of return expectation for the longer term, 10-year period.

Performance Summary (Net of fees)

Asset Class/Index	2003	Years ended June 30				Annualized at 6/30/03		
		2002	2001	2000	1999	3 Years	5 Years	10 Years
TRS Total Fund	4.9%	(3.2%)	(4.2%)	10.6%	10.8%	(0.9%)	3.6%	8.4%
TRS Weighted Policy Index	3.9	(4.2)	(6.8)	9.7	11.5	(2.4)	2.6	8.1
CPI (Inflation)	2.1	1.1	3.2	3.7	2.0	2.1	2.4	2.4
TRS Equity - U.S.	0.5	(15.2)	(12.0)	6.5	17.1	(9.1)	(1.3)	8.7
Russell 3000 Index	0.8	(17.2)	(13.9)	9.6	20.1	(10.5)	(1.1)	9.7
TRS Fixed Income*	10.7	9.7	7.2	3.7	4.0	9.2	7.0	7.2
TRS Weighted Fixed Income Index	11.1	10.0	7.2	4.3	3.3	9.4	7.2	7.0
Lehman Bros. Aggregate Index	10.4	8.6	11.2	4.6	3.1	10.1	7.5	7.2
TRS Equity - International	(5.2)	(6.8)	(19.5)	19.9	8.4	(10.7)	(1.6)	4.1
Non-U.S. Equity Index	(4.2)	(8.2)	(23.8)	18.1	10.3	(12.5)	(2.8)	3.1
TRS Real Estate	8.8	2.4	9.8	8.8	13.5	6.9	8.6	10.5
Real Estate Property Index	7.7	5.6	11.2	11.6	12.8	8.2	9.8	9.6
TRS Private Equity	(11.4)	(12.7)	(5.4)	137.7	22.7	(9.9)	16.4	25.7
Russell 3000 Index + 3.0%	3.8	(14.7)	(11.3)	12.6	23.1	(7.7)	1.9	13.0
TRS Short-Term Investments	1.5	2.7	6.2	5.9	5.4	3.4	4.3	n/a
ML 91-Day Mark to Markets Index	1.5	2.7	5.9	5.5	4.9	3.3	4.1	n/a
90-Day T-Bill Index	1.3	2.2	5.4	5.6	4.7	2.9	3.8	n/a

* During FY03, the U.S. fixed income asset class was combined with the international fixed income asset class to create a total fixed income asset class. The benchmark assigned to total fixed income is the Lehman Brothers Aggregate Index. The TRS fixed income returns provided are the combined U.S. fixed income and international fixed income returns for prior periods and the current fixed income return. Shown below are the yearly returns for the previous benchmarks.

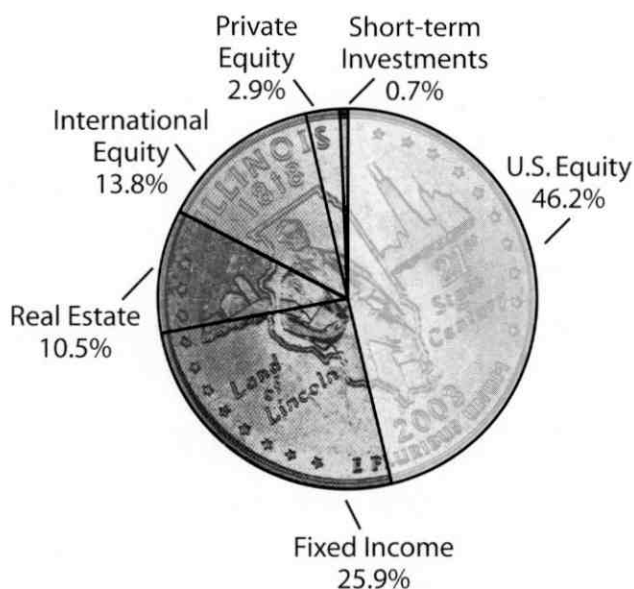
Asset Class/Index	2003	Years ended June 30			
		2002	2001	2000	1999
TRS Fixed Income - U.S.*	-	8.1	11.3	4.4	3.9
Salomon BIG Index	-	8.5	11.3	4.5	3.1
TRS Fixed Income - International*	-	15.9	(7.7)	(0.7)	4.3
Non-U.S. Bond Index	-	15.8	(7.5)	2.4	4.9

Rates of return are provided by The Northern Trust Company in accordance with AIMR Performance Presentation Standards.

ASSET ALLOCATION VS. TARGETS

A 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 manage risk effectively.

Strategic Allocation



TRS's asset allocation, adopted in 2002, resulted in a shift in assets from fixed income and international equity to real estate, private equity, and domestic equity. TRS has begun the process of reallocating assets to reach the new asset allocation targets. Due to the nature of the real estate and private equity asset classes, prudence requires that the increases in the allocations to these asset classes be implemented in a very measured fashion. Interim targets, as reflected in the table on the following page, were established for FY03. As of June 30, 2003, all asset classes were at or very near these interim targets. The asset mix is periodically compared to the policy targets to determine when rebalancing of the fund or changes to the interim policy targets is necessary. TRS anticipates reaching the asset allocation targets to real estate in FY04 and to private equity in FY06.

The Strategic Investment Listing table shows the asset allocation targets, as adopted by the Board of Trustees in April 2002, compared to the total assets assigned to each particular asset class at June 30.

**Strategic Investment Listing
Allocation Targets vs. Total Assets**

	6/30/03	FY03		FY02		
	Total Fund \$ Million	Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. Equities	\$10,635	46.2%	44%	41%	34.7%	41%
Fixed Income	5,971	25.9	26	23	35.0	23
International Equities	3,172	13.8	15	15	14.9	15
Real Estate	2,412	10.5	11	14	9.9	14
Private Equity	669	2.9	3	6	2.7	6
Short-Term Investments	168	0.7	1	1	2.8	1
Pending Settlements/Expenses*	1,074	NA	NA	NA	NA	NA
Total Fund	\$24,101	100.0%	100%	100%	100.0%	100%

* The liability portions are placed within the Statement of Plan Net Assets.

Note: During FY03, the U.S. fixed income asset class was combined with the international fixed income asset class to create a total fixed income asset class.

PORTFOLIO SECURITIES SUMMARY

The Portfolio Securities Summary table contains a detailed list of security types. The amounts in this table differ from the allocation percentages shown in the *Strategic Investment Listing*. The strategic listing represents assets assigned to managers within each asset class, whereas the securities summary represents types of financial instruments. The differences are explained by the types of investments each manager is allowed to hold within their portfolio. For example, U.S. equity managers hold not only common stock within their portfolio but may hold small amounts of short-term investments as well.

The principal differences between the strategic investment approach and the Portfolio Securities Summary area:

- The PIMCO StocksPlus assignment is treated as equity on the *Strategic Investment Listing*, but is categorized as bonds and corporate obligations in the securities summary. StocksPlus is an enhanced index product that uses both fixed income and futures to achieve an enhanced equity return.
- Short-term investments included within a manager's portfolio are categorized in the same way as the manager's primary assignment on the strategic investment listing. In the securities summary, these investments are categorized as short-term investments.

Portfolio Securities Summary

	2003		2002	
	Market Value	% of Total	Market Value	% of Total
Bonds, Corporate Notes, and U.S. Government Obligations				
U.S. Government	\$965,037,934	4.0%	\$1,138,944,044	4.9%
Federal Agency	3,206,666,169	13.3	3,046,696,328	13.1
Municipals (Taxable)	49,668,028	0.2	16,743,344	0.1
Total Government Obligations	4,221,372,131	17.5	4,202,383,716	18.1
Corporate Obligations	2,806,907,117	11.6	2,572,684,208	11.1
Foreign Debt Obligations	286,570,409	1.2	2,020,171,317	8.7
Total Bonds, Corporate Notes, and Government Obligations	7,314,849,657	30.3	8,795,239,241	37.9
Equities				
Common Stock - U.S.	9,247,447,414	38.4	6,732,052,482	29.1
Preferred Stock-U.S.	43,419,939	0.2	52,445,277	0.2
Common Stock - International	3,279,688,612	13.6	3,293,632,161	14.2
Preferred Stock-International	78,796,658	0.3	48,518,279	0.2
Total Equities	12,649,352,623	52.5	10,126,648,199	43.7
Short-Term Investments*	1,032,463,461	4.3	1,435,410,212	6.2
Foreign Currency	23,905,527	0.1	23,955,458	0.1
Private Equity	668,389,537	2.8	594,153,359	2.6
Real Estate Equity	2,412,293,598	10.0	2,202,925,998	9.5
TRS Total Portfolio	\$24,101,254,403	100.0%	\$23,178,332,467	100.0%

* Includes accrued income and dividends totaling \$165,638,540 and \$233,414,394 for FY03 and FY02, respectively. Also includes U.S. dollar cash held within individual portfolios.

Note: During FY03, the U.S. fixed income asset class was combined with the international fixed income asset class to create a total fixed income asset class. The benchmark assigned to the total fixed income is the Lehman Brothers Aggregate Index. Total bonds, corporate notes, and government obligations are categorized according to the Lehman Brothers Aggregate Index.

SECURITIES HOLDINGS (HISTORICAL)

Historically, TRS has adopted various asset allocation strategies. The Asset Allocation table shows the actual asset allocation based on asset types for the last five-year period.

Securities Holdings (for years ending June 30)

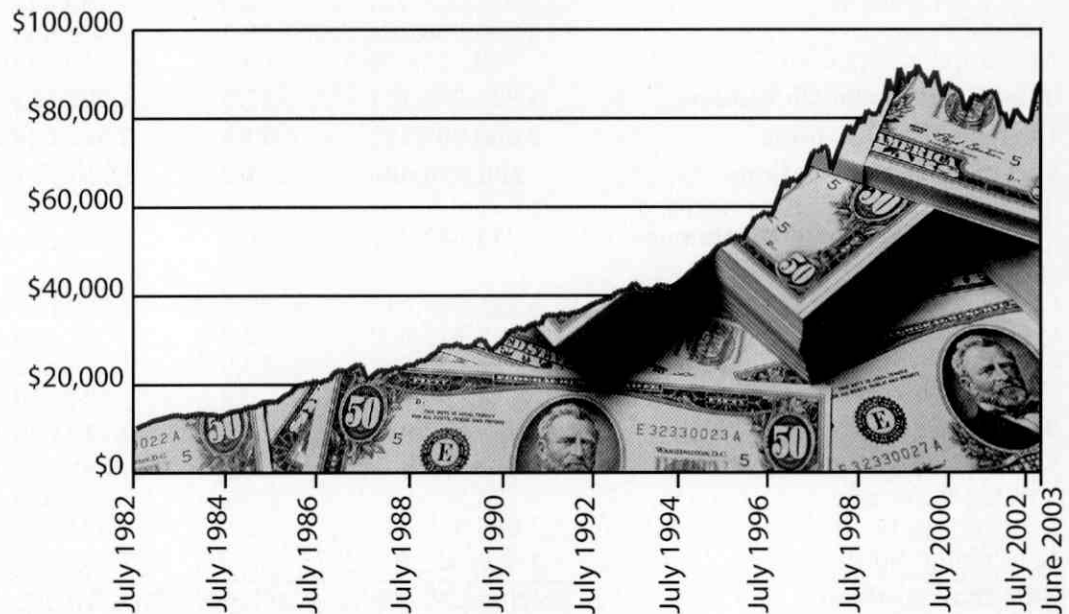
Asset Type	2003	2002	2001	2000	1999
Bonds, Corporate Notes, and Government Obligations	30.3%	37.9%	36.4%	35.4%	39.0%
Equities - International	13.9	14.4	19.2	19.9	11.6
Equities - U.S.	38.6	29.3	26.3	26.1	32.5
Private Equity	2.8	2.6	2.8	3.5	2.6
Real Estate Equity	10.0	9.5	10.0	9.7	10.7
Short-Term Investments	4.4	6.3	5.3	5.4	3.6
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TRS

Note: During FY03, the U.S. fixed income asset class was combined with the international fixed income asset class to create a total fixed income asset class. TRS's allocation percentage of bonds for prior years is the combined total of U.S. bonds and international bonds.

Over the years, the TRS asset allocation has provided consistent overall returns, as represented by the following chart showing the growth of \$10,000 over the last 21 years.

Growth of \$10,000



Source: TRS

The following sections provide a brief, informative overview of the various asset classes utilized by TRS for the period ending June 30, 2003.

U.S. EQUITY

U.S. equity, otherwise known as U.S. common stock, represents shares or units of ownership in a public corporation. Owners of these shares typically are entitled to vote via proxy on the selection of directors and other important matters pertaining to the company. Additionally, owners can receive dividends, in the form of cash or additional shares, to share in the profits of a declaring company. U.S. common stocks are traded on numerous primary and secondary markets or exchanges and typically have potential for appreciation.

For the fiscal year, TRS's U.S. common stock portfolio returned 0.5 percent, net of fees, compared to the Russell 3000 Index return of 0.8 percent. One, three-, five-, and 10-year comparisons to this benchmark are noted below:

	FY03	3-Year	5-Year	10-Year
TRS, net of fees	0.5%	(9.1%)	(1.3%)	8.7%
Russell 3000 Index	0.8	(10.5)	(1.1)	9.7

At June 30, 2003, 46.2 percent of TRS's investment portfolio was assigned to U.S. equity managers. TRS employed U.S. equity managers to use active, index, or enhanced index management strategies during FY03.

The top 10 domestic equity holdings of active managers at June 30, 2003, are listed below and represent 5.6 percent of total U.S. equity holdings. Additional securities of the firms listed below are included in the commingled index funds managed by State Street Global Advisors.

Top 10 U.S. Equity Holdings

Firm	Market Value
Pfizer, Inc.	\$89,024,611
Citigroup, Inc.	65,012,686
General Electric Co.	60,526,272
Hewlett Packard, Co.	59,986,572
Microsoft Corp.	57,783,459
McDonalds Corp.	42,979,498
ChevronTexaco Corp.	42,963,549
Fannie Mae	42,090,653
AOL Time Warner, Inc.	30,507,445
Cisco Systems, Inc.	28,522,542
Total	<u><u>\$519,397,287</u></u>

Source: *The Northern Trust Company*

As of June 30, 2003, TRS employed 18 domestic equity managers. The following chart lists the managers and assets under management.

U.S. Equity Managers and Assets Under Management (includes inception date of account)

Domestic Equity	
Index	
State Street Global Advisors (11/98)	\$4,396,592,079
Large Cap Value	
Advisory Research, Inc. (9/02)	51,041,794
Bear Stearns Asset Management, Inc. (01/03)	473,062,253
Boston Partners Asset Management, LP (01/03)	455,728,103
Dodge & Cox (4/00)	935,799,070
EARNEST Partners (2/02)	107,040,223
Great Lakes Advisors, Inc. (9/02)	50,047,800
Enhanced Core	
Pacific Investment Management Company, LLC (8/91)	983,930,703
Large Cap Growth	
Geewax, Terker & Company (3/00)	437,471,109
Holland Capital Management (2/02)	104,517,650
MFS Institutional Advisors, Inc. (10/02)	504,826,621

Domestic Equity (continued)

Small Cap Growth

Neuberger Berman, LLC (3/00) 217,306,700

Small Cap Value

Ariel Capital Management, Inc.(8/01) 251,642,822

Small/Mid Cap Core Index

State Street Global Advisors (6/02) 280,096,513

Small/Mid Cap Growth

Delaware Investment Advisers (12/02) 354,543,395

J. & W. Seligman & Company, Inc. (1/03) 170,877,708

Mazama Capital Management, Inc. (01/03) 196,614,899

Small/Mid Cap Value

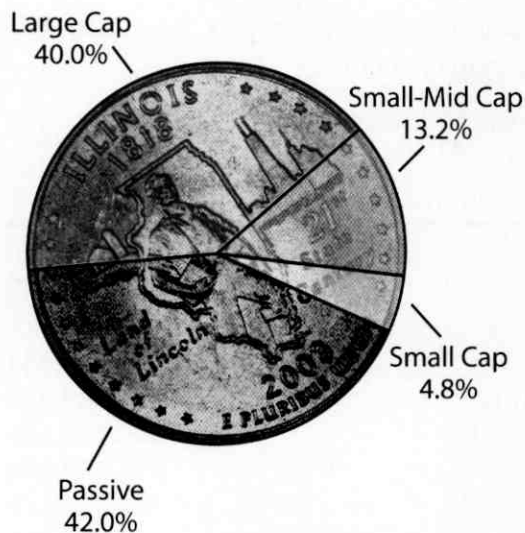
LSV Asset Management (12/02) 344,882,764

NorthPointe Capital (8/01) 318,509,107

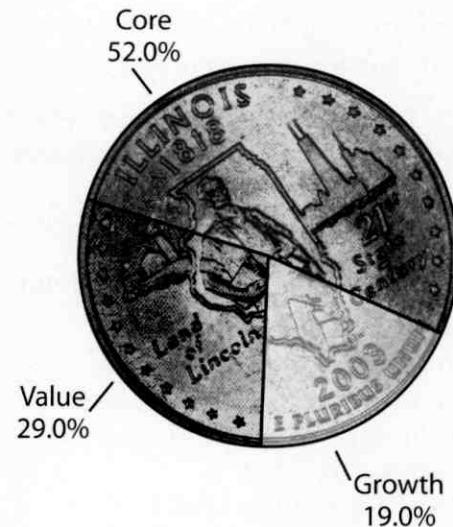
DISCUSSION OF U.S. EQUITY

The target for U.S. equities was increased from 30 percent to 41 percent with the adoption of the new asset allocation and U.S. equity manager structure in April 2002. The U.S. Equity Manager Structure table provides a further breakdown of the styles within the U.S. equity portfolio.

Capitalization



Market Style



As of June 30, 2003, the restructuring of the TRS U.S. equity portfolio had been completed to align with the asset allocation and manager structure adopted in April 2002. An interim target of 44 percent for U.S. equities was approved by the Board of Trustees in December 2002. The interim target will be decreased over time to 41 percent during FY06. Investment firm searches were conducted for large cap growth, large cap value, small/mid cap growth, and small/mid cap

value active management strategies. The searches were completed in December 2002 and the last of the new managers was funded in January 2003.

The one-year return as of June 30, 2003, as measured by the Russell 3000 Index, was 0.8 percent. Investors cautiously looked for signs of a U.S. economic recovery in the quarters ended March 2003 and June 2003. While favorable employment data had not materialized, productivity gains and lower interest rates encouraged by the Federal Reserve Bank provided good news to stock buyers. In addition, the federal tax cut fueled increased consumer spending. Another positive was the lower dividend tax rate, which gave public companies the incentive to raise dividends.

STATISTICAL DATA

The following three tables convey various statistics, including attribution and sector analysis, of the U.S. equity portfolio as compared to TRS's domestic equity benchmark, the Russell 3000 Index. The Russell 3000 Index is a broad market benchmark representing 98 percent of the investable U.S. equity market.

U.S. Equity Profile as of June 30, 2003

Characteristic	TRS	Russell 3000 Index
Market Cap (billions)	\$41.7	\$30.9
P/E	19.1x	21.2x
Dividend Yield	1.7%	1.7%
Beta	1.0	0.9
5-Year EPS Growth	10.8%	8.5%
Price/Book Ratio	2.6x	2.8x

Source: The Northern Trust Company

U.S. Equity – Diversification by Industry Sector for Year Ending June 30, 2003

Sector	Weighting TRS Domestic Equity	Weighting Russell 3000 Index	Overweight/ (Underweight)
Autos/Transportation	2.7%	2.3%	0.4%
Consumer Discretionary	17.1	14.3	2.8
Consumer Durables	5.5	7.1	(1.6)
Energy	2.1	1.8	0.3
Financial Services	21.9	22.7	(0.8)
Health Care	14.1	15.2	(1.1)
Integrated Oils	3.7	3.9	(0.2)
Materials/Processing	4.3	3.6	0.7
Miscellaneous/Other	3.9	4.0	(0.1)
Producer Durables	5.0	3.9	1.1
Technology	13.5	13.7	(0.2)
Utilities	6.2	7.5	(1.3)
Total	100.0%	100.0%	

Source: The Northern Trust Company

INTERNATIONAL EQUITY

International equity, otherwise known as international common stock, represents shares or units of ownership in a public corporation outside the United States. Owners of these shares typically are entitled to vote via proxy on the selection of directors and other important matters pertaining to the company. In addition, owners can receive dividends, in the form of cash or additional shares, to share in the profits of a declaring company.

International common stocks are traded on numerous primary and secondary markets or exchanges all over the world. Owning international common stocks involves additional protocol due to accounting for foreign currency fluctuations, foreign tax reclamations from dividend distribution, and the rules and regulations of the varying exchanges and regulatory authorities in numerous countries.

For the year ended June 30, 2003, the international equity asset class returned (5.2) percent, net of fees, compared to the MSCI All Country World Excluding U.S. Free Index (identified as Non-U.S. Equity Index below and in future references) return of (4.2) percent. One, three-, five-, and 10-year comparisons to this benchmark are in the following table:

	FY03	3-Year	5-Year	10-Year
TRS, net of fees	(5.2%)	(10.7%)	(1.6%)	4.1%
Non-U.S. Equity Index	(4.2)	(12.5)	(2.8)	3.1

At June 30, 2003, 13.8 percent of the TRS investment portfolio was assigned to international equity managers. The international equity managers employed by TRS during FY03 used fully active or index management strategies. Listed below are the top 10 international equity holdings of active managers as of June 30, 2003. These securities represent 10.8 percent of the total international equity holdings. Additional securities of the firms listed below are included in the commingled index funds managed by State Street Global Advisors.

Top 10 International Equity Holdings

Firm	Country	Market Value (USD)
Nestle	Switzerland	\$48,919,670
Telefonica	Spain	41,981,223
GlaxoSmithKline	United Kingdom	40,181,426
ING Groep	Netherlands	40,009,877
Novartis AG	Switzerland	36,631,527
Total SA	France	34,707,061
Canon, Inc.	Japan	32,259,255
Vodafone Group	United Kingdom	31,335,867
Banca Intesa	Italy	29,031,536
Royal Dutch Petroleum	Netherlands	27,429,120
Total		\$362,486,562

Source: The Northern Trust Company

As of June 30, 2003, TRS employed nine international equity managers. The chart below lists these managers and the assets under management.

**International Equity Managers and Assets Under Management
(Inception date of account)**

Index	
State Street Global Advisors (5/99)	\$59,354,270
Active Core – Return Focused	
Artisan Partners (03/03)	242,055,819
Brandes Investment Partners, LLC (2/98)	488,127,066
Delaware International Advisers Ltd. (4/93)	482,336,886
Harris Associates LP (03/03)	248,222,518
Active Core – Benchmark Aware	
Capital Guardian Trust Company (2/98)	467,638,321
Fidelity Management Trust Company (06/03)	457,499,571
INVESCO Global Asset Management (N.A.), Inc. (6/00)	458,376,248
Emerging Markets	
Grantham, Mayo, Van Otterloo & Co., LLC (03/03)	267,191,785

DISCUSSION OF INTERNATIONAL EQUITY

The target for international equities was decreased from 20 percent to 15 percent with the adoption of the new asset allocation and international equity manager structure in April 2002. The International Equity Manager Structure table provides a further breakdown of the styles within the international equity portfolio.

International Equity Manager Structure

Target	
International Equity Total	15.0%
Subclasses	
Passive Non-U.S.	2.0
Active Core	90.0
Emerging Markets	8.0
Total	100.0%

As of June 30, 2003, the restructuring of the TRS international equity portfolio had been completed to align with the asset allocation and manager structure. Investment firm searches were conducted for active core and emerging market managers. The searches were completed in February 2003 and the managers were funded in March 2003.

The one-year return as of June 30, 2003, as measured by the MSCI All Country Ex.-U.S. Free Index was (4.2) percent. Global economic and political uncertainty led to weaknesses in the international equity markets in 2002 and 2003. However, the end of the war in Iraq, the dissipation of the SARS epidemic, and the general feeling of optimism in the U.S. sparked a substantial rally in the international equity markets for the quarter ended June 30, 2003. In that quarter alone, the

index produced a solid 19.8 percent return. With continued signs of strength in the global economy, the outlook for international equity markets remains positive.

PORTFOLIO CHARACTERISTICS

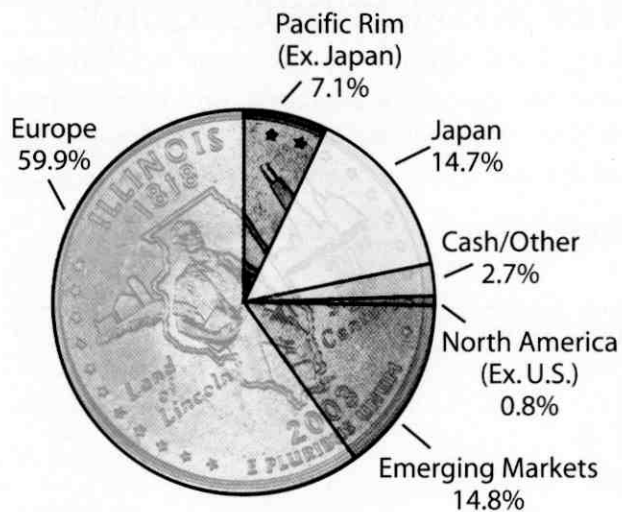
The next two charts convey the fundamental characteristics and the regional exposure of the international equity portfolio.

International Equity Fundamental Characteristics

Characteristic	TRS	Non-U.S. Equity Index
Market Cap (billions)	\$26.9	\$35.4
P/E	26.7x	22.6x
Dividend Yield	2.9%	2.8%
Price/Book Ratio	1.6x	1.5x

Source: The Northern Trust Company

Regional Allocation Comparison June 30, 2003 TRS International Equity Exposure



FIXED INCOME

Fixed income is typically a long-term security that represents a contractual obligation of debt or a loan with a corporation, government, agency, or municipality. The security pays a rate of return or interest until the bond matures, at which time the principal amount is repaid to the bondholder. Fixed income instruments are traded on numerous primary and secondary markets.

For the year-ended June 30, 2003, TRS fixed income managers earned 10.7 percent, net of fees, compared to the Lehman Brothers Aggregate Index return of 10.4 percent.

One-, three-, five- and 10-year comparisons to this benchmark are noted below:

	FY03	3-Year	5-Year	10-Year
TRS, net of fees	10.7%	9.2%	7.0%	7.2%
Lehman Brothers Aggregate Index	10.4	10.1	7.5	7.2

During FY03, TRS conducted a study on the fixed income portfolio to determine the best way to allocate funds across managers in a manner that would enhance performance and maintain a reasonable level of risk while providing broad exposure to the fixed income market.

As of June 30, 2003, TRS employed nine fixed income managers, as identified in the Fixed Income Managers and Assets Under Management table.

**Fixed Income Managers and Assets Under Management
(Inception date of account)**

Core Plus

BlackRock Financial Management, Inc. (6/97)	\$1,198,650,261
Pacific Investment Management Company, LLC (7/82)	1,198,976,611
UBS Global Asset Management (Americas), Inc. (4/03)	586,705,128

Core

EARNEST Partners Limited, LLC (2/02)	144,095,922
MDL Capital Management, Inc. (2/02)	138,490,115
Morgan Stanley Investment Management, Inc. (3/98)	594,264,585
Payden & Rygel (6/97)	599,102,859
Weiss, Peck & Greer Investments/Robeco USA (12/91)	599,116,105

Index

State Street Global Advisors (4/03)	893,847,172
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The following table lists the top ten fixed income holdings as of June 30, 2003. These securities represent 16.3 percent of the assets assigned to fixed income managers. Additional securities are held in the commingled index fund managed by State Street Global Advisors.

Top 10 Fixed Income Top 10 Income Holdings

Security / Position	Rate	Maturity Date	Market Value
Federal National Mortgage Association	5.00%	07/15/2003	\$176,142,545
Federal National Mortgage Association	6.50	06/19/2005	122,394,064
Federal National Mortgage Association	6.00	07/15/2003	108,352,630
Federal National Mortgage Association	6.00	08/15/2003	99,629,760
U.S. Treasury Notes	3.63	05/15/2013	97,366,722
Federal Home Loan Mortgage Corp. Gold	6.50	07/15/2033	87,828,983
U.S. Treasury Notes	2.00	11/30/2004	86,583,368
Federal Home Loan Bank Discount Note	0.95	07/01/2003	71,500,000
Federal National Mortgage Association Discount Notes	N/A	07/14/2003	64,394,676
Federal Home Loan Mortgage Corp. Discount Note	N/A	07/03/2003	56,796,990
Total			<u>\$970,989,738</u>

Source: The Northern Trust Company

DISCUSSION OF FIXED INCOME

At June 30, 2003, 25.9 percent of TRS's investment portfolio was assigned to fixed income managers, nearly equating the interim fixed income target of 26.0 percent. TRS employed fixed income managers to use fully active or index management strategies during FY03.

In conjunction with the new asset allocation adopted by the TRS Board of Trustees in 2002, the U.S. fixed income asset class was combined with the international fixed income asset class to create a total fixed income asset class. The implementation of combining the asset classes occurred during FY03.

The majority of the fixed income markets produced excellent returns during FY03. The one-year net of fees return was 10.7 percent, as compared to the index return of 10.4 percent. Longer-term, the portfolio slightly underperformed the index for the three- and five-year periods. This is due in large part to exposure to international fixed income on a strategic basis, combined with the strong dollar which negatively impacted the overall portfolio in 2000 and 2001. TRS managers were overweight in the credit and high yield markets in the latter part of 2002, which rebounded nicely in 2003.



Following a strong year in the corporate/credit, mortgage, and sovereign sectors during FY03, TRS fixed income managers have increased exposures in the credit, municipality, and non-dollar sectors in anticipation of a further economic recovery. Anticipating rising interest rates, TRS managers have begun to change their durations and increase average coupons to reflect their changing views on the magnitude and direction of future inflation and interest rate moves.

STATISTICAL DATA

The next three tables convey various statistics of the fixed income portfolio.

Fixed Income Profile

Characteristic	TRS	Lehman Brothers Aggregate Bond Index
Average Maturity	6.3 years	6.7 years
Effective Duration	3.9 years	4.0 years
Average Coupon	5.4%	5.8%
Average Quality Rating	AA1	AA1
Yield to Maturity	3.5%	3.6%

Source: The Northern Trust Company, Bloomberg, and TRS

Fixed Income Managers

Sector Weighting June 30, 2003	TRS	Lehman Brothers Aggregate Bond Index	Overweight/ (Underweight)
U.S. Treasury	24.1%	21.9%	2.2%
U.S. Federal Agency	6.5	12.2	(5.7)
U.S. Credit	22.9	27.4	(4.5)
Mortgage-Backed Securities	34.8	36.7	(1.9)
Asset Backed Securities	3.5	1.8	1.7
Other	8.2	0.0	8.2
Total	100.0%	100.0%	

Source: Lehman Brothers and TRS

Diversification by Quality Rating for Fixed Income Manager Portfolios

Moody's Quality Rating	06/30/03	06/30/02*
Agency	43.1%	34.6%
Treasury	14.2%	31.1%
Aaa	11.6%	12.0%
Aa1 through Aa3	14.4%	2.2%
A1 through A3	6.3%	9.0%
Baa1 through B3	7.9%	10.1%
Other**	2.5%	1.0%
Total	100.0%	100.0%

* FY02 has been restated to include foreign debt obligations.

** Other includes under B3 and NR ratings.

Source: The Northern Trust Company and TRS

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 buyout financing. Private equity investments are privately placed and are exempt from registration with the Securities and Exchange Commission. Investors in private equities include pension funds, university and college endowments, insurance companies, banks, and high net-worth individuals.

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

For the one- and three-year periods ending June 30, 2003, private equity was outperformed by its benchmark, the Russell 3000 Index + 3.0 percent, by 15.2 percent and 2.2 percent, respectively. The asset class maintains strong long-term returns, outperforming the benchmark by 14.5 percent and 12.7 percent for the five- and 10-year periods, respectively. One-, three-, five-, and 10-year comparisons to this benchmark are noted in the following table.

	FY03	3-Year	5-Year	10-Year
TRS, net of fees	(11.4)%	(9.9)%	16.4%	25.7%
Russell 3000 Index + 3.0%	3.8	(7.7)	1.9	13.0

At June 30, 2003, 2.9 percent of TRS's investment portfolio was assigned to the private equity asset class. As of June 30, 2003, TRS invested in numerous private equity partnerships/funds.

The following chart lists the partnerships and the current assets under management.

Private Equity Partnerships and Assets Under Management (Inception date of account)

Buyout

Castle Harlan Partners IV, LP (5/03)	\$5,196,737
DLJ Merchant Banking Partners, LP (9/92)	7,529,636
DLJ Merchant Banking Partners II, LP (3/97)	50,541,170
DLJ Merchant Banking Partners III, LP (9/00)	77,717,119
Evercore Capital Partners II, LP (4/03)	7,495,357
GTCR Fund VII/VIIA, LP (3/00)	39,670,295
KKR 1996 Fund, LP (5/97)	63,328,190
Mesirow Capital Partners VII, LP (6/97)	5,598,072
Thayer Equity Investors V, LP (5/03) *	
Trivest Fund II, Ltd. (6/96)	21,644,200
VS&A Communications Partners II, LP (9/95)	15,256,168
WPG Corporate Development Associates V, LP (11/97)	15,087,218

Special Situations

Apollo Investment Fund V, LP (5/01)	\$54,261,795
Banc Fund VI, LP (12/02)	15,649,663
Carlyle Riverstone Energy Partners II, LP (1/03)	22,240,074
TCW/Latin America Private Equity Partners, LP (5/97)	5,163,738
Warburg Pincus International Partners, LP (9/00)	24,157,591

Subordinated Debt

William Blair Mezzanine Capital Fund II, LLC (5/97)	\$30,271,828
William Blair Mezzanine Capital Fund III, LLC (1/00)	35,440,813

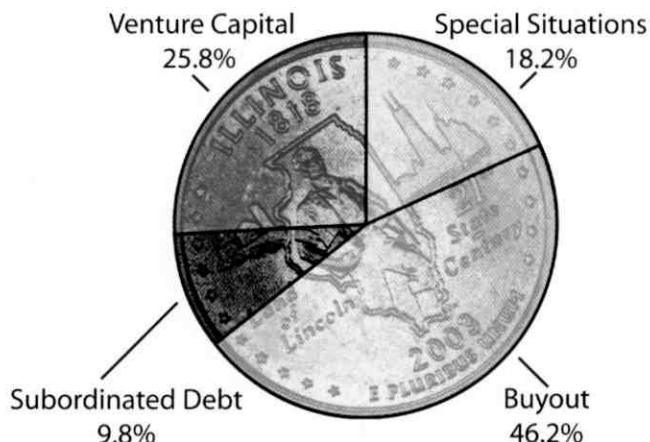
Venture Capital

Apex Investment Fund III, LP (6/96)	\$3,891,006
Carlyle Venture Partners II, LP (10/02)	28,928,448
Evergreen Partners IV, LP (12/02)	2,792,137
Frontenac VI, LP (6/93)	393,540
Penman Private Equity & Mezzanine Fund, LP (10/94)	7,137,181
Periscope Fund I (6/97)	626,497
21st Century Communication T-E Partners, LP (2/95)	7,731,820
SCP Private Equity Partners, LP (5/97)	13,442,268
SCP Private Equity Partners II, LP (6/00)	37,833,394
VantagePoint Venture Partners IV, LP (6/00)	7,608,868
WPG Enterprise Fund, LP (11/89)	1,257,984
WPG Enterprise Fund II, LP (8/94)	15,617,788
WPG Enterprise Fund III, LP (3/97)	45,527,077

* Thayer Equity Investors account was not funded at June 30, 2003.

As of June 30, 2003, the breakdown of the private equity subclasses were as follows:

Private Equity Breakdown



Source: TRS

DISCUSSION OF PRIVATE EQUITY

In April 2003, the TRS Board of Trustees adopted a target for private equities of 6.0 percent. The chart below provides a further breakdown of the targeted style allocation adopted by the TRS Board.

Private Equity Styles

Target	
Private Equity Total	6.0%
Subclasses	
Buyout	35.0
Subordinated Debt	10.0
Distressed Debt	5.0
Venture Capital	35.0
Special Situations	15.0
Total	100.0%

As of June 30, 2003, the TRS private equity asset class was underweight relative to its revised 6 percent target. Given the characteristics of private equity and the availability of appropriate partnerships, increases in allocation to the asset class must be accomplished over longer periods of time. TRS will continue its efforts to prudently implement the private equity structure and strive to reach the 6 percent target over a three- to four-year period.

While the one-year return for private equity as of June 30, 2003, was (6.9) percent, according to Thomson Venture Economics and the National Venture Capital Association, there were significant signs of strength in the second quarter of 2003. The buyouts and subordinated debt subclasses added positive returns for the TRS private equity portfolio over the period, and venture capital, while still negative

over the year, rebounded sharply in early 2003. Expectations of continued strong deal volume, tight credit markets and improving public markets lead to an optimistic view within these subclasses in both the short and long term.

REAL ESTATE

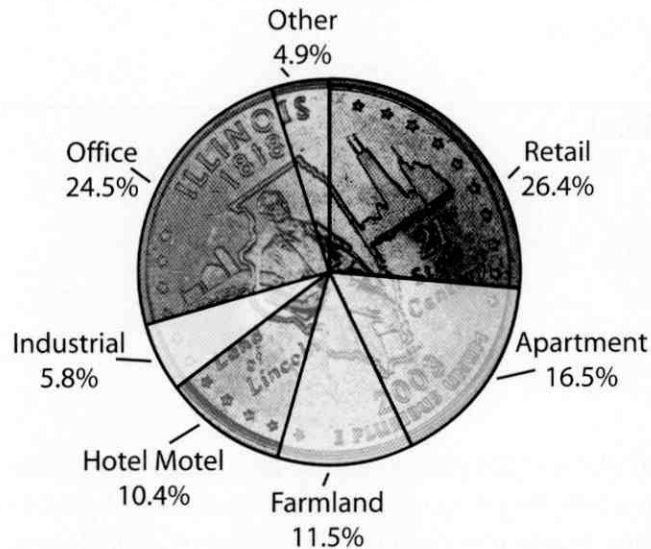
Real estate investments are direct investments or ownership in land and all physical property related to it, including but not limited to, residential, farmland, hotels/motels, industrial, office space, and retail. Additionally, there are limited partnerships that directly purchase real estate investments and pass on rental and other income directly to the partners. Real estate offers an effective tool in terms of portfolio diversification and a hedge against possible inflation.

TRS real estate investments earned an 8.8 percent rate of return during FY03 as compared to the National Council of Real Estate Investment Fiduciaries Index (identified below as Real Estate Property Index) return of 7.7 percent. One-, three-, five-, and 10-year comparisons to this benchmark are noted in the following table:

	FY03	3-Year	5-Year	10-Year
TRS, net of fees	8.8%	6.9%	8.6%	10.5%
Real Estate Property Index	7.7	8.2	9.8	9.6

The following pie chart shows the real estate holdings by type.

Real Estate Holdings by Type June 30, 2003



As of June 30, 2003, TRS employed a number of real estate managers. The chart below lists the managers and current assets under management.

**Real Estate Managers and Assets Under Management
(Inception date of account)**

Separate Accounts

Capital Associates/Bear Stearns Realty Partners(3/90)	\$374,732
Capri/Capital Advisors, LLC (12/91)	817,396,723
Cozad/Westchester Asset Management, Inc. (5/91)	310,592,639
Commonwealth Realty Advisors, Inc. I (9/91)	473,687,324
Commonwealth Realty Advisors, Inc. II (11/92)	101,006,802
Commonwealth Realty Advisors, Inc. III (5/03)	20,862,520
Koll Bren Schreiber Realty Advisors I (6/93)	104,986,141
Koll Bren Schreiber Realty Advisors II (5/96)	18,474,631
LPC Realty Advisors I, Ltd. (7/92)	175,408,195
Stone-Levy, LLC (4/95)	250,210,010

Closed End Accounts

Capri/Capital Apartment Fund III (3/90)	\$42,101,007
Carlyle Europe Real Estate Partnership, LP	24,615,289
DLJ Real Estate Capital Partners, Inc. (3/96)	20,716,809
JBC Opportunity Fund II, LP	18,756,383
Heitman Capital Management* (7/85)	63,279
RREEF Capital II, LLC (11/96)	33,041,978

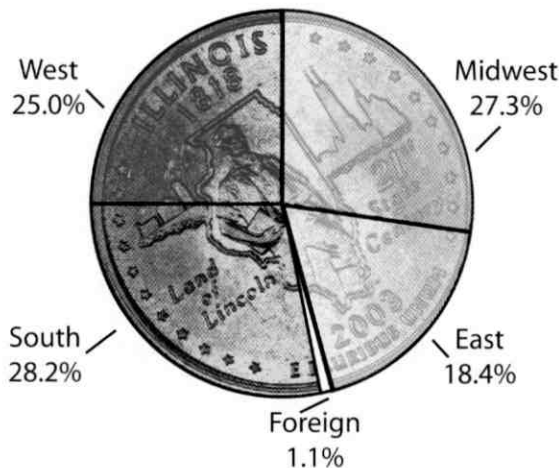
* Fund in liquidation mode

DISCUSSION OF REAL ESTATE

During FY03, the TRS Board of Trustees, with the assistance of Callan Associates, developed the implementation strategy for funding the real estate portfolio to its long-term target allocation of 14.0 percent.

The TRS real estate portfolio has the following geographical representation:

Geographic Diversification of Real Estate Holdings June 30, 2003



The fundamental objective of TRS's real estate portfolio is to increase the total portfolio's long-term rate of return and to reduce year-to-year total portfolio volatility. TRS's investments are diversified by property type and by location. Real estate investment focuses on existing high quality properties located in economically diverse metropolitan areas that demonstrate predictable income flows. Strategies also emphasize property selections in areas where a reasonable expectation of a broad pool of potential buyers exists when TRS decides to sell an individual asset.

BROKERAGE ACTIVITY

The following table shows the top 50 listed brokers utilized by TRS external equity managers for the years ended June 30, 2003, and 2002. TRS utilizes a commission recapture and soft dollar program. For the year-ended June 30, 2003, TRS recaptured over \$2.0 million in commissions that were reinvested back into the fund. In addition, TRS received \$685,390 in soft dollar credits that were used to pay for fund research and consulting expenses. These amounts reduced the overall listed commissions to \$17.635 million, or by 13.3 percent. During FY03, TRS spent \$890,931 of soft dollar commission credits and recaptured commissions. At June 30, 2003, TRS had a remaining soft dollar credit balance of \$490,512. The commission credits and expenditures are not reflected in the financial statements.

Top 50 Brokers Used by TRS Managers

Broker	FY03 Commission	FY02 Commission
Merrill Lynch & Co., Inc.;		
Merrill Lynch Pierce Fenner Smith;		
Merrill Professional Clearing Corp.;		
The Citation Group	\$2,125,870	\$1,445,924
Goldman Sachs & Co. (Worldwide)	1,527,749	1,349,225
Deutsche Bank Securities (Worldwide)	982,543	302,494
Morgan Stanley (Worldwide)	942,766	670,908
Citigroup Global Markets (Worldwide)	868,382	644,928
Bank of New York (Worldwide)	780,847	79,248
Lehman Brothers, Inc. (Worldwide)	750,500	383,113
Union Bank of Switzerland	710,691	574,980
Credit Suisse First Boston (Worldwide)	579,191	680,536
J.P. Morgan Securities, Inc. (Worldwide)	444,574	400,222
Frank Russell, Inc. (Worldwide)	379,612	187,710
Lynch, Jones & Ryan	371,042	522,645
Jefferies & Company	301,803	132,293
Banc of America/Montgomery Division	279,461	69,016
PXP Securities	252,694	0
Bear Stearns & Co. (Worldwide)	246,694	264,215
Legg Mason Wood Walker, Inc.	241,259	106,109
HSBC (Worldwide)	209,330	140,662
Investment Technology Group, Inc.	202,115	272,526

Broker	FY03 Commission	FY02 Commission
ING Barings (Worldwide)	193,899	56,841
CIBC World Markets	193,352	0
Sanford C. Bernstein & Co.	185,965	100,224
Prudential Securities, Inc. (Worldwide)	185,195	79,578
Charles Schwab	184,597	15,247
SG Cowen & Company	180,397	58,591
Robert W. Baird & Company, Inc.	174,180	31,996
Loop Capital Markets	167,313	109,684
Autranet, Inc.	153,878	36,988
Broadcort Capital Corp. (Worldwide)	149,387	17,560
SG Securities	148,175	46,462
B Trade Services	143,004	13,709
Dresdner Kleinwort Wasserstein Securities	137,786	13,229
BHC Securities	127,754	0
Morgan Greenfell & Co.	127,318	237,413
ABN AMRO (Worldwide)	126,552	126,204
William Blair & Co.	121,740	49,366
Bridge Trading Company	115,121	118,499
Liquidnet, Inc.	110,882	10,956
Janney Montgomery Scott	110,597	63,174
Instinet (Worldwide)	106,440	98,649
Cheuvreux de Virieu (Worldwide)	104,876	158,799
McDonald and Company	102,768	48,758
SBC Warburg & Co. (Worldwide)	102,257	88,929
Wachovia Securities	100,654	778
Miller Tabak Hirsch	100,463	45,643
Abel Noser Corporation	99,332	45,939
RBC Dain Rauscher	99,290	0
Exane, Inc. (Worldwide)	97,935	28,870
First Union Capital Markets Clearance	96,567	40,999
Thomas Weisel Partners	95,606	28,383
All Others (FY03, 230 Brokers)	4,000,568	3,660,923
Totals	<u>\$20,340,971</u>	<u>\$13,659,145</u>

Source: The Northern Trust Company and TRS

EXTERNAL MANAGER FEE PAYMENTS

For the year ended June 30, 2003, fee payments to external managers totaled \$72.271 million, an increase of 13.1 percent from the year ended June 30, 2002. The increase reflects additional allocations to the private equity and real estate asset classes. A summary is provided in the Schedule of Investment Manager Fees table.

Schedule of Investment Manager Fees

Investment Manager/Account	FY03	FY02
Advisory Research, Inc.	\$162,883	\$0
Alliance Bernstein Institutional Investment Mgmt.	530,590	1,239,024
Apex Investment Fund III, LP	578,804	17,867
Apollo Investment Fund V, LP	1,927,785	1,923,093
Ariel Capital Management, Inc.	921,691	714,798
Artisan Partners Limited Partnership	32,792	0
Banc Fund VI, LP	217,723	0
Bear Stearns Asset Management, Inc.	414,702	0
BlackRock Financial Management, Inc.	760,971	1,246,884
Boston Partners Asset Management, LP	390,977	0
Brandes Investment Partners, LLC	2,057,696	2,481,176
Capital Associates/Bear Stearns Realty Partners	14,460	63,473
Capri/Capital Advisors, LLC	3,633,837	3,750,089
Capri Capital Apartment Fund III	244,037	0
Capital Guardian Trust Company	1,896,845	2,380,256
Carlyle Europe Real Estate Partners, LP	962,147	0
Castle Harlan, Inc.	845,304	0
Chicago Capital Management, Inc.	288,312	639,877
Commonwealth Realty Advisors, Inc.	2,403,433	2,423,324
Cozad/Westchester Asset Management, Inc.	1,699,511	1,367,775
Delaware Investment Advisers	1,001,626	0
Delaware International Advisers, Ltd.	1,293,352	1,327,703
DLJ Merchant Banking Partners, LP	0	0
DLJ Merchant Banking Partners II, LP	492,482	520,279
DLJ Merchant Banking Partners III, LP	1,941,479	2,259,237
DLJ Real Estate Capital Partners, Inc.	346,664	351,702
Dodge & Cox	1,738,574	1,558,012
Dresdner RCM Global Investors, LLC	0	1,102,568
EARNEST Partners, LLC	381,143	105,458
Evercore Partners, Inc.	1,530,137	0
Evergreen IV, LP	781,250	0
Fidelity Management Trust Company	56,266	0
Frontenac VI, LP	60,000	120,000
GE Asset Management, Inc.	0	1,268,943
Geewax, Terker & Company	1,379,137	1,481,689
Grantham, Mayo, Van Otterloo & Co., LLC	515,131	0
Great Lakes Advisors, Inc.	122,677	0
GTCR Fund VII/VIIA, LP	0	0
Harris Associates, LP	380,818	0
Heitman Capital Management	0	51,433
Holland Capital Management, LP	264,638	75,136
INVESCO Global Asset Management (N.A.), Inc.	1,483,422	1,760,227
J. & W. Seligman & Co., Inc.	312,616	0
JBC Opportunity Fund II, LP	520,833	0
Julius Baer Investment Management, Inc.	392,099	849,422
Koll Bren Schreiber Realty Advisors	1,921,156	2,109,664

Investment Manager/Account	FY03	FY02
KKR 1996 Fund, LP	0	702,728
Lincoln Capital Management Co.	0	606,094
LPC Realty Advisors I, Ltd.	1,577,683	2,033,804
LSV Asset Management	878,561	0
Martin Currie, Inc.	1,391,017	1,781,804
Mazama Capital Management, Inc.	489,888	0
MDL Capital Management, Inc.	137,751	38,188
MFS Institutional Advisors, Inc.	559,500	0
Mesirow Capital Partners VII, LP	552,522	747,373
Morgan Stanley Investment Management, Inc.	563,003	2,074,528
Neuberger Berman, LLC	1,404,998	821,974
NorthPointe Capital	1,477,169	934,917
Oak Associates, Ltd.	172,010	520,884
Pacific Investment Management Company, LLC	5,046,923	3,479,419
Payden & Rygel	782,780	771,184
Penman Private Equity & Mezzanine Fund, LP	0	0
Periscope I Fund, LP	23,090	135,000
Progress Investment Management Company	0	723,866
Rogge Global Partners	112,832	843,439
RREEF Capital II, LLC	404,859	403,791
21st Century Communication T-E Partners, LP	92,522	69,785
SCP Private Equity Partners, LP	2,389,770	2,369,141
Smith Whiley & Company	187,500	0
State Street Global Advisors	445,039	744,635
Stone-Levy, LLC	1,108,742	1,151,303
TCW/Latin American Private Equity Partners, LP	519,258	918,050
Thayer Capital Partners	436,170	0
The Carlyle Group	8,262,363	0
The Carlyle Group/Riverstone	1,091,096	0
The Northern Trust Company (Custody)	550,000	675,000
Trivest Fund II, Ltd.	231,249	383,942
UBS Global Asset Management (Americas), Inc.	785,488	1,181,777
VantagePoint Venture Partners IV, LP	0	1,498,109
VS&A Communications Partners II, LP	64,455	117,592
Warburg Pincus International Partners, LP	0	0
WPG Corporate Development Associates V, LP	527,409	602,102
Weiss, Peck & Greer, LLC	895,234	1,045,033
WPG Enterprise Fund, LP	14,139	78,532
WPG Enterprise Fund II, LP	187,541	378,958
WPG Enterprise Fund III, LP	964,461	1,940,015
William Blair Mezzanine Capital Fund II, LLC	201,694	233,585
William Blair Mezzanine Capital Fund III, LLC	842,544	700,809
Total fees paid by TRS	<u>\$72,271,260</u>	<u>\$63,896,470</u>



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

Source: TRS

SECURITIES LENDING

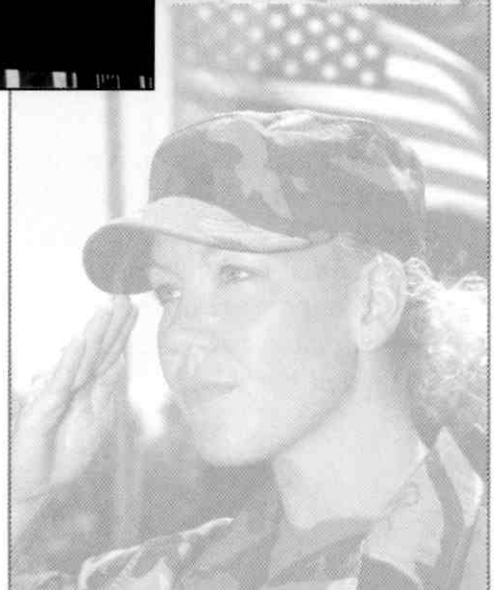
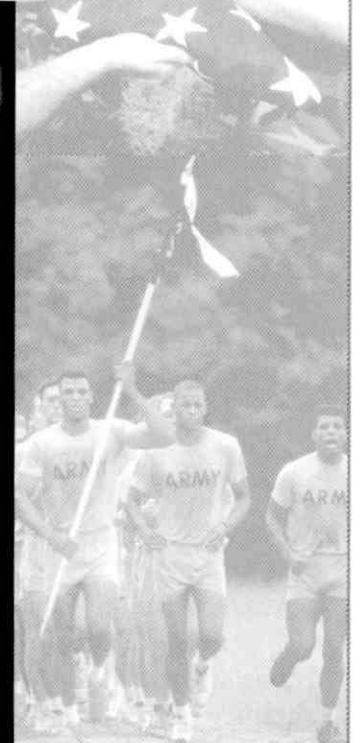
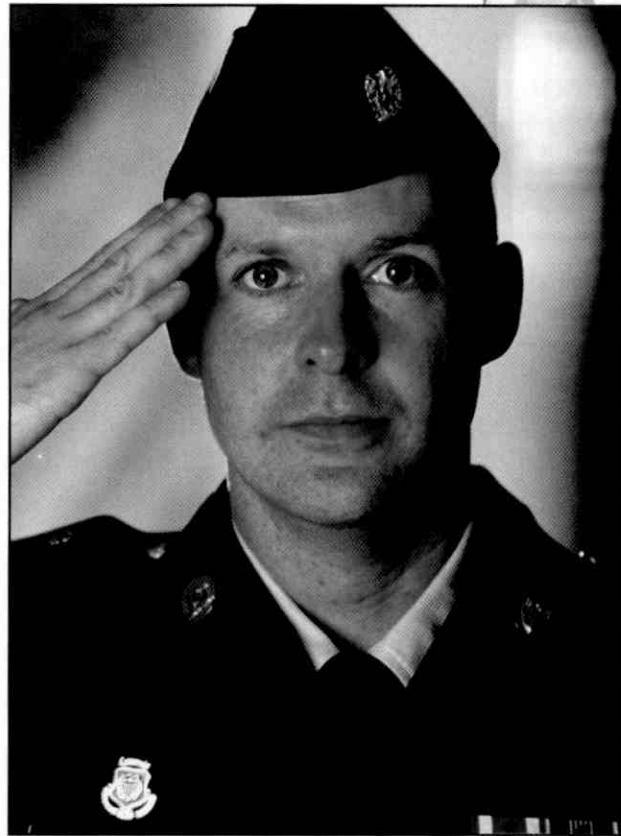
TRS participates in securities lending activity with its custodian, The Northern Trust Company, acting as the securities lending agent. Additionally, TRS participates in securities lending with State Street Global Advisors where income earned from securities lending activities is reinvested back into each respective commingled fund. The Securities Lending Summary table outlines the net income from securities lending activity, the securities on loan, and the amount of collateral for these securities.

Securities Lending Summary

<u>Income Source</u>	<u>Amount</u>
Northern Trust FY03 Securities Lending Income	\$5,680,075
Total Collateral Market Value - Northern Trust (6/30/03)	\$2,487,998,438
Total Market Value of Securities on Loan Northern Trust (6/30/03)	\$2,404,825,778
Total Collateralized Percentage	103.5%

Source: The Northern Trust Company and State Street Global Advisors

ACTUARIAL



No arsenal, or no weapon in the arsenals of the world, is so formidable as the will and moral courage of free men and women.

Ronald Reagan

December 4, 2003

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, 2003

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 \$46,933,432,000 as of June 30, 2003. 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, 2003, and a census of active and inactive members as of June 30, 2002, 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 by the actuary and is consistent with the valuation report. The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Market Value Assets, Reconciliation of Unfunded Liability, State Funding Amounts, Funded Ratio Test, Unfunded Liability as a Percentage of Payroll Test and Solvency Test. While the actuary did not prepare these schedules, they are in agreement with the valuation report and their accuracy has been verified.

The amortization method established by PA 88-0593 and PA 93-0002, 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 – before reduction for the maximum state contribution limitations of the Act – until a 90% funding level is achieved by June 30, 2045, with the remaining amortization period being 42 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

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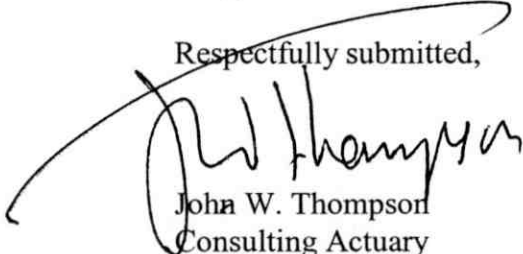
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Board of Trustees
Teachers' Retirement System
of the State of Illinois
December 4, 2003
Page 2

The valuation is based on the benefit provisions of TRS in effect on June 30, 2003. 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.

In our opinion, the amount of \$46,933,432,000 is a fair representation of the pension benefit obligation of the System as of June 30, 2003.

Respectfully submitted,



John W. Thompson
Consulting Actuary

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

TRS complies with the 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's 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.

Many of the following assumptions were revised in the five-year experience review covering fiscal years 1997-2001. They were adopted in the FY02 valuation.

Inflation: 3.5 percent per annum. Implicit in investment and earnings progression assumptions. Adopted in the FY02 valuation.

Investment return: 8.5 percent per annum, compounded annually. Adopted in the FY97 valuation. Components revised in FY02 valuation: inflation 3.5 percent, real return 5.0 percent, with overall 8.5 percent assumption retained.

Earnings progression: Merit and longevity increases, adjusted for inflation. Approximates 6.5 percent per year to the earliest date of retirement eligibility. Adopted in the FY02 valuation.



Sample annual percentage salary increases:

Age	Male and Female
20	10.1%
25	9.2
30	7.7
40	6.5
50 and above	5.9

Retirement age: Graduated rates based on age and gender of active members. Inactive members are assumed to retire at age 62 if they have fewer than 10 years of service or at age 60 if they have 10 or more years of service. Adopted in the FY02 valuation.

Sample annual retirements per 1,000 participants:

Age	Male	Female
54	80.0	70.0
55	160.0	135.0
60	260.0	185.0
65	350.0	315.0
70	1,000.0	1,000.0

Mortality: For active members: 74.6 percent of the 1995 George B. Buck Mortality Table rates for males and 83 percent of the George B. Buck Mortality Table rates for females.

For annuitants: 95.6 percent of the 1995 George B. Buck Mortality Table rates for males and 100 percent of the George B. Buck Mortality Table rates for females. For beneficiaries, the 1995 George B. Buck Mortality Tables rated forward three years for males and rated forward one year for females. For the period after disability retirement, the Pension Benefit Guaranty Corporation rates for male disabled lives not necessarily receiving Social Security benefits, rated back two years for females and rated forward five years for males, but not less than the rate at age 65 (after the setback). Adopted in the FY02 valuation.

Disability: Adopted in the FY02 valuation.

Sample annual disabilities per 1,000 participants:

Age	Male	Female
25	0.34	0.72
30	0.38	0.81
40	0.53	1.11
50	1.10	2.31
60	3.66	7.70

Termination from active service: Adopted in the FY02 valuation.

Sample annual terminations per 1,000 participants:

Age	<u>Nonvested Members</u>		<u>Vested Members</u>	
	Male	Female	Male	Female
25	88.0	105.0	61.1	90.0
30	88.0	105.0	41.2	80.0
40	88.0	75.0	15.8	25.0
50	88.0	65.0	10.4	16.5
60	88.0	65.0	18.6	22.8

Severance pay: Increases with years of service at retirement. Adopted in the FY02 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	51.0	12.9
25-29	65.0	14.9
30 or more	79.0	16.9

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased by 1.9 percent to cover the employer cost of optional service purchased in the last two years of service. The overall assumption for optional service (out-of-system plus leaves of absence and layoff) is an average of 0.969 of a year per full-time/part-time service retiree. Adopted in the FY02 valuation.

Unused and uncompensated sick leave: Equals 2.83 percent of regular service at retirement. Adopted in the FY02 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's financial condition for both June 30, 2003, and June 30, 2002, are shown using market value of assets. These tests are consistent with TRS's financial statements, which are prepared in accordance with GASB Statement No. 25. The change to market value was first effective June 30, 1997, for determining state funding requirements for FY99.

The actuarial value of assets for FY02 and FY01 is equal to the "net assets held in trust for pension 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 (\$ in thousands)

	Years Ended June 30	
	2003	2002
Total actuarial accrued liability	\$46,933,432	\$43,047,674
Less actuarial value of assets (net assets at market value)	\$23,124,823	\$22,366,285
Unfunded liability	\$23,808,609	\$20,681,389
Funded ratio	49.3%	52.0%

RECONCILIATION OF UNFUNDED LIABILITY

The net increase in the June 30, 2003, unfunded liability of \$3.127 billion 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 2003, this shortfall was \$1.416 billion.

TRS experienced an actuarial loss under the **salary increase** assumption in FY03, with salary increases \$172 million higher than expected. Actuarial losses also occurred under the **investment return** assumption. Assets were assumed to earn \$1.888 billion, but asset gains were actually \$1.061 billion. Therefore, the total actuarial loss due to investments was \$827 million.

Actuarial losses also occurred under the **mortality** and **turnover** assumptions. Additionally, many members repaid refunds in FY03, 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. **Delayed reporting** of retirements also increased the unfunded liability because more people were receiving benefits than expected. **Other**, which is a balancing item, includes the effect of retirements effective in June 2002 or earlier that were not reported to TRS and the actuary until after June 30, 2002 and several other factors. For example, individuals may delay applying for benefits and receive back payments. Also, teachers retiring under the provisions of the Illinois Reciprocal Act may retire with higher benefits than expected. Another factor that would offset some of these actuarial losses is fewer disablements and lower benefit payments than expected.

Reconciliation of Unfunded Liability (\$ in thousands)

	<u>Years Ended June 30</u>	
	2003	2002
Unfunded liability at beginning of year	\$20,681,389	\$15,851,051
Additions (Deductions)		
Employer cost in excess of contributions	1,415,610	1,074,422
Change in actuarial assumptions	0	(346,000)
Change in data reporting methodology	0	1,040,736
Maximum sick leave credit increased to two years	37,000	0
State ERI	10,850	0
Extend 24 months benefit reductions for 2.2 upgrades	6,000	0
Actuarial losses (gains) compared to assumptions		
Salary increases for continuing active members	171,802	4,934
Investment return	827,434	2,696,199
New entrant loss	27,026	27,032
Mortality other than expected	(31,913)	(8,832)
Fewer terminations than expected	17,211	31,991
Repayments of refunded member contributions ¹	28,742	25,698
ERO costs waived for those with 34 years of service	334,583	273,219
Delayed reporting of retirements (effect on assets) ²	28,377	77,536
Other	254,498	(66,597)
Net actuarial losses	<u>1,657,760</u>	<u>3,061,180</u>
Net additions	3,127,220	4,830,338
Unfunded liability at end of year	<u>\$23,808,609</u>	<u>\$20,681,389</u>

1 Includes the employer-paid portion of the benefit that was restored when members repaid previously refunded contributions.

2 1,851 retirements which occurred prior to 7/1/01 were not reported to the actuary until 6/30/02.
798 retirements which occurred prior to 7/1/02 were not reported to the actuary until 6/30/03.

STATE FUNDING

Three significant changes to TRS funding have been made in the past 10 years. All of them are evidence of the state's commitment to strengthen TRS's financial condition over the long-term.

Public Act 88-593 was enacted in 1994 and first affected state contributions in FY96. The law established the current 50-year funding plan that includes a 15-year phase in period. During the phase-in period, contributions are gradually increased to a percentage level of active member payroll that will be attained in FY10. By the end of the funding period in FY45, TRS will have a 90 percent funded ratio. A key feature of this act is the "continuing appropriation" language that requires state contribution to be made automatically to TRS. Pension contributions are no longer subject to budget negotiations.

Public Act 90-582, the 2.2 legislation, was enacted in 1998 and first affected state contributions in FY99. The act established minimum state contribution rates so that the state's cost of the formula change would be paid as a level percent of pay instead of being phased in. Those minimum state contribution rates were in effect from FY99 through FY04.

Public Act 93-002, the pension obligation bond (POB) legislation, was enacted in 2003 and first affects state contributions in FY05. Of the total \$10 billion in POB proceeds, \$523 million was used to cover initial interest payments and to fund bond issuance and other costs. The next \$2.160 billion was used to make contributions to the five state retirement systems for some of FY03 and all of FY04. The remaining \$7.317 billion was allocated among the systems to invest and to reduce their unfunded liabilities. The allocation was based on the relative sizes of the systems' June 30, 2002, unfunded liabilities. The TRS share of the proceeds, \$4.330 billion, was received on July 2, 2003.

Beginning with FY05 state contributions, appropriations to the state retirement systems will be reduced by the amount of debt service owed on each system's share of the POB proceeds. The actuaries will go through a multi-step process to calculate state funding requirements that do not exceed certain maximums specified in the act. This will continue through FY33, the last year that debt service is due.

The integrity of the funding plan, particularly its continuing appropriation provision, remains a top priority for TRS.

STATE FUNDING AMOUNTS

The FY03 actuarial valuation was used to determine the required state contributions for FY05 and the FY05 employer's normal cost. The FY02 actuarial valuation was used to determine FY04 state funding requirements and the FY04 employer's normal cost.

State Funding Amounts

	FY05	FY04
Employers' Contribution Reserve* (excludes federal contributions; excludes school district contributions for 2.2)	\$903,928,000	\$1,028,259,000
Minimum benefit reserve	3,100,000	3,400,000
Total state funding amount	<u>\$907,028,000</u>	<u>\$1,031,659,000</u>
Employer's normal cost as a percentage of active member payroll	8.32%	8.15%

* Includes \$1,684,000 and \$1,000,000 in state contributions in FY05 and FY04 respectively, pursuant to Public Act 92-0566. The act established an early retirement incentive for state employees, including state employees covered by TRS.

TESTS OF FINANCIAL CONDITION

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

Funded Ratio Test (\$ in thousands)

As of June 30	Net Assets at Market	Actuarial Accrued Liability	Funded Ratio at Market
1994	\$12,038,688	\$21,746,875	55.4%
1995	13,374,278	23,980,566	55.8
1996	15,103,927	26,141,794	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
2000	24,481,413	35,886,404	68.2
2001	23,315,646	39,166,697	59.5
2002	22,366,285	43,047,674	52.0
2003	23,124,823	46,933,432	49.3



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
(\$ in thousands)

Year Ended June 30	Approximate Member Payroll	Unfunded Liability	Percentage of Payroll
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
2000	6,063,000	11,404,991	188.1
2001	6,431,000	15,851,051	246.5
2002	6,785,000	20,681,389	304.8
2003	7,059,000	23,808,609	337.3

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

The **solvency test** measures TRS's 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 assets. The portion of column 3 that is covered by assets should increase over time. TRS passed the minimum standards of the solvency test from 1997 through 2001.

Solvency Test (\$ in thousands)

Year Ended June 30	<u>Aggregate Accrued Liabilities for</u>			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)		(1)	(2)	(3)
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
2000	4,179,403	16,481,570	15,225,431	24,481,413	100	100	25
2001	4,386,648	18,718,472	16,061,577	23,315,646	100	100	1
2002	4,688,042	22,105,192	16,254,440	22,366,285	100	80	0
2003	5,622,026	25,188,870	16,122,536	23,124,823	100	69	0

* *Beginning in FY96, assets are at market value.*

OTHER INFORMATION

The following three schedules are presented in this section, rather than the statistical section, to comply with GFOA guidelines.

- Retirees and Beneficiaries Added to and Removed from Rolls
- Average Annual Salary for Active Members by Years of Service (June 30, 1994, through June 30, 2003)
- Active Members by Age and Years of Service (as of June 30, 2003)

These schedules were prepared by TRS staff, not our actuarial consulting firm.

In preparing the annual actuarial valuation each June 30, the TRS actuaries use active and inactive member data as of the previous June 30, with active member salaries increased by 4.0 percent. The current year's valuation is the basis of the state funding certification for the next fiscal year and must be submitted annually by November 15.

Retirees and Beneficiaries Added to and Removed from Rolls

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
2000	60,308	4,168	2,354	62,122	1,457,736,912	10.2	23,466	7.0
2001	62,122	5,197	2,442	64,877	1,643,900,223	12.8	25,339	8.0
2002	64,877	5,391	2,319	67,949	1,852,194,540	12.7	27,259	7.6
2003*	67,949	9,404	3,922	73,431	2,181,186,831	17.8	29,704	9.0

* In the year ended June 30, 2003, statistical programs were revised and improved. This resulted in a much larger number reported as added to the rolls.

Please refer to the Statistical Section for the following information:

- Retired Members by Years of Service and Years in Retirement, June 30, 2003
- Schedules of Average Monthly Benefits, June 30, 2003
 - Retirement Benefits
 - Disability Benefits
 - Survivor Benefits

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

Average Annual Salary for Active Members by Years of Service

Years of Service		1994	1995	1996	1997
0-5	Number	28,573	34,193	33,700	33,134
	Average Salary	\$28,120	\$28,851	\$29,867	\$30,717
6-10	Number	18,158	18,757	19,716	20,340
	Average Salary	\$35,349	\$36,465	\$37,315	\$38,170
11-15	Number	13,380	12,686	13,013	13,830
	Average Salary	\$40,413	\$41,715	\$42,905	\$44,258
16-20	Number	15,916	14,775	14,579	14,295
	Average Salary	\$45,523	\$46,662	\$47,929	\$49,309
21-25	Number	17,233	16,030	15,754	15,235
	Average Salary	\$49,998	\$51,295	\$52,679	\$54,096
26-30	Number	10,134	9,608	11,474	12,977
	Average Salary	\$54,071	\$55,543	\$56,865	\$58,168
31-35	Number	3,523	1,930	2,456	3,525
	Average Salary	\$58,913	\$58,460	\$59,383	\$61,434
35 +	Number	771	541	549	611
	Average Salary	\$60,109	\$59,672	\$61,618	\$62,841
	Total Number	107,688	108,520	111,241	113,947
	Average Salary	\$40,618	\$40,455	\$41,903	\$43,398
	% Change Average Salary	3.7%	(0.4%)	3.6%	3.6%
Total Payroll Full & Part-time		\$4,374,071,184	\$4,390,176,600	\$4,661,331,623	\$4,945,071,906

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.

1998	1999	2000	2001	2002	2003
33,325 \$31,495	34,831 \$32,430	35,192 \$33,070	38,585 \$34,614	41,120 \$36,242	38,074 \$37,960
20,329 \$39,047	21,540 \$40,320	24,053 \$41,616	24,351 \$43,457	24,258 \$45,300	25,020 \$46,740
14,571 \$45,659	15,461 \$47,430	15,661 \$49,109	16,367 \$50,875	16,812 \$52,761	17,334 \$53,931
13,004 \$50,650	11,969 \$52,477	11,304 \$54,335	11,692 \$56,521	12,215 \$59,011	12,860 \$60,788
14,494 \$55,498	14,006 \$57,256	13,363 \$58,918	13,091 \$61,188	12,575 \$63,599	11,152 \$65,427
13,904 \$59,694	14,541 \$61,866	14,278 \$64,254	13,885 \$65,913	13,256 \$68,501	12,429 \$70,066
4,845 \$63,985	6,018 \$67,373	6,895 \$70,455	7,555 \$73,433	7,484 \$76,413	7,107 \$76,676
644 \$65,222	692 \$67,453	713 \$71,036	809 \$75,469	843 \$78,831	804 \$78,091
115,116 \$44,769	119,058 \$46,306	121,459 \$47,665	126,335 \$49,230	128,563 \$50,895	124,780 \$52,408
3.2%	3.4%	2.9%	3.3%	3.4%	3.0%
\$5,153,628,204	\$5,513,099,748	\$5,789,343,235	\$6,219,472,050	\$6,543,213,885	\$6,539,470,240

Active Members by Age and Years of Service as of June 30, 2003

Age		Subs	Years of Service			
			0-5	6-10	11-15	16-20
20-24	Number	3,855	4,333	1		
	Average Salary	\$3,257	\$32,696	\$50,515		
25-29	Number	3,540	15,096	2,326		
	Average Salary	\$3,849	\$36,993	\$42,218		
30-34	Number	2,338	6,005	8,880	1,456	
	Average Salary	\$3,844	\$39,491	\$45,709	\$49,800	
35-39	Number	2,650	3,166	3,524	4,806	986
	Average Salary	\$3,716	\$39,413	\$47,643	\$52,890	\$58,939
40-44	Number	3,984	3,174	2,680	2,595	3,796
	Average Salary	\$3,865	\$38,244	\$46,579	\$54,252	\$59,798
45-49	Number	3,700	2,870	3,005	2,712	2,518
	Average Salary	\$4,234	\$39,831	\$47,214	\$53,130	\$60,711
50-54	Number	3,374	2,195	3,056	3,567	3,253
	Average Salary	\$4,417	\$42,264	\$49,652	\$55,381	\$60,682
55-59	Number	2,163	936	1,239	1,773	1,838
	Average Salary	\$4,204	\$44,257	\$50,776	\$57,158	\$63,391
60-64	Number	1,020	254	267	377	408
	Average Salary	\$4,212	\$45,449	\$51,720	\$57,741	\$64,121
65-69	Number	448	33	35	40	55
	Average Salary	\$3,637	\$37,891	\$55,962	\$53,824	\$62,086
70-74	Number	167	9	7	8	5
	Average Salary	\$3,265	\$49,903	\$38,201	\$57,096	\$33,993
74 +	Number	98	3			1
	Average Salary	\$3,303	\$44,299			\$94,343
	Total Number	27,337	38,074	25,020	17,334	12,860
	Average Salary	\$3,909	\$37,960	\$46,740	\$53,931	\$60,788

<u>Years of Service</u>							Full and Part-time Member Totals
21-25	26-30	31-35	36-40	41-45	46-50	51-55	
							4,334
							\$32,700
							17,422
							\$37,690
							16,341
							\$43,788
							12,482
							\$48,468
895	2						13,142
\$62,962	\$55,986						\$51,017
4,790	1,827						17,722
\$64,991	\$67,630						\$55,751
3,235	7,964	3,234					26,504
\$65,893	\$70,093	\$74,116					\$62,274
1,715	2,133	3,396	322				13,352
\$66,889	\$71,933	\$79,472	\$77,017				\$66,284
448	429	409	342	26			2,960
\$66,661	\$70,853	\$74,709	\$79,265	\$80,125			\$65,301
61	68	55	40	47	6		440
\$62,292	\$69,396	\$69,427	\$72,867	\$85,283	\$77,167		\$64,773
7	5	8	7	3	5	1	65
\$55,773	\$69,055	\$67,563	\$56,987	\$52,833	\$68,614	\$57,755	\$54,964
1	1	5		3		2	16
\$56,852	\$71,720	\$88,897		\$71,081		\$118,193	\$78,120
11,152	12,429	7,107	711	79	11	3	124,780
\$65,427	\$70,066	\$76,676	\$77,668	\$81,814	\$73,279	\$98,047	\$52,408

	Average Age	Average Years of Service	Number
Full and Part-time Members	42	13	124,780
Substitutes	41	N/A	27,337
Total	42		152,117

PLAN SUMMARY

ADMINISTRATION

TRS was created and is governed by the Illinois Pension Code, Article 16. An 11-member 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 two elected annuitants. One trustee position for an appointed member is currently vacant. 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 FY03, members contributed 9 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 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 contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan. For FY03, the member contribution was 0.65 percent of pay.

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, and teaching in Illinois private schools. Up to two years 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, to upgrade their service under the graduated retirement formula to the 2.2 formula, or to make the required contributions under the Early Retirement Option.

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 re-established 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

<u>Years of Service</u>	<u>Age</u>
5	62
10	60
20	55 (discounted)
35	55 (nondiscounted)

To be eligible to receive a monthly retirement annuity, a member must terminate active service and meet specific age and service requirements. If a member retires at an age less than 60 with fewer than 35 years of service and does not elect the Early Retirement Option (discussed under "Early Retirement"), the benefit will be reduced by 6 percent for each year the member is under age 60.

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 one 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.

Public Act 90-582 improved retirement benefits for TRS members by changing 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.

Public Act 91-17 reduced the 2.2 formula upgrade cost on a sliding scale for members who have more than 34 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 up to 30 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.

The return of member contributions includes the retirement contributions, 6.5 percent of salary through June 30, 1998, and 7.5 percent after that date, with interest and the 0.5 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

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.

Some TRS-covered members employed by state agencies were eligible for an early retirement incentive (ERI) during FY03. Public Act 92-566, enacted in June 2002, allowed certain state employees to purchase five years of service credit and an equal amount of age enhancement. Retirement must have occurred between August 1, 2002 and December 31, 2002, with deferrals until April 30, 2003, for key employees. Some employees who were not yet eligible to retire could also purchase the age and service enhancements if they terminated state employment.

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.

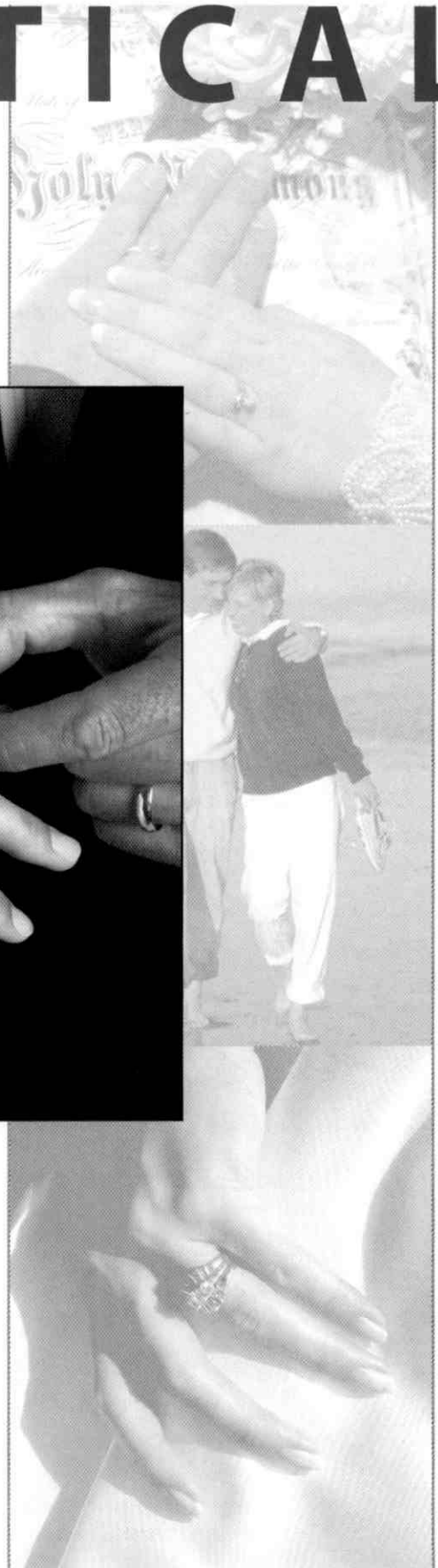
CONTINUITY OF CREDIT WITHIN ILLINOIS

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



Some of us let our dreams die, but others nourish and protect them, nurse them through bad days 'til they bring them to sunshine and light.

Woodrow T. Wilson

Retired Members by Years of Service and Years in Retirement

Years Retired	Years of Service					
	1-5	6-10	11-15	16-20	21-25	
Under 1	Number	251	186	196	228	411
	Average Benefit	\$235	\$573	\$1,063	\$1,757	\$2,495
	Average Original Benefit	\$235	\$573	\$1,061	\$1,754	\$2,494
1-5	Number	919	714	641	784	1,634
	Average Benefit	\$247	\$586	\$998	\$1,610	\$2,243
	Average Original Benefit	\$232	\$547	\$936	\$1,538	\$2,160
6-10	Number	594	520	403	431	719
	Average Benefit	\$229	\$574	\$804	\$1,124	\$1,554
	Average Original Benefit	\$183	\$457	\$638	\$902	\$1,267
11-15	Number	370	507	601	754	1,671
	Average Benefit	\$214	\$495	\$786	\$1,232	\$1,738
	Average Original Benefit	\$146	\$335	\$540	\$849	\$1,203
16-20	Number	278	402	517	848	1,416
	Average Benefit	\$173	\$399	\$699	\$1,115	\$1,445
	Average Original Benefit	\$98	\$213	\$401	\$663	\$867
21-25	Number	143	189	400	624	965
	Average Benefit	\$150	\$328	\$559	\$856	\$1,123
	Average Original Benefit	\$70	\$144	\$271	\$437	\$587
26-30	Number	73	105	245	396	660
	Average Benefit	\$88	\$283	\$474	\$722	\$914
	Average Original Benefit	\$34	\$109	\$188	\$310	\$398
31-35	Number	14	22	52	150	213
	Average Benefit	\$51	\$235	\$440	\$620	\$783
	Average Original Benefit	\$1	\$71	\$127	\$184	\$260
36-40	Number		2	8	23	59
	Average Benefit		\$341	\$444	\$605	\$727
	Average Original Benefit		\$48	\$92	\$106	\$167
41-45	Number			1	6	30
	Average Benefit			\$475	\$586	\$713
	Average Original Benefit			\$51	\$72	\$112
46-50	Number					1
	Average Benefit					\$792
	Average Original Benefit					\$115
50 +	Number					
	Average Benefit					
	Average Original Benefit					
	Total Number	2,642	2,647	3,064	4,244	7,779
	Average Current Benefit	\$219	\$503	\$774	\$1,167	\$1,630
	Average Original Benefit	\$180	\$389	\$574	\$854	\$1,234

26-30	31-35	Years of Service				50 +	Total/ Average	Average Age
		36-40	41-45	46-50				
559	2,452	568	41	7	1	4,900	58	
\$3,362	\$4,415	\$4,567	\$4,668	\$5,802	\$3,750	\$3,538		
\$3,358	\$4,414	\$4,567	\$4,668	\$5,802	\$3,750	\$3,536		
2,132	7,779	2,241	199	26	7	17,076	61	
\$3,179	\$4,307	\$4,538	\$4,511	\$4,685	\$5,601	\$3,380		
\$3,064	\$4,245	\$4,326	\$4,226	\$4,369	\$5,486	\$3,290		
1,244	2,155	4,974	4,626	12	4	15,682	66	
\$2,031	\$2,673	\$3,601	\$3,982	\$4,443	\$3,725	\$3,000		
\$1,617	\$2,106	\$2,810	\$3,076	\$3,608	\$2,971	\$2,341		
1,665	2,408	1,567	149	25	4	9,721	73	
\$2,335	\$3,242	\$3,936	\$3,959	\$3,453	\$2,700	\$2,385		
\$1,626	\$2,268	\$2,746	\$2,779	\$2,374	\$1,884	\$1,661		
1,463	1,704	1,144	93	19	2	7,886	78	
\$1,991	\$2,802	\$3,470	\$3,050	\$3,398	\$1,813	\$1,974		
\$1,200	\$1,692	\$2,093	\$1,818	\$2,019	\$1,085	\$1,186		
881	916	500	89	11	1	4,719	83	
\$1,541	\$2,124	\$2,361	\$2,452	\$2,435	\$1,741	\$1,410		
\$815	\$1,134	\$1,250	\$1,294	\$1,313	\$961	\$741		
571	489	540	127	23	1	3,230	88	
\$1,221	\$1,604	\$2,028	\$2,028	\$1,905	\$2,640	\$1,214		
\$550	\$737	\$932	\$924	\$861	\$1,195	\$545		
196	195	200	100	18		1,160	93	
\$984	\$1,206	\$1,583	\$1,604	\$1,514		\$1,052		
\$359	\$472	\$649	\$654	\$598		\$396		
50	50	42	13	1		248	96	
\$868	\$967	\$1,102	\$1,168	\$1,220		\$869		
\$219	\$261	\$357	\$398	\$414		\$233		
13	15	6	3			74	98	
\$862	\$961	\$1,003	\$1,008			\$811		
\$146	\$209	\$283	\$269			\$154		
1	2					4	103	
\$918	\$950					\$903		
\$116	\$178					\$147		
2						2	103	
\$823						\$823		
\$33						\$33		
8,777	18,165	11,782	5,440	142	20	64,702	70	
\$2,312	\$3,617	\$3,688	\$3,867	\$3,280	\$3,833	\$2,673		
\$1,823	\$3,206	\$2,906	\$2,969	\$2,399	\$3,295	\$2,187		

AVERAGE MONTHLY BENEFITS

Retirement Benefits

Average age	
All retirees	70
FY03 retirees	58
Average service	
All retirees	29
FY03 retirees	29
Average monthly benefit	
All retirees	\$2,673
FY03 retirees	\$3,534
Count	
All retirees	64,702
FY03 retirees	4,915
Oldest annuitant	104

Age	Count	Average Benefit
Under 55	283	\$4,318
55-59	10,615	3,775
60-64	13,757	3,164
65-69	11,290	2,857
70-74	9,586	2,499
75-79	7,452	2,087
80-84	5,521	1,578
85-89	3,555	1,318
90 +	2,643	1,115
Total	<u>64,702</u>	Weighted Average \$2,673

Disability Benefits*

Average age	
All recipients	58
FY03 recipients	45
Average service	
All recipients	18 years
FY03 recipients	14 years
Average monthly benefit	
All recipients	\$1,579
FY03 recipients	\$1,635
Count	
All recipients	966
FY03 recipients	344

<u>Age</u>	<u>Count</u>	<u>Average Benefit</u>
Under 30	6	\$1,261
30-34	17	1,172
35-39	20	1,268
40-44	30	1,243
45-49	87	1,427
50-54	224	1,627
55-59	252	1,993
60-64	112	1,686
65-69	81	1,475
70-74	53	1,144
75-79	41	972
80-84	30	861
85-89	12	752
90 +	1	792
Total	<u>966</u>	Weighted Average \$1,579

* Includes 278 individuals receiving temporary and seven individuals receiving occupational disability benefits who are counted as active members. The remaining 681 individuals receive permanent disability benefits.

Survivor Benefits*

Average age		
All survivors		75
FY03 survivors		71
Average monthly benefit		
All survivors		\$940
FY03 survivors		\$1,161
Count		
All survivors		7,763
FY03 survivors		695

Age	Count	Average Benefit
Under 10	6	\$592
10-14	22	457
15-19	63	555
20-24	26	574
25-29	2	584
30-34	7	834
35-39	11	818
40-44	23	953
45-49	52	1,044
50-54	188	1,116
55-59	377	1,318
60-64	606	1,349
65-69	791	1,265
70-74	1,134	1,128
75-79	1,262	957
80-84	1,286	751
85-89	1,124	655
90 +	783	547
Total	<u>7,763</u>	Weighted Average \$940

* An additional \$17.7 million was paid in death benefits to survivors of active, inactive, and retired members as refunds of various types of contributions.

Total Benefit Recipients as of June 30, 2003

Retirees	64,702
Disabled recipients	966
Survivors	<u>7,763</u>
Total	<u>73,431</u>

Revenue by Source (\$ in millions)

Year Ended June 30	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Net Investment Income (Loss) 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
2000	620	688	11.4	2,336	42	3,686
2001	643	778	12.1	(1,015)	44	450
2002	681	862	12.7	(724)	46	865
2003	732	971	13.8	1,061	50	2,814

- 1 Figures for 1996 through 2003 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. Beginning in FY01, the supplemental appropriation is no longer requested.

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
2000	1,402	0	29	12	1,443
2001	1,567	0	36	13	1,616
2002	1,760	0	39	15	1,814
2003	1,999	0	43	14	2,056

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
2000	1,318	68	16	1,402
2001	1,475	75	17	1,567
2002	1,661	81	18	1,760
2003	1,891	89	19	1,999

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
Abingdon C.U.S.D. #217
Adams-Pike Co. R.O.E.
Addison S.D. #4
Adlai E. Stevenson H.S.D. #125
Aerospec. Ed. Coop.
Akin C.C.S.D. #91
Albers S.D. #63
Alden Hebron S.D. #19
Aledo C.U.S.D. #201
Alexander-Johnson-Massac-Pulaski-
Union Co. R.O.E.
Alexis C.U.S.D. #400
Allen Township C.U.S.D. #65
Allendale C.C.S.D. #17
Alsip-Hazelgreen-Oak Lawn S.D. #126
Altamont C.U.S.D. #10
Alton C.U.S.D. #11
Alwood C.U.S.D. #225
Amboy C.U.S.D. #272
Anna C.C.S.D. #37
Anna Jonesboro C.H.S.D. #81
Annawan C.U.S.D. #226
Antioch C.C.S.D. #34
Antioch C.H.S.D. #117
Aptakistic-Tripp C.C.S.D. #102
Arbor Park S.D. #145
Arcola C.U.S.D. #306
Area 3 Learning Technology Hub
Argenta-Oreana C.U.S.D. #1
Argo C.H.S.D. #217
Argo-Summit S.D. #104
Arlington Hts. S.D. #25
Armstrong Twp. H.S.D. #225
Armstrong-Ellis C.S.D. #61
Arthur C.U.S.D. #305
Ashley C.C.S.D. #15
Ashton C.U.S.D. #275
Astoria C.U.S.D. #1.5
Athens C.U.S.D. #213
Atwood Hammond C.U.S.D. #39
Atwood Hts. S.D. #125
Auburn C.U.S.D. #10
Aurora East U.S.D. #131
Aurora West U.S.D. #129
Aviston S.D. #21
Avoca S.D. #37
Avon C.U.S.D. #176
BAC Reg. Voc. Sys.
Ball Chatham C.U.S.D. #5
Bannockburn S.D. #106
Barrington C.U.S.D. #220
Barry C.U.S.D. #1
Bartelso S.D. #57
Bartonville S.D. #66
Batavia U.S.D. #101
Beach Park C.C.S.D. #3
Beardstown C.U.S.D. #15
Beck Area Career Ctr.
Beecher C.U.S.D. #200U
Beecher City C.U.S.D. #20
Belle Valley S.D. #119
Belleville Area Spec. Serv. Coop.
Belleville S.D. #118
Belleville Twp. H.S.D. #201
Bellwood S.D. #88
Belvidere C.U.S.D. #100
Bement C.U.S.D. #5
Benjamin S.D. #25
Bensenville S.D. #2
Benton C.C.S.D. #47
Benton C.H.S.D. #103
Berkeley S.D. #87
Berwyn North S.D. #98
Berwyn South S.D. #100
Bethalto C.U.S.D. #8
Bethel S.D. #82
Bi-County Spec. Ed. Coop.
Big Hollow S.D. #38
Bismarck C.U.S.D. #1
Blackhawk Area Spec. Ed.
Bloom Twp. H.S.D. #206
Bloom Twp. Trustees of Schools
Bloomington S.D. #13
Bloomington S.D. #87
Blue Ridge C.U.S.D. #18
Bluford C.C.S.D. #114
BMP Tri-County Spec. Ed. Coop.
Bond Co. C.U.S.D. #2
Bond-Effingham-Fayette Co. R.O.E.
Bond-Fayette-Effingham Reg.Sys.
Boone-Winnebago Co. R.O.E.
Bourbonnais S.D. #53
Braceville S.D. #75
Bradford C.U.S.D. #1
Bradley Bourbonnais C.H.S.D. #307
Bradley S.D. #61
Breese S.D. #12
Bremen C.H.S.D. #228
Brimfield C.U.S.D. #309
Brookfield S.D. #95
Brooklyn U.D. #188
Brookwood S.D. #167
Brown Co. C.U.S.D. #1
Brown-Cass-Morgan-Scott Co. R.O.E.
Brownstown C.U.S.D. #201
Brussels C.U.S.D. #42
Buncombe C.S.D. #43
Bunker Hill C.U.S.D. #8
Burbank S.D. #111
Bureau Valley C.U.S.D. #340
Burnham S.D. #1545
Bushnell Prairie City C.U.S.D. #170
Butler S.D. #53
Byron C.U.S.D. #226
Cahokia C.U.S.D. #187

Continued

Cairo C.U.S.D. #1
Calhoun C.U.S.D. #40
Calhoun-Greene-Jersey-
Macoupin Co. R.O.E.
Calumet City S.D. #155
Calumet Public S.D. #132
Cambridge C.U.S.D. #227
Camp Point C.U.S.D. #3
Canton Union S.D. #66
Capital Area Career Ctr.
Carbon Cliff-Barstow S.D. #36
Carbondale C.H.S.D. #165
Carbondale E.S.D. #95
Career Development Sys.
Career Preparation Network
Career Tec
Carlinville C.U.S.D. #1
Carlyle C.U.S.D. #1
Carmi-White Co. C.U.S.D. #5
Carrier Mills-Stonefort C.U.S.D. #2
Carroll-Jo Daviess-Stephenson Co.
Reg. Prog.
Carroll-Jo Daviess-Stephenson Co. R.O.E.
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 Co. R.O.E.
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. #61
Chicago Hts. S.D. #170
Chicago Ridge S.D. #1275
Christian-Montgomery Co. R.O.E.
Christopher C.U.S.D. #99
Cicero S.D. #99
Cissna Park C.U.S.D. #6
Clark-Coles-Cumberland-Douglas-
Edgar-Moultrie-Shelby Co. R.O.E.
Clay City C.U.S.D. #10
Clay-Crawford-Jasper-Lawrence-
Richland Co. R.O.E.
Clinton C.U.S.D. #15
Clinton-Marion-Washington Co. R.O.E.
Coal City C.U.S.D. #1
Cobden School U.D. #17
Colchester C.U.S.D. #180
Collinsville C.U.S.D. #10
Colona S.D. #190
Columbia C.U.S.D. #4
Community C.S.D. #59
Community C.S.D. #93
Community C.S.D. #180
Community C.S.D. #204
Community H.S.D. #155
Community H.S.D. #218
Community H.S.D. #230
Community U.S.D. #4
Community U.S.D. #16
Community U.S.D. #200
Community U.S.D. #300
Cook Co. S.D. #130
Cooperative Assoc. for Spec. Ed.
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 Co. R.O.E.
DeKalb Co. Spec. Ed.
Delabar Voc. Ed. Region
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

Continued

Desoto C.C.S.D. #86
DeWitt-Livingston-McLean Co. R.O.E.
Diamond Lake S.D. #76
Dieterich C.U.S.D. #30
Dimmick C.C.S.D. #175
District 50 Schools
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 GS.D. #58
Dunlap C.U.S.D. #323
DuPage Co. R.O.E.
DuPage H.S.D. #88
Dupo C.U.S.D. #196
Du Quoin 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 Ill. Area Spec. Ed. Coop.
Eastern Ill. Ed. for Employment Sys.
Eastland C.U.S.D. #308
ECHO Joint Agreement
Edgar Co. C.U.S.D. #6
Edinburg C.U.S.D. #4
Education for Employment of
Tazewell Co.
Education for Employment Sys.
Educational Development Ctr.
Educational Therapy Ctr.
Edward-Gallatin-Hardin-Pope-Saline-
Wabash Co. R.O.E.
Edwards Co. C.U.S.D. #1
Edwardsville C.U.S.D. #7
Effingham C.U.S.D. #40
Egyptian C.U.S.D. #5
Eisenhower Coop.
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
Fisher C.U.S.D. #1
Five Co. Voc. Sys.
Flanagan C.U.S.D. #4
Flora C.U.S.D. #35
Flossmoor S.D. #161
Ford Co. Spec. Ed. Coop.
Ford Hts. S.D. #169
Ford-Iroquois Co. Spec. Ed.
Forest Park S.D. #91
Forest Ridge S.D. #142
Forrestville Valley C.U.S.D. #221
Fort Bowman Academy Charter School
Four Rivers Spec. Ed.
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 Co. Spec. Ed.
Franklin-Williamson Co. R.O.E.
Freeburg C.C.S.D. #70
Freeburg C.H.S.D. #77
Freeport S.D. #145
Fremont S.D. #79
Fulton Co. C.U.S.D. #3
Fulton-Schuyler Co. R.O.E.
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 S. 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

Continued

Geneva C.U.S.D. #304
Genoa-Kingston C.U.S.D.
Georgetown-Ridge Farm CUD #4
Germantown Hills S.D. #69
Germantown S.D. #60
Giant City C.C.S.D. #130
Gibson City-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 Voc. Ctr.
Grundy-Kendall Co. R.O.E.
Gurnee S.D. #56
Hall Twp. H.S.D. #502
Hamilton C.C.S.D. #328
Hamilton Co. C.U.S.D. #10
Hamilton-Jefferson Co. R.O.E.
Hampton S.D. #29
Hancock-McDonough Co. R.O.E.
Hardin Co. 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. #1525
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
Homewood-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
Ill. Association of School Boards
Ill. Dept. of Corrections S.D. #428
Ill. Dept. of Human Services
Ill. Education Assoc.
Ill. Federation of Teachers
Ill. State Board of Education
Ill. Valley Central U.S.D. #321
Illini Bluffs C.U.S.D. #327
Illini Central C.U.S.D. #189
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.
Indian Springs S.D. #109
Indian Valley Area Voc.Ctr.
Industry C.U.S.D. #165
Iroquois Area Reg. Delivery Sys.
Iroquois Co. C.U.S.D. #9
Iroquois West C.U.S.D. #10
Iroquois-Kankakee Co. R.O.E.
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 Co. R.O.E.
Jacksonville S.D. #117
Jamaica C.U.S.D. #12
JAMP Spec. Ed. Serv.
Jasper C.C.S.D. #17
Jasper Co. C.U.S.D. #1
Jersey C.U.S.D. #100
JoDaviess-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 Co. R.O.E.
Kaneland C.U.S.D. #302

Continued

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 Co. Spec. Ed. Coop.
Kenilworth S.D. #38
Kewanee C.U.S.D. #229
KEYS Charter School
Kildeer Countryside C.C.S.D. #96
Kings C.S.D. #144
Kinnikinnick C.C.S.D. #131
Kirby S.D. #140
Knox Co. R.O.E.
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 Bluff E.S.D. #65
Lake Co. Area Voc Sys.
Lake Co. R.O.E.
Lake Co. 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 Co. R.O.E.
LaSalle E.S.D. #122
LaSalle-Peru Twp. H.S.D. #120
LaSalle-Putnam Ed. Alliance Spec. Ed.
Lawrence Co. C.U.S.D. #20
Lebanon C.U.S.D. #9
Lee Ctr. C.U.S.D. #271
Lee-Ogle Co. R.O.E.
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-Prairie View 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 Co. Alternative School
Lockport Area Spec. Ed. Coop.
Lockport S.D. #91
Lockport Twp. H.S.D. #205
Logan C.C.S.D. #110
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 Co. R.O.E.
Madison C.U.S.D. #12
Madison Co. 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
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. #165
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 Co. R.O.E.
McLean Co. U.S.D. #5
Medinah E.S.D. #11
Mendota C.C.S.D. #289

Continued

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 Spec. Ed.
Mid-Valley Spec. Ed. Joint Agmt.
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
Mokena 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 Co. R.O.E.
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
Mt. Carroll C.U.S.D. #304
Mt. Olive C.U.S.D. #5
Mt. Prospect S.D. #57
Mt. Pulaski CUD #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 E.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 E.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
Niantic-Harristown C.U.S.D. #6
Niles E.S.D. #71
Niles Twp. C.H.S.D. #219
Niles Twp. Dist. of Spec. Ed.
Nippersink S.D. #2
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 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 Spec. Ed. Dist.
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 C.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 Co. Spec. Ed.
Oglesby E.S.D. #125
Ohio & Wabash Valley Voc. Sys.
Ohio C.C.S.D. #17
Ohio C.H.S.D. #505
Okaw Valley C.U.S.D. #302
Olympia C.U.S.D. #16
Opdyke-Belle-River C.C.S.D. #5
Orangeville C.U.S.D. #203
Oregon C.U.S.D. #220
Orion C.U.S.D. #223

Continued

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. #56
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 Hts. 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 Ed. Prog.
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 Public S.D. #108
Pembroke C.C.S.D. #259
Pennoyer S.D. #79
Peoria Co. R.O.E.
Peoria Hts. C.U.S.D. #325
Peoria S.D. #150
Peotone C.U.S.D. #207
Perandoe Spec. Ed. Dist.
Peru E.S.D. #124
Philip J. Rock Service Ctr.
Pikeland C.U.S.D. #10
Pinckneyville C.H.S.D. #101
Pinckneyville S.D. #50
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-West Holliday S.D. #105
Pope Co. C.U.S.D. #1
Porta C.U.S.D. #202
Posen-Robbins E.S.D. #1435
Potomac C.U.S.D. #10
Prairie Central C.U.S.D. #8
Prairie Crossing Charter School
Prairie Du Rocher C.C.S.D.
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
Prophetstown-Lyndon-Tampico S.D. #3
Prospect Hts. S.D. #23
Proviso Twp. H.S.D. #209
Puffer-Hefty S.D. #69
Putnam Co. 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
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
Reg. Delivery Sys. Voc. Ed & Gifted Prog.
Rhodes S.D. #84.5
Rich Twp. H.S.D. #227
Richland S.D. #88A
Richmond Burton H.S.C.D. #157
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. #855
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 C.U.S.D. #208
Riverton C.U.S.D. #14
Riverview C.C.S.D. #2
Roanoke Benson C.U.S.D. #60
Robein S.D. #85
Robertson Charter School
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 Co. R.O.E.
Rock Island S.D. #41
Rockdale S.D. #84
Rockford S.D. #205
Rockridge C.U.S.D. #300
Rockton S.D. #140
R.O.E. Professional Services #19

Continued

Rome C.C.S.D. #2
Rondout S.D. #72
Rooks Creek C.C.S.D. #425
Roselle S.D. #12
Rosemont E.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
Safe School-Optional Ed. R.O.E. #12
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 Area Spec. Ed.
Sangamon Co. R.O.E.
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 Assoc. for Spec. Ed. in DuPage Co.
School District #U46
Schuyler Co. 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. #735
Skokie-Fairview S.D. #72
Smithton C.C.S.D. #130
Somonauk C.U.S.D. #432
South Beloit C.U.S.D. #320
South Central C.U.S.D. #401
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 Will Co. Coop. for Spec. Ed.
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 Agmt. #802 Cook Co.
Spec. Ed. Joint Agmt. #803 Proviso Area
Spec. Ed. Joint Agmt. #804 North Suburban
Spec. Ed. Coop.
Spec. Ed. Dist. - Region 3
Spec. Ed. Dist. of McHenry Co.
Spec. Ed. Dist. of Peoria Co.
Spec. Ed. Teacher of Macoupin Co.
Spoon River Valley C.U.S.D. #4
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. Charles C.U.S.D. #303
St. Clair Co. R.O.E.
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 C.S.D. #30
St. Rose S.D. #14
Stark Co. C.U.S.D. #100
Staunton C.U.S.D. #6
Steeleville C.U.S.D. #138
Steger S.D. #194
Sterling CUD #5
Steward E.S.D. #220
Stewardson-Strasburg C.U.S.D. #5
Stockton C.U.S.D. #206
Streator E.S.D. #44
Streator Twp. H.S.D. #40
Streator Woodland C.U.S.D. #5
Suburban Cook Co. R.O.E.
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 Co. R.O.E.
Tazewell-Mason Co. Spec. Ed. Assoc.
Teachers' Retirement System
Technology Ctr. of DuPage Co.
Teutopolis C.U.S.D. #50
Thomas Jefferson Charter School
Thomasboro C.C.S.D. #130
Thompsonville C.H.S.D. #112

Continued

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 Ed. for Employment Sys.
Tinley Park S.D. #146
Tolono C.U.S.D. #7
Tonica C.C.S.D. #79
Tower Hill CUD #6
Township H.S.D. #214
Tremont C.U.S.D. #702
Tri City C.U.S.D. #1
Tri Co. Spec. Ed. Assoc.
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
Tri-Co. Spec. Ed. Coop.
Triopia C.U.S.D. #27
Troy C.C.S.D. #30C
Truants Alternative Optional Ed. Plan
Tuscola C.U.S.D. #301
Twin Rivers Reg. Voc. Delivery Sys.
Two Rivers Professional Development
 Union C.U.S.D. #115
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
Utica E.S.D. #135
V.I.T. C.U.S.D. #2
V.V.E.D.S.-V.O.T.E.C.
Valley View C.U.S.D. #365
Valmeyer C.U.S.D. #3
Vandalia C.U.S.D. #203
Venice C.U.S.D. #3
Vermilion Co. Spec. Ed. Assoc.
Vienna S.D. #55
Vienna Twp. H.S.D. #133
Villa Grove C.U.S.D. #302
Villa Park S.D. #45
Virden C.U.S.D. #4
Virginia C.U.S.D. #64
Wabash & Ohio Valley Spec. Ed. Dist.
Wabash C.U.S.D. #348
Wallace C.C.S.D. #195
Waltham C.C.S.D. #185
Waltonville C.U.S.D. #1
Warren C.U.S.D. #205
Warren C.U.S.D. #222
Warren Twp. H.S.D. #121
Warrensburg-Latham C.U.S.D. #11
Warsaw C.U.S.D. #316
Washington C.H.S.D. #308
Washington S.D. #52
Waterloo C.U.S.D. #5
Wauconda C.U.S.D. #118
Waukegan C.U.S.D. #60
Waverly C.U.S.D. #6
Wayne City C.U.S.D. #100
Webber Twp. H.S.D. #204
Wesclin C.U.S.D. #3
West Central Ill. Spec. Ed. Coop.
West Chicago C.H.S.D. #94
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
Wheeling C.C.S.D. #21
Whiteside Co. R.O.E.
Whiteside Reg. Voc. Sys.
Whiteside S.D. #115
Will Co. Area Career Ctr.
Will Co. S.D. #92
Williamsfield C.U.S.D. #210
Williamson Co. Spec. Ed. Dist.
Williamsville C.U.S.D. #15
Willow Grove S.D. #46
Willow Springs S.D. #108
Wilmette S.D. #39
Wilmington C.U.S.D. #209
Winchester C.U.S.D. #1
Windsor C.U.S.D. #1
Winfield S.D. #34
Winnebago C.U.S.D. #323
Winnebago Co. Spec. Ed. Coop.
Winnetka S.D. #36
Winthrop Harbor S.D. #1
Wolf Branch S.D. #113
Wood Dale S.D. #7
Wood River-Hartford E.S.D. #15
Woodford Co. Spec. Ed.
Woodland C.C.S.D. #50
Woodlawn C.C.S.D. #4
Woodlawn C.H.S.D. #205
Woodridge S.D. #68
Woodstock C.U.S.D. #200
Worth S.D. #127
Yorkville C.U.S.D. #115
Yorkwood C.U.S.D. #225
Zeigler Royalton C.U.S.D. #188
Zion E.S.D. #6
Zion-Benton Twp. H.S.D. #126