Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2009

Seasons of Change
TRS Celebrates 70 Years

Teachers' Retirement System of the State of Illinois
A component unit of the State of Illinois

CELEBRATING SEVENTY YEARS
TRS
1939 – 2009

Statement of Purpose

Retirement Security for Illinois Educators

Mission Statement

Safeguard benefit security through committed staff, engaged members, and responsible funding.

Fiscal Year Highlights

	2009	2008
Active contributing members	169,158	165,572
Inactive noncontributing members	101,606	98,550
Benefit recipients*	94,424	91,462
Total membership	365,188	355,584
Actuarial accrued liability (AAL)	$73,027,198,000	$68,632,367,000
Less actuarial value of assets (smoothed assets in 2009 and market value assets in 2008)	38,026,044,000	38,430,723,000
Unfunded actuarial accrued liability (UAAL)	$35,001,154,000	$30,201,644,000
Funded ratio (% of AAL covered by assets, based on smoothed assets in 2009 and market value assets in 2008)	52.1%	56.0%
Total fund investment return (loss), net of fees	(22.7%)	(5.0%)
Expenses		
Benefits paid	$3,653,713,951	$3,423,981,732
Refunds paid	53,709,137	60,285,624
Administrative expenses	17,387,936	16,613,364
Total expenses	$3,724,811,024	$3,500,880,720
Income		
Member contributions	$876,182,122	$865,400,168
Employer contributions	152,328,853	130,673,629
State of Illinois contributions	1,451,591,716	1,041,114,825
Total investment income (loss)	(8,688,285,511)	(2,014,902,366)
Total income	($6,208,182,820)	$22,286,256

* Benefit recipients includes retiree, disability, and survivor beneficiaries.

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009

This report was prepared by the TRS Accounting, Investments, Research, and Communications Departments.

TRS Springfield office building, 1979 - present

Seasons of Change

TRS Celebrates 70 Years

Teachers' Retirement System of the State of Illinois

A component unit of the State of Illinois

2815 West Washington Street, P.O. Box 19253

Springfield, Illinois 62794-9253

http://trs.illinois.gov

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TRS Springfield office building, 1979 - present

INTRODUCTION


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, 2008
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.
President
Executive Director

Retirement Security for Illinois Educators

Teachers' Retirement System of the State of Illinois
R. Stanley Rupnik, Acting Executive Director
2815 West Washington, P.O. Box 19253
Springfield, Illinois 62794-9253

Letter of Transmittal

December 22, 2009

To the Board of Trustees and TRS Members:

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) for the Teachers' Retirement System of the State of Illinois (TRS) for the fiscal year ended June 30, 2009. This year's report commemorates the 70th anniversary of the Teachers' Retirement System of the State of Illinois. The photos depicting "Seasons of Change" around the Springfield and Lisle office buildings symbolize the constant evolution of the retirement system.

Laws enacted during 2009 significantly impacted our executive leadership, Board of Trustees composure, Web site content, and investment policies. With every season of change that has been encountered in 70 years, TRS retirement security has remained constant. TRS was created by law in 1939 to provide members with better benefits and secure pensions. Now and in the future, TRS will provide retirement, disability, and survivor benefits for members and their loved ones. Our statement of purpose continues to be "Retirement Security for Illinois Educators."

Here are some benefit highlights from the past 70 years:

1939	TRS established on July 1, 1939.
1944	Retirement allowances became payable monthly instead of an annual payment.
1947	A defined benefit plan is created to protect teachers from market uncertainties and ties benefits to their final average salaries.
1953	Disability benefits improved. Member contribution increases to 6 percent.
1959	The survivor benefits program was enacted.
1967	Working four or more clock hours daily is considered full-time employment.
1969	Post-retirement annual increases became 1.5 percent.
1971	Average salary became determined based on the highest four consecutive years within the last 10 years.
1979	The Early Retirement Option was established for retirements on or after June 1, 1980.
1982	The 1 percent survivor benefit refund was established.
1984	Eligible disabled children, regardless of age, were considered dependents for survivor benefits.
1990	Compounding cost of living increases begins. Part-time and substitute teachers became members of TRS.
1998	2.2 Formula becomes law, bringing TRS benefits up to the national average for funds not covered by Social Security.
2004	Teachers' Retirement Insurance Program becomes permanent.
2009	The law allows up to two years of optional service credit for private school teaching for members who apply for it between August 1, 2009 through August 1, 2012.

In celebrating the 70th anniversary of TRS in this publication, we are also complying with state law that requires the annual creation of this report. It is intended to provide financial, investment, actuarial, and statistical information in a single publication. TRS management and staff are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. A framework of internal controls is maintained to establish reasonable assurance that assets are safeguarded, transactions are accurately executed, and financial statements are fairly presented.

Profile of TRS

TRS was established by the State of Illinois on July 1, 1939, to provide retirement, disability, and death benefits to teachers employed by Illinois public elementary and secondary schools outside the city of Chicago. A 13-member Board of Trustees governs TRS. The Board includes the state superintendent of education, four members of TRS who are elected by active members, six representatives of the public who are appointed by the governor, and two retired members who are elected by annuitants. The Board of Trustees appoints the executive director, who is responsible for the detailed administration of TRS.

The annual budget for TRS administrative expenses is prepared by staff and approved by the Board of Trustees. The TRS annual operating budget request is prepared in conjunction with a review of the long-range strategic plan.

Financial Information

Our staff issues a *CAFR* within six months of the close of each fiscal year. The report contains basic financial statements presented in conformity with generally accepted accounting principles (GAAP) within guidelines established by the Governmental Accounting Standards Board (GASB).

A system of internal controls helps us monitor and safeguard assets and promote efficient operations. 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 attestation examination 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.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Revenues and Expenses

The three sources of 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 shown in parentheses () throughout this report.

Revenues ($ millions)

Source	2009	2008	Increase/(Decrease) Amount	% Change
Member contributions	$876	$865	$11	1.3%
State of Illinois	1,452	1,041	411	39.5
Employer contributions	152	131	21	16.0
Total investment income (loss)	(8,688)	(2,015)	(6,673)	(331.2)
Total	**($6,208)**	**$22**	**($6,230)**	**(28,318.2%)**

Expenses ($ millions)

Source	2009	2008	Increase/(Decrease) Amount	% Change
Benefits payments	$3,654	$3,424	$230	6.7%
Refunds	54	60	(6)	10.0
Administrative/Other	17	17	0	0
Total	**$3,725**	**$3,501**	**$224**	**6.4%**

Despite recent turmoil in the financial markets, the TRS Board of Trustees and staff believe the overall investment strategy remains sound. In the future, we will continue to prudently invest for the benefit of our membership and for the long-term success of the system.

Investments

TRS investments declined 22.3 percent gross of fees for the fiscal year ending June 30, 2009 as the United States and global markets entered a very difficult and prolonged period of economic uncertainty. Assets fell to $28.5 billion, down from $38.4 billion. The fund also modestly underperformed its performance benchmark, which declined 18.6 percent during the one-year period. In light of the changing economic environment, TRS staff and the Board of Trustees remained diligent in the prudent positioning of the fund for long-term rebalancing over the course of the fiscal year.

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

Funding

During the year ended June 30, 2009, the funded ratio of the Teachers' Retirement System decreased from 56.0 percent to 52.1 percent. The actuarial value of assets at year end was $38.0 billion and the actuarial accrued liability was $73.0 billion. The decline in the funded ratio was primarily a result of investment losses and asset sales, which were offset by a statutorily-required change to a smoothed actuarial value of assets that will spread investment losses over five years.

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

Major Initiatives

In 2006, the TRS Board and staff members composed the following TRS mission statement "*Safeguard benefit security through committed staff, engaged members, and responsible funding*." This statement reminds us of our commitment to make decisions that benefit and stabilize the retirement system. In the future, we will continue to prudently invest for the gain of our membership and stress the importance of adequate funding.

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 C*omprehensive Annual Financial Report* for the fiscal year ended June 30, 2008. 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. A Certificate of Achievement is valid for a period of one year only. TRS has received a certificate for the last 20 years. We believe our current report continues to meet the program requirements and are submitting it to the GFOA for consideration again this year.

Acknowledgements

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 acting 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 of determining responsible stewardship of the assets contributed by members and their employers.

This report is made available to members of the General Assembly, participating employers, and to other interested persons by request. The participating employers of TRS form a link between TRS and its members. Their cooperation contributes significantly to our success. We hope all recipients of this report find it informative and useful. This report is also available to the general public on our Web site, **trs.illinois.gov**.

We would like to take this opportunity to express our gratitude to staff, professional consultants, and others who have worked so diligently to ensure TRS's successful operation.

R. Stanley Rupnik, CFA
Acting Executive Director
and Chief Investment Officer

Jana Bergschneider, CPA
Director of Administration

Board of Trustees

As of December 1, 2009

Organizational Structure

Executive Staff Members as of December 1, 2009

Board of Trustees

Stan Rupnik, CFA
Acting Executive Director
and Chief Investment Officer

Jana Bergschneider, CPA
Director of
Administration

Kathleen Farney, CEBS
Director of
Research

Rich Frankenfeld
Director of
Outreach

Tom Gray
General Counsel

Gina Larkin
Director of
Human Resources

Kathy Pearce
Communications
Manager

Sally Sherman
Director of
Member Services

Stacy Smith, CPA
Director of
Internal Audit

Consulting and Professional Services

Actuary

Buck Consultants, an ACS Company
Chicago, Illinois

External Auditors

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

BKD, L.L.P.
Decatur, Illinois

Information Systems

CTG Inc of Illinois
Springfield, Illinois

Sentinel Technologies
Chicago, Illinois

Systems Evaluation & Analysis
Springfield, Illinois

Knowledge Peak Inc.
Apple Valley, Minnesota

SunGard Availability Services
Chicago, Illinois

Consultants

Callan Associates Inc.
(real estate)
San Francisco, California

PCG Asset Management L.L.C.
(private equity)
La Jolla, California

R.V. Kuhns & Associates, Inc.
(general investment)
Portland, Oregon

Leinenweber & Baroni
(legislative)
Springfield, Illinois

Risk Resources
(real estate insurance consulting)
Elmhurst, Illinois

Legal Services

Cavanagh & O'Hara
Springfield, Illinois

Holland & Knight LLP
Chicago, Illinois

Loewenstein Hagen & Smith PC
Springfield, Illinois

Sorling Northrup Hanna Cullen Cochran Ltd.
Springfield, Illinois

Heyl Royster Voelker & Allen
Springfield, Illinois

Howard & Howard Attorneys PC
Peoria, Illinois

Mayer Brown LLP
Chicago, Illinois

Master Trustee

The Northern Trust Company
Chicago, Illinois
(terminated March 31, 2009)

State Street Bank and Trust Company
Boston, Massachusetts
(effective April 1, 2009)

TRS Springfield office building, 1979 - present

FINANCIAL

BKD LLP
CPAs & Advisors

225 N. Water Street, Suite 400
P.O. Box 1580
Decatur, IL 62525-1580
217.429.2411 Fax 217.429.6109 www.bkd.com

Independent Auditors' Report

The 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 statements of plan net assets of the Teachers' Retirement System of the State of Illinois (System), a component unit of the State of Illinois, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended, as listed in the table of contents. 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 System as of June 30, 2009 and 2008, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 21, 2009 on our consideration of the System's internal control over financial reporting and on our tests of the System's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis and schedules of funding progress and contributions from employers and other contributing entities as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information in the financial section and the accompanying introduction, investments, actuarial and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as of and for the years ended June 30, 2009 and 2008, taken as a whole. The introduction, investments, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLP

December 21, 2009

Management's 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, 2009. Please read it in conjunction with the Letter of Transmittal in the Introduction Section on page 7 and the Basic Financial Statements and related notes that follow this discussion.

Financial Highlights

- TRS net assets at June 30, 2009 were $28.5 billion.
- During FY09, TRS net assets decreased $9.9 billion.
- Contributions from members, employers, and the state were $2,480 million, an increase of $443 million or 21.7 percent for the fiscal year.
- Total investment loss was $8,688 million, compared to investment loss of $2,015 million in FY08, a difference of $6,673 million.
- Benefits and refunds paid to members and annuitants were $3,707 million, an increase of $223 million or 6.4 percent compared to FY08.
- Total actuarial accrued liability was $73.0 billion at June 30, 2009.
- The unfunded actuarial accrued liability increased from $30.2 billion at June 30, 2008 to $35.0 billion at June 30, 2009. The funded ratio decreased from 56.0 percent at June 30, 2008 to 52.1 percent at June 30, 2009. The June 30, 2009 unfunded liability and funded ratio are calculated using a smoothed value of assets, as required under Public Act 96-0043. The June 30, 2008 values are based on the market value of assets.

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

Statements of Plan Net Assets. This statement reports the pension trust fund's assets, liabilities, and resultant net assets available to pay benefits at the end of the fiscal year. It is the balance sheet for the pension system and reflects the financial position of the Teachers' Retirement System as of June 30, 2009.

Statements of Changes in Plan Net Assets. This statement details 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 Statements of Changes in Plan Net Assets supports the change in the value of the net assets reported on the Statements 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 pension system's financial condition. The following are condensed comparative financial statements of the TRS pension trust fund.

Condensed Comparative Statement of Plan Net Assets as of June 30

	2009	Percentage Change	2008	Percentage Change	2007
Cash	$3,849,113	4.9%	$3,668,043	3.4%	$3,548,548
Receivables and prepaid expenses	267,580,363	(33.8)	404,110,007	4.9	385,352,096
Investments	28,961,352,329	(26.1)	39,209,046,996	(6.5)	41,953,080,943
Invested securities lending collateral	4,251,858,945	(4.4)	4,445,553,283	(11.4)	5,020,184,465
Capital assets	3,707,543	45.5	2,548,814	6.6	2,391,619
Total assets	**33,488,348,293**	**(24.0)**	**44,064,927,143**	**(7.0)**	**47,364,557,671**
Total liabilities	**4,990,618,850**	**(11.4)**	**5,634,203,856**	**3.3**	**5,455,239,920**
Net assets	**$28,497,729,443**	**(25.8%)**	**$38,430,723,287**	**(8.3%)**	**$41,909,317,751**

Condensed Comparative Statement of Changes in Plan Net Assets For the Year Ended June 30

	2009	Percentage Change	2008	Percentage Change	2007
Contributions	$2,480,102,691	21.7%	$2,037,188,622	21.3%	$1,679,834,675
Total investment income (loss)	(8,688,285,511)	(331.2)	(2,014,902,366)	(129.5)	6,831,324,436
Total additions (reductions)	(6,208,182,820)	(27,956.6)	22,286,256	(99.7)	8,511,159,111
Benefits and refunds	3,707,423,088	6.4	3,484,267,356	9.9	3,171,484,584
Administrative expenses	17,387,936	4.7	16,613,364	9.0	15,246,203
Total deductions	3,724,811,024	6.4	3,500,880,720	9.9	3,186,730,787
Net increase (decrease) in net assets	**(9,932,993,844)**		**(3,478,594,464)**		**5,324,428,324**
Net assets beginning of year	**38,430,723,287**	**(8.3)**	**41,909,317,751**	**14.6**	**36,584,889,427**
Net assets end of year	**$28,497,729,443**	**(25.8%)**	**$38,430,723,287**	**(8.3%)**	**$41,909,317,751**

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 $28.5 and $38.4 billion at June 30, 2009 and 2008, respectively. Net assets decreased $9.9 billion in FY09 and decreased $3.5 billion in FY08.

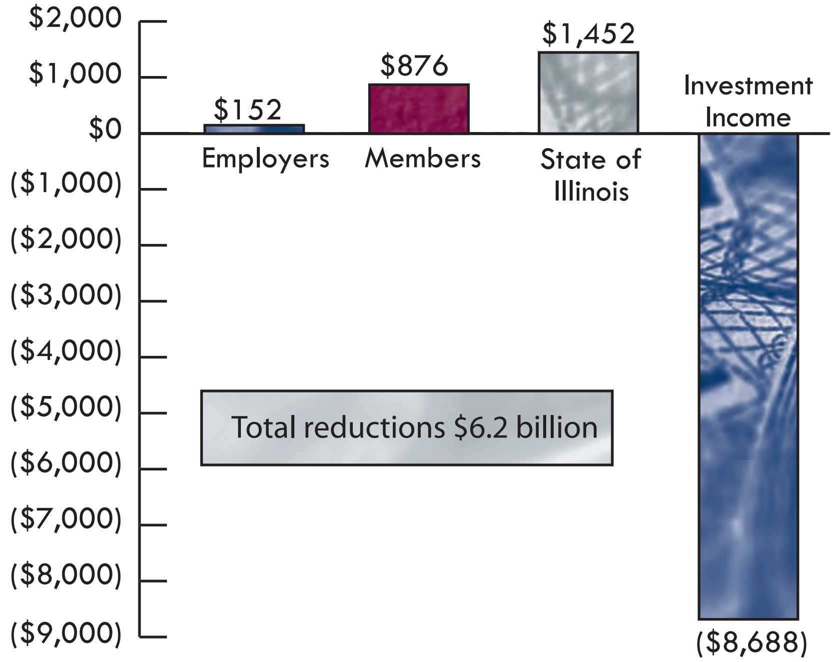
Contributions

Contributions increased $443 million and $357 million during FY09 and FY08, respectively. During FY09, member contributions increased $11 million and employer contributions from school districts increased $22 million. During FY08, member contributions increased $39 million and employer contributions from school districts increased $15 million. The majority of the increase in the employer contributions from school districts in FY09 is attributable to an increase in the federal funds rate and the additional contributions received for salary increases in excess of 6 percent and sick leave granted above the normal annual allotment.

The State of Illinois makes appropriations to TRS. Receipts from the State of Illinois increased $411 million in FY09 compared to an increase of $303 million in FY08. The increase in FY09 occurred because TRS received the full contribution rate required by state statute.

State funding law provides for a 50-year funding plan that includes a 15-year phase-in period. Minimum state contribution rates were specified in the statute for FY99 through FY04. In FY05, state contributions were reduced in accordance with funding revisions enacted when pension obligation bonds were issued in 2003. In FY06 and FY07, state contributions were based on dollar amounts specified by Public Act 94-0004. The legislation contained a two-year funding reduction of approximately 50 percent or over $1 billion for TRS. In FY08 and FY09, state contributions increased according to the phase-in schedule to reach a level percent of payroll by FY10. The overall goal of 90 percent funding in the year 2045 is unchanged.

Revenues by Type for the Year Ended June 30, 2009
$ in millions

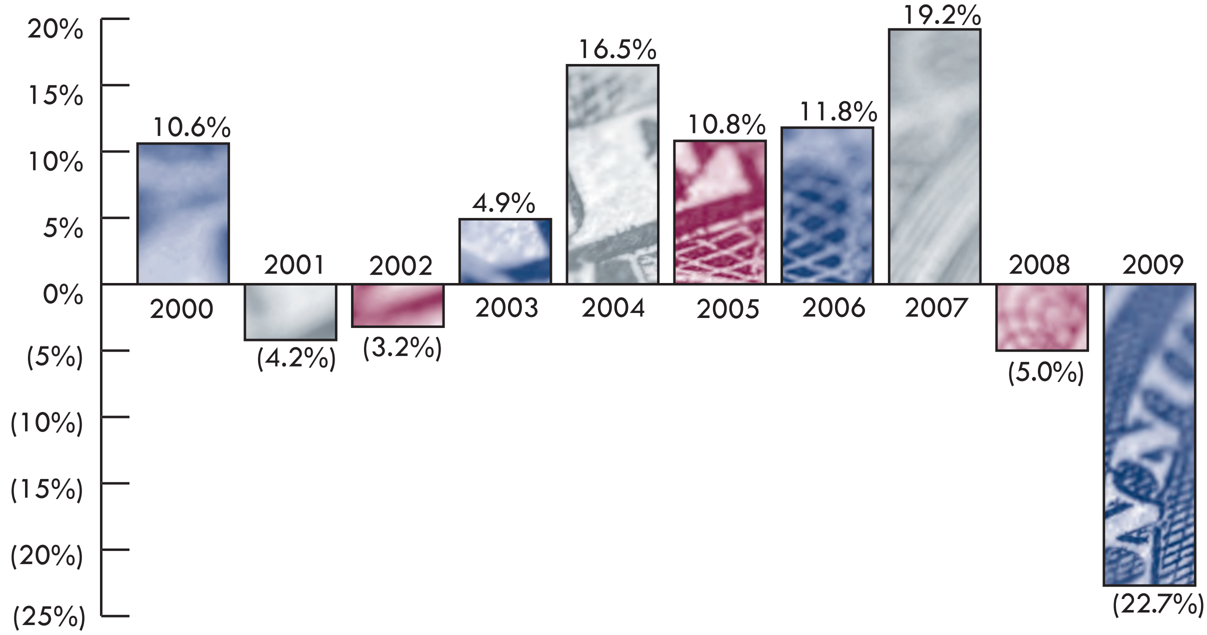


Investments

The TRS trust fund is invested according to law under the "prudent person rule" requiring investments to be 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 within prudent risk parameters.

TRS experienced investment losses due to unprecedented volatility in the world financial markets during late 2008 and the beginning of 2009. However, the retirement system has a longer investment horizon which is needed to make up the losses. Further, TRS benefits are protected by the state and U.S. Constitutions from being reduced for any reason, including investment performance or political climate.

Annual Rate of Return (net of investment expenses)



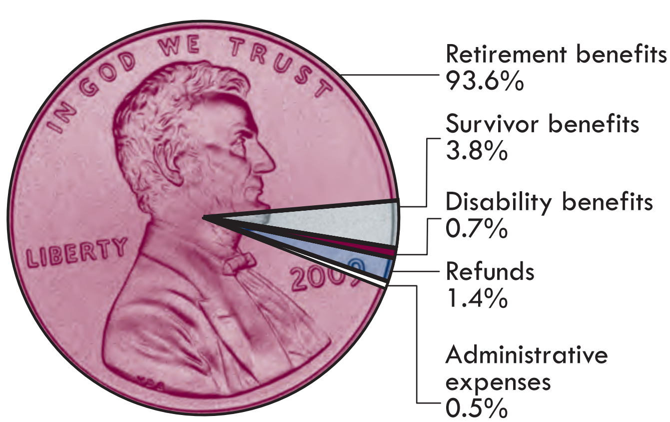
The annual rate of return is an indication of TRS investment performance and is provided by the TRS master trustee.

Benefits and Refunds

Retirement, survivor, and disability benefit payments increased $230 and $312 million during FY09 and FY08, respectively. During FY09, benefit payments increased from $3,424 million with 91,462 recipients in FY08 to $3,654 million with 94,424 recipients. The overall increase in benefit payments is due to an increase in retirement benefits and number of retirees. Retirement benefits were higher as a result of annual increases in retirement benefits and an increase in the number of retirees from 81,773 as of June 30, 2008 to 84,510 as of June 30, 2009.

Refunds of contributions decreased $6 million in FY09 and remained constant in FY08. This decrease is a result of fewer participants being eligible for partial refunds of their 2.2 upgrade contributions, as well as fewer refunds paid to beneficiaries of deceased retirees.

Expenses by Type for the Year Ended June 30, 2009

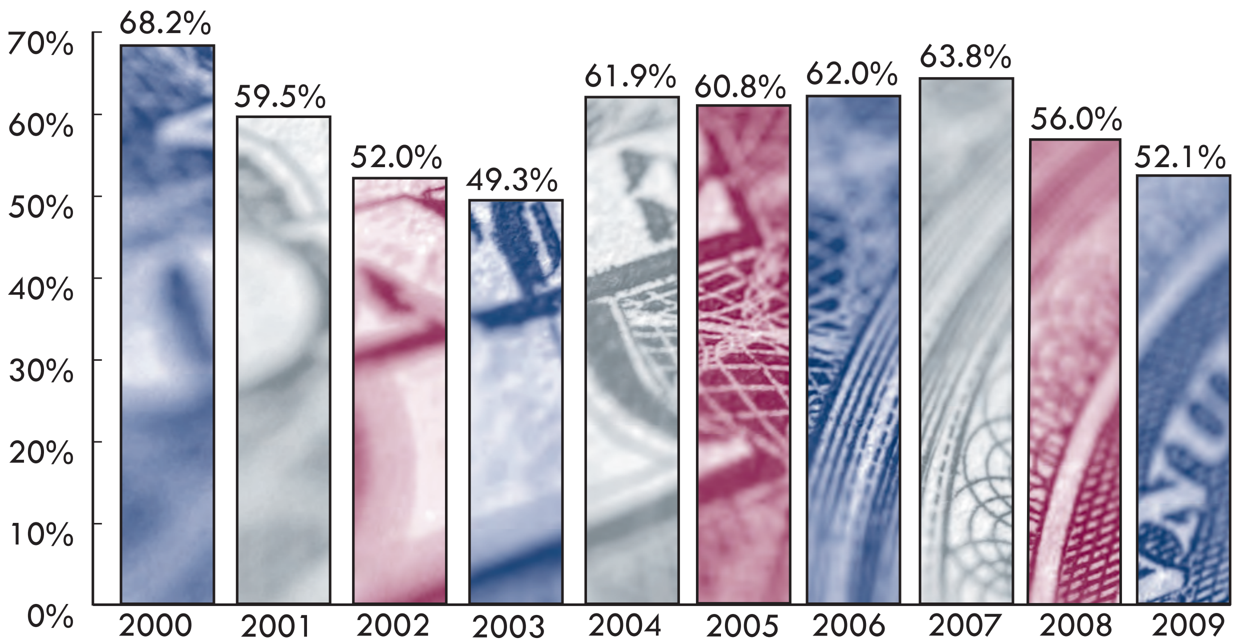


Actuarial

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 but not yet paid. The actuarial accrued liability increased $4.4 and $3.0 billion during FY09 and FY08, respectively, to $73.0 billion at June 30, 2009 and $68.6 billion at June 30, 2008. The unfunded liability is the present value of future benefits payable that are not covered by assets as of the valuation date but not yet paid out. The unfunded liability increased $4.8 billion during FY09 to $35.0 billion at June 30, 2009 compared to an increase of $6.5 billion during FY08 to $30.2 billion at June 30, 2008. The funded ratio reflects the percentage of the accrued liability covered by the actuarial value of assets. The funded ratio decreased to 52.1 percent at June 30, 2009 from 56.0 percent at June 30, 2008.

The 2009 unfunded liability and funded ratio are based on a smoothed value of assets while the 2008 figures are based on market value. As described in more detail under the Legislation section, Public Act 96-0043 requires the five state retirement systems to begin smoothing actuarial gains and losses on investments over a five-year period, beginning with the valuation for the year ended June 30, 2009. Without this change, the June 30, 2009 funded ratio would have been reported as 39.1 percent.

Funded Ratio based on Actuarial Value of Assets



The funded ratio is the ratio of assets to liabilities. An increase in this ratio indicates an improvement in TRS's ability to meet future benefit obligations. The actuarial value of assets was based on market value through 2008 and five-year smoothing beginning in 2009.

Legislation

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.

P.A. 96-0006, which was signed into law on April 3, 2009, prompted changes at TRS that impacted the composition of the TRS Board of Trustees and the executive leadership, and increased requirements for investment transparency.

The act removed the three sitting TRS Board of Trustees members, while a fourth appointed seat remained vacant. The composition of the TRS Board of Trustees increased from 11 members to 13 members. The Board now consists of six elected trustees, six members appointed by the Governor, and the current Illinois State Superintendent of Education.

Governor Quinn appointed the following trustees on June 2 to serve on the Board on an acting basis pending advice and consent of the Illinois Senate: Matthew Berns, Michael D. Busby, Livia M. Kiser, Sidney Marder, Janice Reedus, and Sonia Walwyn. Marcia Boone was reappointed to the TRS Board by Governor Quinn after Matthew Berns resigned in October 2009 to serve on the State Universities Retirement System Board.

The law also terminated the employment of Executive Director Jon Bauman effective July 1, 2009. On April 8, 2009, Bauman tendered his resignation and TRS Chief Investment Officer Stan Rupnik was appointed to serve as acting executive director until a permanent director is hired.

P.A. 96-0006 also contains provisions to enhance investment transparency. The law requires disclosure of direct or indirect fees, commissions, penalties and other compensation paid to or by all system asset managers and consultants. All investment contracts and the performance of asset managers must also be made available online.

P.A. 96-0043 changed the asset valuation method for actuarial computations to a smoothed value that recognizes investment losses over a five-year period beginning in FY09. State contribution requirements are first affected in FY11. The act also authorizes the sale of pension notes under the General Obligation Bond Act that could be applied towards the FY10 state contribution. As of December 2009, there had not been any notes issued as authorized by this act.

Basic Financial Statements

Teachers' Retirement System of the State of Illinois
Statements of Plan Net Assets
as of June 30, 2009, and 2008

	2009	2008
Assets		
Cash	$3,849,113	$3,668,043
Receivables and prepaid expenses		
Member payroll deduction	24,807,518	47,611,856
Member contributions	54,894,577	49,508,062
Employer contributions	17,360,100	15,509,633
Investment income	163,986,012	286,808,705
Prepaid expenses	6,532,156	4,671,751
Total receivables and prepaid expenses	267,580,363	404,110,007
Investments, at fair value		
Fixed income	6,374,168,717	8,970,063,123
Equities	13,519,469,802	19,343,733,243
Real estate	3,380,826,272	4,794,916,293
Short-term investments	1,062,916,049	1,043,222,891
Private equity investments	2,344,035,473	2,399,224,145
Real return	1,531,130,405	2,118,735,890
Absolute return	719,854,863	504,224,094
Foreign currency	35,797,184	60,605,839
Derivatives	(6,846,436)	(25,678,522)
Total investments	28,961,352,329	39,209,046,996
Securities lending collateral		
Short-term investments	4,010,209,767	4,445,553,283
Fixed income	241,649,178	0
Total securities lending collateral	4,251,858,945	4,445,553,283
Property and equipment, at cost, net of accumulated depreciation of $5,601,711 and $5,305,018 in 2009 and 2008, respectively	3,707,543	2,548,814
Total assets	**33,488,348,293**	**44,064,927,143**
Liabilities		
Benefits and refunds payable	5,317,072	3,996,767
Administrative and investment expenses payable	104,848,696	148,806,825
Payable to brokers for unsettled trades, net	628,594,137	1,035,846,981
Securities lending collateral	4,251,858,945	4,445,553,283
Total liabilities	**4,990,618,850**	**5,634,203,856**
Net assets held in trust for pension benefits	**$28,497,729,443**	**$38,430,723,287**

The accompanying notes are an integral part of these statements.

Teachers' Retirement System of the State of Illinois
Statements of Changes in Plan Net Assets
Years Ended June 30, 2009, and 2008

	2009	2008
Additions		
Contributions		
Members	$876,182,122	$865,400,168
State of Illinois	1,451,591,716	1,041,114,825
Employers		
Early retirement	42,674,690	35,296,963
Federal funds	52,948,374	42,381,001
2.2 benefit formula	51,997,483	49,673,988
Excess salary/sick leave	4,708,306	3,321,677
Total contributions	2,480,102,691	2,037,188,622
Investment income		
From investment activities		
Net depreciation in fair value	(9,453,113,362)	(3,235,738,717)
Interest	367,244,822	488,432,322
Real estate operating income, net	191,035,234	387,493,400
Dividends	349,559,434	451,129,219
Private equity income	11,225,007	40,935,894
Other investment income	10,634,455	7,322,820
Investment activity loss	(8,523,414,410)	(1,860,425,062)
Less investment expense	(192,814,446)	(188,915,012)
Net investment activity loss	(8,716,228,856)	(2,049,340,074)
From securities lending activities		
Securities lending income	47,582,364	200,288,427
Securities lending management fees	(3,498,300)	(6,073,425)
Securities lending borrower rebates	(16,140,719)	(159,777,294)
Net securities lending activity income	27,943,345	34,437,708
Total investment loss	(8,688,285,511)	(2,014,902,366)
Total additions (reductions)	**(6,208,182,820)**	**22,286,256**
Deductions		
Retirement benefits	3,486,697,218	3,268,108,083
Survivor benefits	140,694,965	130,368,599
Disability benefits	26,321,768	25,505,050
Refunds	53,709,137	60,285,624
Administrative expenses	17,387,936	16,613,364
Total deductions	**3,724,811,024**	**3,500,880,720**
Net decrease	**(9,932,993,844)**	**(3,478,594,464)**
Net assets held in trust for pension benefits		
Beginning of year	38,430,723,287	41,909,317,751
End of year	**$28,497,729,443**	**$38,430,723,287**

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, employer contributions for the 2.2 formula increase, and for the employer's portion of the Early Retirement Option contributions. As a result of Public Act 94-0004, which became law on June 1, 2005, employers are also required to pay the cost of pension benefits resulting from end-of-career salary increases over 6 percent. Public Act 94-1057, which became law on July 31, 2006, provides additional exemptions from employer contributions for excess salary increases. Some of these exemptions are permanent while others are available for a limited time period. Employers also pay a contribution for sick leave days granted in excess of the member's normal annual allotment and used for service credit at retirement. The contributions do not apply to salary increases awarded or sick leave granted under contracts or collective bargaining agreements entered into, amended, or renewed prior to June 1, 2005. In addition, the State of Illinois provides employer contributions. For information about employer contributions made by the State of Illinois, see "Funding Status and Funding Progress" on page 27.

Number of Employers (as of June 30)

	2009	2008
Local school districts	867	867
Special districts	140	138
State agencies	23	23
Total	**1,030**	**1,028**

3. Members

TRS Membership (as of June 30)

	2009	2008
Retirees and beneficiaries receiving benefits	94,424	91,462
Inactive members entitled to but not yet receiving benefits	101,606	98,550
Active members	169,158	165,572
Total	**365,188**	**355,584**

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 at least 20 and fewer than 35 years of service credit may use the Early Retirement Option (ERO) to avoid a discount for early retirement if retirement occurs 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.

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 90-0582 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. Public Act 94-0004 eliminates the money purchase benefit for persons who become TRS members after June 30, 2005.

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.

5. Funding Status and Funding Progress

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, follows. The actuarial value of assets is rounded to the nearest thousand to be consistent with actuarial disclosures.

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability	Funded Ratio*	Unfunded Actuarial Accrued Liability*	Annual Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
6/30/08	$38,430,723,000	$68,632,367,000	56.0%	$30,201,644,000	$8,521,717,000	354.4%
6/30/09	38,026,044,000	73,027,198,000	52.1	35,001,154,000	8,945,021,000	391.3

** Market value through FY08. Five-year smoothing beginning in FY09.*

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information regarding assumptions used in the actuarial valuations is as follows:

Actuarial cost method:	Projected unit credit
Amortization method:	
a) For GASB Statement #25 reporting purposes	Level percent of payroll
b) Per state statute	15-year phase-in to a level percent of payroll in FY10 until a 90% funding level is achieved in FY45
Remaining amortization period:	
a) For GASB Statement #25 reporting purposes	30 years, open
b) Per state statute	37 years, closed (June 30, 2008) 36 years, closed (June 30, 2009)
Asset valuation method:	Fair value (June 30, 2008) Five-year smoothing, prospective, beginning with June 30, 2009 valuation
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	6.0% (at age 69) to 11.1% (at age 20); composite 7.0%; includes inflation and real wage growth (productivity) assumptions
Group size growth rate	0%
Assumed inflation rate	3.5%
Real wage growth (productivity)	1.2%
Post-retirement increase	3% compounded
Mortality table	1995 Buck Mortality Tables projected 16 years for males and one year for females. For beneficiaries, projected one year for both males and females, then rated forward two years for males and forward one year for females. Projected mortality improvements using Society of Actuaries Mortality Projection Scale AA are phased in over four years, beginning July 1, 2007.

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. Since July 1, 1995, state appropriations have been made through a continuing appropriation.

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. The contribution rate changed from 9.0 percent to 9.4 percent effective July 1, 2005 as a result of Public Act 94-0004. The additional 0.4 percent is to help cover the cost of ERO and is refundable if the member does not retire using ERO or if the ERO program terminates.

Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through state appropriations from the Common School Fund. An additional source of state contributions has been the Educational Assistance Fund. 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 and any excess salary increase or sick leave costs due.

On April 7, 2003, Public Act 93-0002 authorized the State of Illinois to issue $10 billion in general obligation bonds for the purpose of making contributions to designated retirement systems. TRS was 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 were 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,
- 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 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 bond 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.

The $4.330 billion in pension obligation bond proceeds received in FY04 were not counted as contributions towards TRS's annual actuarial funding requirements for FY04. State funding law provides for a 50-year funding plan that includes a 15-year phase-in period. Minimum state contribution rates were specified in the statute for FY99 through FY04. In FY05, state contributions were reduced in accordance with funding revisions contained in the pension obligation bond law.

In FY06 and FY07, state contributions were based on dollar amounts specified by Public Act 94-0004. The legislation contains a two-year funding reduction of approximately 50 percent or over $1 billion for TRS. Since FY08, state contributions have increased according to the ramp schedule to reach a level percent of payroll by FY10. Public Act 96-0043, effective July 15, 2009, requires TRS to use a five-year smoothing method for asset valuation beginning on June 30, 2009. It first affects state contribution requirements in FY11. The act also authorizes the sale of pension notes that can be applied toward the FY10 state contribution requirement. As of December 2009, there had not been any notes issued as authorized by this act. The overall goal of 90 percent funding in the year 2045 is unchanged.

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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. 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 accounting principles generally accepted in the United States of America 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 these estimates.

3. New Accounting Pronouncements

In June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets to improve comparability of such assets among state and local governments. The requirements of this statement are effective for periods beginning after June 15, 2009.

In June 2008, GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for periods beginning after June 15, 2009.

4. Method Used to Value Investments

TRS reports investments at fair value. Fair value for publically traded equities, commodities, and real return funds 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 directly-owned real estate investments is determined by appraisals. Fair value for private equity investments, absolute return funds, non-publically traded commodities, real return funds and partnership interests in real estate funds is determined by TRS staff and the general partners or investment managers in accordance with the provisions in the individual agreements. These agreements also require an independent audit be performed on an annual basis.

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 employment is terminated, TRS employees are entitled to receive compensation for all accrued 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, 2009, and 2008 totaled $1,504,938 and $1,396,978, 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, real estate and private equity 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 were previously allowed to 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.

TRS had outstanding balances in payroll deduction agreements totalling $24,807,518 and $47,611,856 as of June 30, 2009, and 2008, respectively.

TRS began phasing out the Payroll Deduction Program in FY08. Members were allowed to enter into new agreements through May 15, 2008. After that date, no new elections were accepted. The Payroll Deduction Program will be discontinued on June 30, 2010. Until that time, TRS will accept payments on existing agreements.

8. Prior Period Reclassification

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

9. Risk Management

TRS, as a component unit of the State of Illinois, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. TRS obtains commercial insurance for fidelity, surety, and property. No material commercial insurance claims have been filed in the last three fiscal years.

C. Cash

Custodial credit risk for deposits is the risk that in the event of a bank failure, TRS's deposits may not be returned. TRS has a formal policy to address custodial credit risk. The policy's purpose is to minimize custodial credit risk through proper due diligence of custody financial institutions and investment advisors; segregate safekeeping of TRS assets; establish investment guidelines; and endeavor to have all investments held in custodial accounts through an agent, in the name of custodian's nominee, or in a corporate depository or federal book entry account system. For those investment assets held outside of the custodian, TRS will follow the applicable regulatory rules.

The non-investment bank balance and carrying amount of TRS's deposits were $4,825,486 and $3,849,113 at June 30, 2009, and $3,853,445 and $3,668,043 at June 30, 2008. Of the bank balance, $4,825,486 and $3,492,263 were on deposit with the state treasurer at June 30, 2009, and 2008, respectively. State treasurer deposits are in an internal investment pool collateralized at a third party custodial bank and are not subject to custodial credit risk. The remaining June 30, 2008 bank balance of $361,182 was deposited by TRS and credit received at The Northern Trust Company, but Northern had not yet received the money from the payor's financial institution. The amounts, called uncollected funds, are not subject to custodial credit risk. Certain investments of TRS with maturities of 90 days or less would be considered cash equivalents; these consist of bank-sponsored, short-term investment funds and repurchase agreements. For financial statement presentation and investment purposes, TRS reports its cash equivalents as short-term investments in the Statements of Plan Net Assets.

For purposes of this disclosure, foreign currency held by investment managers is considered a deposit. However, for financial statement presentation and investment purposes, TRS considers foreign currency an investment asset. Uncollateralized foreign currency subject to custodial credit risk was $35,797,184 and $44,161,315 at June 30, 2009 and June 30, 2008, respectively.

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 Risk

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a financial institution failure, TRS would not be able to recover the value of the investments in the possession of an outside party. TRS has a formal policy to address custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to TRS. Credit risk exposure is dictated by each investment manager's agreement. Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual security quality rating tiers, and/or the average credit quality of the overall portfolio. Most guidelines allow managers to hold bonds rated Caa2 or better. However, in circumstances where position downgrades occur, investment managers have been given permission to hold securities due to circumstances such as a higher peer group rating from another nationally recognized statistical rating organization, the investment manager's internal ratings, or other mitigating factors.

As of June 30, 2009, TRS held the following fixed income investments with respective quality ratings. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Quality Rating	Corporate Debt Securities	Foreign Debt Securities	U.S. Agency Obligations	Commingled Funds	Securities Lending Collateral	Total
Aaa	$511,623,959	$363,659,030	$2,433,866,215	-	-	$3,309,149,204
Aa1	27,315,513	33,377,187	1,410,747	-	-	62,103,447
Aa2	90,997,364	90,541,261	2,144,177	-	-	183,682,802
Aa3	86,447,606	7,212,552	38,024,756	-	99,952,000	231,636,914
A1	173,836,310	18,193,541	1,221,766	-	-	193,251,617
A2	297,306,368	145,657,206	4,385,534	-	141,697,178	589,046,286
A3	185,577,638	28,981,824	1,862,496	-	-	216,421,958
Baa1	265,736,167	128,435,299	6,866,014	-	-	401,037,480
Baa2	292,671,988	71,254,779	-	-	-	363,926,767
Baa3	236,976,608	4,905,906	-	-	-	241,882,514
Ba1	105,343,636	22,574,202	-	-	-	127,917,838
Ba2	44,574,784	3,360,800	-	1,712,536	-	49,648,120
Ba3	60,921,723	55,456,022	-	-	-	116,377,745
B1	23,994,077	4,707,185	-	-	-	28,701,262
B2	36,358,825	3,129,211	-	47,943,707	-	87,431,743
B3	56,337,181	10,312,418	-	-	-	66,649,599
Caa1	67,401,182	-	-	-	-	67,401,182
Caa2	53,134,171	512,230	-	-	-	53,646,401
Caa3	13,040,181	-	-	-	-	13,040,181
Ca	22,629,181	-	-	-	-	22,629,181
C	842,629	160,774	-	-	-	1,003,403
Not Available	35,523,793	12,705,408	1,099,945	35,743,487	-	85,072,633
Not Rated	16,154,479	17,216,502	36,961	-	-	33,407,942
Withdrawn	9,668,428	150,900	3,349,879	-	-	13,169,207
Total Credit Risk: Debt Securities	**2,714,413,791**	**1,022,504,237**	**2,494,268,490**	**85,399,730**	**241,649,178**	**6,558,235,426**
U.S. Governments and Agencies	**22,790,421**	**-**	**34,792,048**	**-**	**-**	**57,582,469**
Total Bonds, Corporate Notes and Government Obligations	**$2,737,204,212**	**$1,022,504,237**	**$2,529,060,538**	**$85,399,730**	**$241,649,178**	**$6,615,817,895**

As of June 30, 2008, TRS held the following fixed income investments with respective quality ratings.

Quality Rating	Corporate Debt Securities	Foreign Debt Securities	U.S. Agency Obligations	Commingled Funds	Total
Aaa	$1,421,159,960	$651,708,909	$2,680,497,930	-	$4,753,366,799
Aa1	62,855,933	40,202,282	3,762,496	-	106,820,711
Aa2	211,721,470	68,198,876	4,443,082	-	284,363,428
Aa3	267,124,545	119,799,910	5,668,753	-	392,593,208
A1	304,796,378	32,620,918	-	-	337,417,296
A2	242,993,407	108,656,145	4,581,722	-	356,231,274
A3	139,924,060	46,688,073	-	-	186,612,133
Baa1	173,208,129	96,021,620	-	-	269,229,749
Baa2	275,771,169	53,231,469	-	-	329,002,638
Baa3	199,529,720	6,835,588	-	-	206,365,308
Ba1	42,736,286	17,640,181	-	-	60,376,467
Ba2	44,655,598	3,276,730	-	39,403,736	87,336,064
Ba3	27,067,511	16,759,342	-	-	43,826,853
B1	55,516,320	336,506	-	-	55,852,826
B2	15,496,622	2,649,882	-	42,520,287	60,666,791
B3	36,654,737	14,890,098	-	-	51,544,835
Caa1	28,143,362	-	-	-	28,143,362
Caa2	1,723,330	-	-	-	1,723,330
Caa3	101,520	-	-	-	101,520
Ca	10,451,500	-	-	-	10,451,500
C	4,017,600	-	-	-	4,017,600
Not Available	10,408,921	4,792,778	-	-	15,201,699
Not Rated	64,628,470	28,383,395	-	-	93,011,865
Withdrawn	26,469,070	7,136,575	4,281,397	-	37,887,042
Total Credit Risk: Debt Securities	**3,667,155,618**	**1,319,829,277**	**2,703,235,380**	**81,924,023**	**7,772,144,298**
U.S. Governments and Agencies	**-**	**-**	**487,712,125**	**-**	**487,712,125**
U.S. Treasuries	**-**	**-**	**710,206,700**	**-**	**710,206,700**
Total Bonds, Corporate Notes and Government Obligations	**$3,667,155,618**	**$1,319,829,277**	**$3,901,154,205**	**$81,924,023**	**$8,970,063,123**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TRS's fixed income investments are managed in accordance with operational guidelines that are specific as to the degree of interest rate risk that can be taken. TRS manages the interest rate risk within the portfolio using various methods, including effective duration, option adjusted duration, average maturity, and segmented time distribution, which reflects total fair value of investments maturing during a given time period.

The segmented time distribution of the various investment types of TRS debt securities at June 30, 2009 and June 30, 2008 is as follows:

Type	2009 Market Value	Maturity in Years: Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More than 20 Years
U.S. Treasuries	$300,375,693	$31,103,330	$110,406,350	$53,633,665	$54,143,308	$51,089,040
U.S. Federal Agencies	334,260,961	11,530,905	162,026,730	108,014,598	35,330,246	17,358,482
U.S. Government Index-linked Bonds	195,845,375	5,108,518	25,329,264	97,904,655	66,274,270	1,228,668
U.S. Government Backed Mortgages	1,642,564,054	632	1,851,364	114,633,937	149,415,120	1,376,663,001
U.S. Municipals (Taxable)	56,014,455	-	122,823	2,634,768	22,720,365	30,536,499
Credits						
Bank Loans	13,928,309	-	4,799,657	9,128,652	-	-
Financial	829,021,837	142,141,854	328,826,603	226,022,244	10,517,328	121,513,808
Industrial	766,386,520	16,594,560	161,485,951	314,377,802	29,394,362	244,533,845
Utilities	223,845,079	9,757,556	44,205,813	80,986,235	5,530,112	83,365,363
Structured Notes	0	-	-	-	-	-
Asset-backed Securities	242,291,664	-	23,655,001	37,414,399	91,603,874	89,618,390
Commercial Mortgage Backed Securities	54,815,495	656,890	8,265,048	-	5,763,381	40,130,176
Collateralized Mortgage Obligations	604,540,058	-	2,820,665	28,957,082	76,813,256	495,949,055
Commingled/Closed End Funds*	85,399,730	-	85,399,730	-	-	-
Corporate Convertible Bonds	2,375,250	123,750	1,704,500	-	-	547,000
Foreign Debt Obligations	1,022,504,237	12,737,264	301,969,102	366,012,898	173,909,805	167,875,168
Securities Lending Collateral	241,649,178	241,649,178	-	-	-	-
Total Bonds, Corporate Notes and Government Obligations	**$6,615,817,895**	**$471,404,437**	**$1,262,868,601**	**$1,439,720,935**	**$721,415,427**	**$2,720,408,495**

Type	2008 Market Value	Maturity in Years: Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More than 20 Years
U.S. Treasuries	$710,206,700	$91,291,266	$274,016,593	$267,723,467	$42,435,218	$34,740,156
U.S. Federal Agencies	492,181,750	103,478,405	57,827,350	104,372,564	201,942,268	24,561,163
U.S. Government Index-linked Bonds	296,216,084	67,584	115,760,305	49,024,141	92,502,397	38,861,657
U.S. Government Backed Mortgages	2,374,253,476	72,789	8,300,144	115,522,999	531,449,332	1,718,908,212
U.S. Municipals (Taxable)	28,296,195	-	-	1,833,199	12,558,725	13,904,271
Credits						
Bank Loans	30,986,760	-	17,541,298	13,445,462	-	-
Financial	1,319,616,385	267,971,793	490,353,362	235,529,674	12,355,334	313,406,222
Industrial	706,891,256	31,755,080	149,993,755	230,531,363	75,262,586	219,348,472
Utilities	112,941,987	12,280,973	29,313,650	33,597,320	7,041,101	30,708,943
Structured Notes	3,000,000	3,000,000	-	-	-	-
Asset-backed Securities	370,453,273	-	92,058,753	24,725,828	20,174,867	233,493,825
Commercial Mortgage Backed Securities	361,639,452	-	7,738,032	919,823	8,451,715	344,529,882
Collateralized Mortgage Obligations	755,133,505	343,988	5,747,049	2,706,364	38,740,414	707,595,690
Commingled/Closed End Funds*	81,924,023	-	39,403,736	42,520,287	-	-
Corporate Convertible Bonds	6,493,000	-	400,625	-	-	6,092,375
Foreign Debt Obligations	1,319,829,277	80,943,999	365,558,421	431,304,549	125,658,624	316,363,684
Total Bonds, Corporate Notes and Government Obligations	**$8,970,063,123**	**$591,205,877**	**$1,654,013,073**	**$1,553,757,040**	**$1,168,572,581**	**$4,002,514,552**

** Weighted average maturity figures were used to plot the commingled funds within the schedule.*

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. TRS's currency risk exposure, or exchange rate risk, is primarily derived from its holdings in foreign currency-denominated equity, fixed income investments, and foreign currency. According to TRS's Investment Policy and investment manager agreements, international equity and global fixed income managers, at their discretion, may or may not hedge the portfolio's foreign currency exposures with currency forward contracts or options depending upon their views on a specific country or foreign currency relative to the U.S. dollar.

TRS's exposure to foreign currency risk in U.S. dollars as of June 30, 2009 is as follows:

Currency	Foreign Currency	Equities	Fixed Income	Derivatives	Total
Australian Dollar	$486,482	$217,787,876	$41,675,825	($150,075)	$259,800,108
Brazilian Real	1,467,543	142,108,085	17,161,916	461,370	161,198,914
British Pound Sterling	5,558,214	833,579,445	86,346,515	2,976,925	928,461,099
Canadian Dollar	717,503	53,267,965	45,232,332	-	99,217,800
Chinese Yuan	5,728	-	-	-	5,728
Czech Koruna	29,288	4,146,661	-	-	4,175,949
Danish Krone	57,136	45,605,193	-	-	45,662,329
Egyptian Pound	321,135	8,032,414	179,782	-	8,533,331
Euro	7,264,257	1,238,083,511	164,068,384	566,536	1,409,982,688
Hong Kong Dollar	55,577	308,024,422	-	-	308,079,999
Hungarian Forint	-	8,957,190	-	-	8,957,190
Iceland Krona	110,418	-	1,054,059	-	1,164,477
Indonesian Rupiah	810,005	24,588,300	44,843,687	-	70,241,992
Israeli Shekel	16,528	3,140,892	-	-	3,157,420
Japanese Yen	2,431,194	969,169,984	26,643,290	-	998,244,468
Malaysian Ringgit	189,292	22,397,058	9,480,744	-	32,067,094
Mexican Peso	2,654,100	18,574,798	72,559,716	-	93,788,614
Moroccan Dirham	79,211	1,907,805	-	-	1,987,016
New Taiwan Dollar	2,772,528	123,840,246	-	-	126,612,774
New Zealand Dollar	1,115,056	12,990,950	47,090,926	-	61,196,932
Norwegian Krone	235,133	39,774,315	-	-	40,009,448
Philippine Peso	8,749	9,536,929	-	-	9,545,678
Polish Zloty	160,236	16,434,462	28,209,288	-	44,803,986
Singapore Dollar	(176,812)	74,006,997	645,705	-	74,475,890
South African Rand	1,007,407	40,923,436	-	-	41,930,843
South Korean Won	7,018,661	153,754,431	68,145,400	(37,551)	228,880,941
Swedish Krona	498,925	39,772,945	11,466,929	-	51,738,799
Swiss Franc	225,176	237,892,169	-	-	238,117,345
Thai Baht	678,859	47,421,199	-	-	48,100,058
Turkish Lira	2	60,310,039	-	-	60,310,041
United Arab Emirates Dirham	(347)	-	-	-	(347)
Total subject to foreign currency risk	**35,797,184**	**4,756,029,717**	**664,804,498**	**3,817,205**	**5,460,448,604**
Investments in international securities payable in United States dollars	**-**	**719,884,153**	**380,431,412**	**-**	**1,100,315,565**
Total international investment securities (including domestic securities payable in foreign currency)	**35,797,184**	**5,475,913,870**	**1,045,235,910**	**3,817,205**	**6,560,764,169**
Domestic Investments (excluding securities payable in foreign currency)	**-**	**8,043,555,932**	**5,328,932,807**	**(10,663,641)**	**13,361,825,098**
Total Fair Value	**$35,797,184**	**$13,519,469,802**	**$6,374,168,717**	**($6,846,436)**	**$19,922,589,267**

TRS's exposure to foreign currency risk in U.S. dollars as of June 30, 2008 is as follows:

Currency	Foreign Currency	Equities	Fixed Income	Derivatives	Total
Argentine Peso	$87,966	-	-	-	$87,966
Australian Dollar	1,708,956	369,540,069	15,521,132	(411,038)	386,359,119
Brazilian Real	1,080,784	237,193,303	12,622,041	(1,851,449)	249,044,679
British Pound Sterling	11,227,207	1,306,882,617	254,485,839	1,134,386	1,573,730,049
Canadian Dollar	1,288,309	88,741,915	22,762,906	-	112,793,130
Czech Koruna	-	34,104,972	-	-	34,104,972
Danish Krone	375,516	47,385,845	-	-	47,761,361
Egyptian Pound	210,404	7,399,976	28,383,395	-	35,993,775
Euro	19,363,441	2,063,993,345	304,539,812	(1,195,404)	2,386,701,194
Hong Kong Dollar	687,162	308,826,013	-	-	309,513,175
Hungarian Forint	1,526	34,778,957	-	-	34,780,483
Indonesian Rupiah	-	36,515,764	15,490,356	-	52,006,120
Japanese Yen	9,559,177	1,319,576,377	119,297,909	(37,869)	1,448,395,594
Malaysian Ringgit	46,877	35,322,529	10,758,855	-	46,128,261
Mexican Peso	2,024,547	29,132,589	69,972,827	(220,358)	100,909,605
Moroccan Dirham	(2,758)	1,500,023	-	-	1,497,265
New Israeli Shekel	28,343	10,554,166	-	-	10,582,509
New Taiwan Dollar	7,522,844	154,635,147	-	-	162,157,991
New Zealand Dollar	201,220	19,415,871	3,160,596	-	22,777,687
Norwegian Krone	399,799	99,351,221	8,163,596	-	107,914,616
Pakistan Rupee	-	10,945,957	-	-	10,945,957
Philippine Peso	-	12,860,662	-	-	12,860,662
Polish Zloty	213,531	9,664,100	28,228,936	-	38,106,567
Russian Ruble	-	1,080,708	-	-	1,080,708
Singapore Dollar	161,591	46,030,499	-	-	46,192,090
South African Rand	173,621	83,859,268	-	-	84,032,889
South Korean Won	3,999,410	210,109,775	43,542,884	-	257,652,069
Swedish Krona	596,964	49,331,232	44,538,342	-	94,466,538
Swiss Franc	167,938	432,089,525	11,775,300	-	444,032,763
Thai Baht	(518,537)	73,050,443	-	-	72,531,906
Turkish Lira	1	64,239,756	-	-	64,239,757
Total subject to foreign currency risk	**60,605,839**	**7,198,112,624**	**993,244,726**	**(2,581,732)**	**8,249,381,457**
Investments in international securities payable in United States dollars	**-**	**1,281,686,342**	**349,810,340**	**-**	**1,584,129,310**
Total international investment securities	**60,605,839**	**8,479,798,966**	**1,343,055,066**	**(2,581,732)**	**9,833,510,767**
Domestic Investments	**-**	**10,863,934,277**	**7,627,008,057**	**(23,096,790)**	**18,515,212,916**
Total Fair Value	**$60,605,839**	**$19,343,733,243**	**$8,970,063,123**	**($25,678,522)**	**$28,348,723,683**

In addition to the above, TRS's foreign currency investments in real estate and private equity were $181,938,455 at June 30, 2009 and $92,549,817 at June 30, 2008.

3. Securities Lending Program

The Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions, which are 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 primary lending agent for the plan's domestic securities for collateral of 102 percent of the market value of U.S. securities and non-U.S. fixed income securities and 105 percent of the market value of non-U.S. equity securities, which may be reduced to 102 percent for matched currencies.

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. Under certain circumstances, 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 30 days. A portion of the cash collateral received is invested in one of the lending agent's short-term investment vehicles, which at year end has a weighted average maturity of 47 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, 2009 and June 30, 2008, TRS had outstanding loaned investment securities having a market value of $4,120,984,083 and $4,518,174,602, respectively, against which it had received collateral of $4,259,993,713 and $4,677,593,403, respectively. Collateral from securities lending reflected on the Statements of Plan Net Assets consists primarily of collateral received in the form of cash.

4. Derivatives

TRS invests in derivative securities as a fundamental part of the overall investment portfolio. A derivative security is an investment whose 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, sometimes known as default 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 can be 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, currency, or other pertinent market 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 derivative positions of the investment managers are reviewed on a regular basis to monitor compliance with the limits.

At June 30, 2009, TRS's derivative investments included foreign currency forward contracts, index futures, cash equivalent futures, options, swaps, and swaptions.

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. 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, 2009, TRS had foreign currency forward purchase or sell contracts for 23 different currencies. These contracts have various settlement dates within 12 months of June 30, 2009.

Fair Value: As of June 30, 2009 and June 30, 2008, TRS's open foreign currency forward contracts had a net fair value of ($5,359,472) and $3,393,976, respectively. The following table represents the unrealized gain/(loss) on the contracts at June 30.

	Market Value as of June 30, 2009	Market Value as of June 30, 2008
Forward Currency Purchases	$1,121,894,107	$1,514,086,181
Forward Currency Sales	(1,127,253,579)	(1,510,692,205)
Unrealized Gain (Loss)	($5,359,472)	$3,393,976

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 daily 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, 2009 and June 30, 2008, TRS had outstanding futures contracts with an underlying notional value of $1,823,819,047 and $3,585,833,414, respectively. Contractual principal values do not represent the actual values in the Statements of Plan Net Assets. The contracts have various expiration dates through March 2011.

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

Type	FY09 Number of Contracts	FY09 Contractual Principal	FY08 Number of Contracts	FY08 Contractual Principal
Fixed Income Index Futures – Long	1,713	$253,979,373	2,029	$272,871,492
Fixed Income Index Futures – Short	(320)	(37,282,692)	(914)	(120,406,258)
International Fixed Income Index Futures – Long	238	20,111,589	676	100,476,078
International Fixed Income Index Futures – Short	(212)	(32,954,234)	(568)	(120,083,188)
U.S. Stock Index Futures – Long	7,927	575,437,525	9,353	1,323,696,575
U.S. Stock Index Futures – Short	-	-	(163)	(10,440,965)
International Stock Index Futures – Long	-	-	174	11,578,390
Cash Equivalent (Eurodollar) Futures – Long	3,840	949,191,881	7,639	1,874,954,211
Cash Equivalent (Eurodollar) Futures – Short	-	-	(145)	(50,646,728)
Cash Equivalent Foreign Yield Curve – Long	548	108,536,958	1,113	319,537,511
Cash Equivalent Foreign Yield Curve – Short	(448)	(13,201,353)	(42)	(15,703,704)

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. Premiums received are recorded as a liability when the financial option is written.

Terms: At June 30, 2009 and June 30, 2008, TRS had options on futures, with underlying notional value of $84,541,396 and $185,047,733, respectively. Contractual principal/notional values do not represent the actual values in the Statements of Plan Net Assets. The contracts have various expiration dates through December 2009.

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, 2009 and June 30, 2008, the fair value of option contracts written, gross of premiums received, was $16,675 and ($35,168), respectively. The fair value represents the amount needed to close all positions as of that date. The following table presents the aggregate contractual principal (notional value) of TRS's outstanding contracts at June 30, 2009 and June 30, 2008. 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. Options on futures represent the corresponding futures exposure.

Type	FY09 Number of Contracts	FY09 Contractual Principal	FY08 Number of Contracts	FY08 Contractual Principal
Written Currency Forward Call Options	-	-	2	$2,068,000
Written Currency Forward Put Options	-	-	2	1,280,000
Fixed Income Written Call Options	-	-	(456)	(39,377,000)
Fixed Income Written Put Options	-	-	(415)	9,478,000
Fixed Income Call Options on Futures	109	30,509,219	-	-
Fixed Income Put Options on Futures	100	2,549,678	-	-
Fixed Income Call Options on Futures (Non-dollar)	256	64,827,270	730	27,383,059
Fixed Income Put Options on Futures (Non-dollar)	362	(57,776,333)	-	-
Cash Equivalent Call Options on Futures	186	9,917,664	1,084	144,172,500
Cash Equivalent Put Options on Futures	(419)	42,812,417	326	(815,000)
Cash Equivalent Call Options on Futures (Non-dollar)	603	14,153,206	6,803	38,741,500
Cash Equivalent Put Options on Futures (Non-dollar)	537	(22,451,725)	1,766	2,116,674

Swaptions

Objective: Swaptions are options on swaps that give the purchaser the right, but not the obligation, to enter into a swap at a specific date in the future. An interest-rate swaption gives the buyer the right to pay or receive a specified fixed rate in a swap in exchange for a floating rate for a stated time period. In a written call swaption, the seller (writer) has the obligation to pay a fixed rate in exchange for a floating rate for a stated period of time and in a written put swaption, the seller has the obligation to receive a fixed rate in exchange for a floating rate if the swaption is exercised. A purchased (long) call swaption gives the buyer the right to receive a fixed rate in exchange for a floating rate for a stated period of time while a purchased (long) put swaption gives the buyer the right to pay a fixed rate in exchange for a floating rate if the swaption is exercised. TRS has both written and purchased swaptions in its portfolio. As the writer of a swaption, TRS receives a premium at the outset of the agreement. Premiums are recorded as a liability when the swaption is written.

Terms: At June 30, 2009, TRS had outstanding purchased call swaption exposure of $5,603,794, written put swaption exposure of $1,096,417. The contracts have various maturity dates through August 2009. At June 30, 2008, TRS had outstanding purchased call swaption exposure of $342,579,706, written call swaption exposure of ($181,036,154). The exposure amounts do not represent the actual values in the Statement of Plan Assets.

Fair Value: Fluctuations in the fair value of swaptions are recognized in TRS's financial statements as incurred rather than at the time the swaptions are exercised or when they expire. As of June 30, 2009, and June 30, 2008, the fair value of swaption contracts was $8,481,947 and ($2,240,272), respectively.

Interest Rate Swaps

Objective: Interest rate swaps are agreements between two or more parties to exchange sets of cash flows over a period of time. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. Long-swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure.

Terms: At June 30, 2009 and June 30, 2008, TRS was a party to interest rate swaps in various currencies. The swap agreements, in conjunction with the underlying bonds, have various maturity dates ranging from 2009 to 2039. Swap agreements typically are settled on a net basis, which means that the two payment streams are netted out, with a party receiving or paying only the net amount of the two payments. Payments may be made at the conclusion of a swap agreement or periodically during its term.

Fair Value: The table below presents the fair value of TRS's interest rate swap exposure at June 30, 2009 and June 30, 2008.

	June 30, 2009 Receivable/ (Payable)	June 30, 2008 Receivable/ (Payable)
Receive Floating/Pay Fixed	$836,547	$3,132,612
Receive Fixed/Pay Floating	3,994,804	(5,708,018)

Credit Default Swaps

Objective: Credit default swaps are derivative instruments constructed to replicate the effect of investing in debt obligations of corporate bond issuers as a means to manage corporate bond exposure, effectively buying or selling insurance protection in case of default. The risk of the credit default swaps is comparable to the credit risk of the underlying debt obligations of corporate issuers that comprise the credit default swaps. The owner of protection (long the swap) pays an annual premium to the seller of protection (short the swap) for the right to sell a bond at a previously agreed upon value in the event of a default by the bond issuer. The premium is paid periodically over the term of the swap or until a credit event of the bond issuer occurs. In the event of a default, the swap expires, and the seller of protection makes a payment to the buyer, which is usually based on a fixed percentage of total par. Purchased credit default swaps decrease credit exposure (buying protection), providing the right to sell bonds to the counterparty in the event of a default. Written credit default swaps increase exposure (selling protection), obligating the portfolio to buy bonds from counterparties in the event of a default.

Terms: At June 30, 2009, TRS had credit default swaps in its portfolio with various maturity dates through 2018. The total notional value of written credit default swaps (selling protection) was $319.1 million and $256.6 million at June 30, 2009 and 2008, respectively. The total notional value of purchased credit default swaps (buying protection) was $61.4 million at June 30, 2008.

Fair Value: The fair value of credit default swaps held by TRS was ($9,902,696) at June 30, 2009 and ($11,061,076) at June 30, 2008. This amount represents the net amount of payments due to (from) TRS under these agreements.

Basket Default Swaps

Objective: Basket default swaps are exchange-traded products through which an investor gains either long or short exposure to a relatively small basket of credits or a specific market sector. The investor is either selling or buying protection against default on one of the credits in the basket, similar to a credit default swap. A seller of credit protection against a basket of securities receives an upfront or periodic payment to compensate against potential default events. If a default event occurs, the seller must pay the buyer the full notional value of the reference obligation in exchange for the reference obligation. If no default occurs, the buyer loses the premium paid. A buyer of credit protection against a basket of securities pays an upfront or periodic payment until either maturity or default. In the event of a default, the buyer receives a lump-sum payment.

Terms: At June 30, 2009, TRS had basket default swaps selling protection with a notional value of $120.3 million with various expiration dates ranging from 2012 to 2038. At June 30, 2008, TRS had basket default swaps buying protection with a notional value of $252.3 million and selling protection of $91.1 million, with various expiration dates ranging from 2008 to 2052.

Fair Value: The fair value of the basket default swaps held by TRS was ($10,570,771) and ($8,925,311) at June 30, 2009 and 2008, respectively. This represents the payments due to (from) TRS to counterparties under the terms of the agreements, with all positions still open.

Inflation-linked Swaps

Objective: Inflation-linked swaps are agreements where a fixed payment is exchanged for a variable payment linked to an inflation index. These swaps can protect against unfavorable changes in inflation expectations. These swaps are utilized to transfer inflation risk from one counterparty to another.

Terms: At June 30, 2009, TRS was a party to inflation-linked swaps denominated in Euros with maturity dates ranging from 2010 to 2012 and total par of 7.4 million. At June 30, 2008, TRS was a party to inflation-linked swaps denominated in various currencies with maturity dates ranging from 2010 to 2027 and total par of 16.6 million. TRS receives a fixed rate of inflation for all positions. Inflation-linked swaps initially have no net value; the value of the swap's outstanding payments will change as interest and inflation rates change. The value may be either positive or negative.

Fair value: The fair value of the inflation-linked swaps held by TRS was $297,058 at June 30, 2009 and ($841,289) at June 30, 2008.

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 Benefit Trust Reserve.

1. Benefit Trust

	2009	2008
Balances at June 30	$28,492,427,203	$38,425,721,302

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 the Minimum Retirement Annuity Reserve, member and employer contributions, income from TRS invested assets, and contributions from annuitants who qualify for automatic annual increases in annuity.

The 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 charged for transfers to the Minimum Retirement Annuity Reserve and all

- refunds to withdrawing members,
- retirement annuity payments (except as provided by the Minimum Retirement Annuity Reserve),
- benefits that are paid to disabled members,
- death benefits paid, and
- refunds to annuitants for survivor benefit contributions.

The expected benefit payments do not equal the present value of the reserve. The additional amount needed (the unfunded actuarial accrued liability) as calculated by the actuary was $35,001,154,000 in 2009 and $30,201,644,000 in 2008.

2. Minimum Retirement Annuity

	2009	2008
Balances at June 30	$5,302,240	$5,001,985

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.

F. Pension and Other Post-employment Benefits for TRS Employees

TRS employees are covered by either the State Employees' Retirement System of Illinois or the Teachers' Retirement System of the State of Illinois. Also, most employees are eligible for other types of post-employment benefits.

State Employees' Retirement System (SERS)

1. Plan Description for SERS

TRS employees who do not participate in TRS (see below) are covered by the State Employees' Retirement System (SERS), a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system. SERS provides retirement, disability, and death benefits to plan members and beneficiaries. Automatic annual post-retirement increases are provided. SERS is governed by Article 14 of the Illinois pension code, 5 ILCS 40/14-101 and following as well as the Illinois Administrative Code, Title 80, Subtitle D, Chapter I. SERS issues a publicly available financial report that includes financial statements and required supplemental information. It may be obtained at **www.state.il.us/srs,** by writing to SERS at 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255, or by calling (217) 754-7444. SERS's financial position and results of operations are also included in the *State of Illinois Comprehensive Annual Financial Report*. This report may be obtained at

www.ioc.state.il.us, by writing to the office of the Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1858, or by calling (217) 782-2053.

2. Funding Policy for SERS

The contribution requirements of SERS members and the state are established by state statute and may be amended by action of the General Assembly and the Governor. TRS employees covered by SERS contribute 4.0 percent of their annual covered salaries. The state contribution rate for the years ended June 30, 2009 and 2008 were actuarially determined according to a statutory schedule. The contribution rate for the year ended June 30, 2007 was based on dollar amounts specified by statute and was not actuarially determined.

TRS contribution rates to SERS for its SERS-covered employees for the years ended June 30, 2009, 2008, and 2007 were 21.049 percent, 16.561 percent, and 11.525 percent, respectively. TRS contributions for the years ended June 30, 2009, 2008, and 2007 were $1,168,335, $910,478, and $614,434, respectively.

Teachers' Retirement System

1. Plan Description for TRS

A summary description of the TRS plan can be found within these notes to the financial statements at "A. Plan Description."

2. Funding Policy for TRS

TRS employees who participate in TRS are required to contribute 9.4 percent of their annual covered salaries. For employees who were members of TRS on August 17, 2007 and for employees hired on or after that date, TRS contributes .058 percent of the employees annual covered salaries. Additional employer contributions for these employees are paid by the state of Illinois and are included in the annual state contribution to TRS. TRS's contributions for participating employees for the years ended June 30 in 2009, 2008, and 2007 were $19,903, $24,719, and $21,558, respectively. These amounts represent 100 percent of the required contributions.

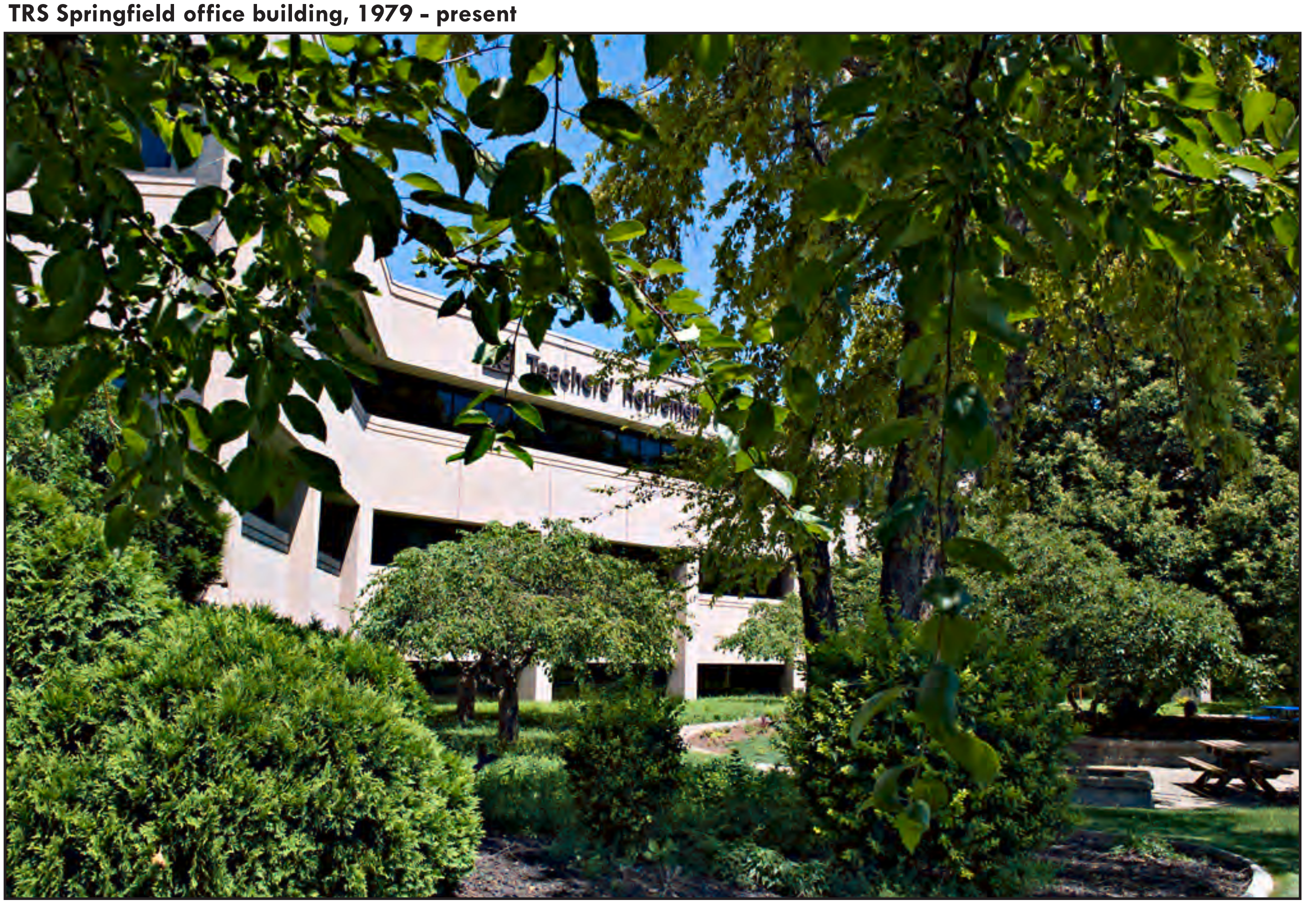
Other Post-employment Benefits for TRS Employees

The state provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all state employees become eligible for post-employment benefits if they eventually become annuitants of one of the state-sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the state's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the state, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Employees of the system who retired before January 1, 1998 who are vested in either the State Employees' Retirement System or the Teachers' Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced 5 percent for each year of credited service with the state allowing those annuitants with 20 or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The state pays the TRS portion of employer costs for the benefits provided. The total cost of the state's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the state in the *Illinois Comprehensive Annual Financial Report*. The state finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment 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 financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

TRS Springfield office building, 1979 - present



Required Supplementary Information

Schedule of Funding Progress[1]

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)
6/30/00	$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
6/30/04	31,544,729,000	50,947,451,000	61.9	19,402,722,000	7,280,795,000	266.5
6/30/05	34,085,218,000	56,075,029,000	60.8	21,989,811,000	7,550,510,000	291.2
6/30/06	36,584,889,000	58,996,913,000	62.0	22,412,024,000	7,765,752,000	288.6
6/30/07	41,909,318,000	65,648,395,000	63.8	23,739,077,000	8,149,849,000	291.3
6/30/08	38,430,723,000	68,632,367,000	56.0	30,201,644,000	8,521,717,000	354.4
6/30/09	**38,026,044,000**	**73,027,198,000**	**52.1**	**35,001,154,000**	**8,945,021,000**	**391.3**

** Market value through FY08. Five-year smoothing beginning in FY09.*

Schedule of Contributions from Employers and Other Contributing Entities[1]

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
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
2004	1,028,259,000	75,078,000	1,103,337,000	1,716,977,000	64.3	1,100,264,000	100.3
2005	903,928,000	83,434,000	987,362,000	1,683,212,000	58.7	986,269,000	100.1
2006	531,828,000	69,645,000	601,473,000	1,679,524,000	35.8	601,555,000	100.0
2007	735,515,000	81,155,000	816,670,000	2,052,396,000	39.8	822,890,000	99.2
2008	1,039,195,000	130,578,000	1,169,773,000	1,949,463,000	60.0	1,135,127,000	103.1
2009	**1,449,889,000**	**151,716,000**	**1,601,605,000**	**2,109,480,000**	**75.9**	**1,556,737,000**	**102.9**

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. Beginning in FY08, lump-sum payments for ERO are included as employer contributions, further increasing the difference.*

Pension obligation bonds are not treated as a state contribution in FY04 because they do not count towards the annual funding requirement calculated by the actuary. In FY03, the annual contribution required per state statute is the state funding requirement certified after Public Act 92-0505 was enacted. The diversion to THIS Fund was effective for the entire fiscal year. In FY02, the annual contribution required per state statute is the state funding requirement certified before Public Act 92-0505 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.

2 *Excludes minimum retirement and supplemental annuity contributions. Excludes employer ERO contributions through FY07. Beginning in FY01, the supplemental annuity appropriation was not requested. These amounts are not counted for actuarial purposes. Beginning in FY06, employer contributions for excess salary increases are included. However, employer contributions for excess sick leave, which also began in FY06, are not included because there is no assumption for excess sick leave and it is not included in the funding requirements. Beginning in FY08, employer ERO contributions are included because the costs of the ERO program are now included in the actuarial accrued liability.*

See accompanying Independent Auditors' Report.

Other Supplementary Information

Schedule of Administrative Expenses
For Years Ended June 30

	2009	2008
Personal services	$12,860,131	$12,190,988
Professional services	1,428,771	1,164,400
Postage	430,707	481,642
Machine repair and rental	642,351	660,156
Other contractual services	830,099	1,062,093
Commodities	474,844	457,052
Occupancy expense	250,955	210,654
Depreciation	481,614	386,165
Loss (gain) on disposal of equipment	(11,536)	214
Total administrative expenses	**$17,387,936**	**$16,613,364**

Schedule of Investment Expense
For Years Ended June 30

	2009	2008
Investment manager fees	$159,192,773	$170,114,892
Private equity investment expense	12,654,785	11,169,758
Miscellaneous	20,966,888	7,630,362
Total investment expense	**$192,814,446**	**$188,915,012**

Schedule of Payments to Consultants
For Years Ended June 30

	2009	2008
Actuarial services	$238,638	$202,606
External auditors	160,716	153,712
Legal services	908,838	543,583
Management consultants		
Information systems	0	193,020
Legislative consultant	77,000	24,000
TRS STAR audit	0	9,495
Board and staff training	14,000	3,500
Operations	25,000	29,648
Other	4,579	4,836
Total payments to consultants	**$1,428,771**	**$1,164,400**

See accompanying Independent Auditors' Report.

TRS Springfield office building, 1979 - present

INVESTMENTS

Introduction

The TRS investment portfolio declined 22.3 percent, gross of fees, for the fiscal year ending June 30, 2009 as the United States and global financial markets suffered one of their worst years in history. The loss was a continuation and acceleration of the modest loss of 4.5 percent experienced in FY08, with total fund assets declining from $39.2 billion to $29.0 billion at the end of the fiscal year. Fears of a collapse in the global financial system were evidenced by the fall of Lehman Brothers in September 2008 and severe distress among other large financial institutions. Credit market turmoil continued through the fiscal year, leading to substantial declines in the global equity markets with U.S. and international stocks falling 27.3 percent and 31.9 percent, respectively. Following unprecedented levels of federal stimulus, the global markets did manage to stabilize late in the year with the stock indices posting a strong rally from March through the end of the fiscal year.

Total TRS investments decreased by approximately $10.2 billion during the year ended June 30, 2009. This represents the second year of losses following five years of positive returns.

The TRS portfolio remains fully diversified across different asset classes. A number of investment managers are utilized within each asset class to ensure the appropriate mixture across the various investment styles, allowing the portfolio to achieve broad exposure to the market while minimizing overall risk. This broad diversification serves as the best defense against the uncertainty of volatile global markets.

The TRS trust fund is invested by authority of the Illinois Pension Code under the "prudent person rule," requiring investments to be managed solely in the interest of fund participants and beneficiaries. The TRS Investment Policy guides TRS's investments. Investment principles include preserving the long-term principal of the trust fund, maximizing total return within prudent risk parameters, and acting in the exclusive interest of TRS members.

As master trustee, State Street Bank and Trust 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 April 1, 2009 through June 30, 2009. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2009. Additionally, State Street Bank and Trust calculated performance rates of return by portfolio, composite, and for all respective indices used throughout this section. TRS's previous custodian, Northern Trust Company provided relevant fund reports for the period July 1, 2008 through March 31, 2009. TRS staff, in collaboration with the staff of its custodians, prepared the Investments section.

A complete listing of investment holdings is available on request.

Summary Data June 30, 2009

Total Fund Market Value	**$29.0 billion**
1-Year Return (net of fees)	(22.7%)
5-Year Return (net of fees)	1.7%
10-Year Return (net of fees)	3.1%
Percent Externally Managed	100.0%
Number of External Managers	120
Custodian	The Northern Trust Company *(July 1, 2008 through March 31, 2009)* State Street Bank and Trust *(beginning April 1, 2009)*
General Consultant	R. V. Kuhns and Associates, Inc.

TRS is ranked 35th out of the top 1,000 U.S. pension funds/plan sponsors in the January 26, 2009, issue of *Pensions & Investments*. Rankings are based on market value of total assets at September 30, 2008.

Fund Performance vs. Benchmarks and Market Values

As of June 30, 2009, TRS's total investments at market value totaled $29.0 billion, a decrease of $10.2 billion from last year.

A summary of holdings and assets is discussed throughout the Investment Section. The totals represent the actual assets (gross of any liabilities, amounts due to brokers, and expenses). The liabilities of the fund are included in the Statements of Plan Assets located on page 24.

TRS had a total fund annualized decline of 22.3 percent, gross of fees, and 22.7 percent, net of fees, for the one-year period ending June 30, 2009. The Performance Summary table shows the performance of the total investment portfolio versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS total fund performance for FY09 lagged the policy index decline by 4.1 percent for the year ended June 30, 2009. The policy index represents a weighted average of each asset class benchmark, based on the total fund's target asset allocation. The total return also lagged the 8.5 percent actuarial return assumption and the real rate of return expectation, which is to exceed the rate of inflation, as measured by the Consumer Price Index, by 5.0 percent.

Performance Summary (Net of fees)

	Years ended June 30					Annualized at 6/30/09		
Asset Class/Index	**2009**	**2008**	**2007**	**2006**	**2005**	**3 Years**	**5 Years**	**10 Years**
TRS Total Fund	**(22.7%)**	**(5.0%)**	**19.2%**	**11.8%**	**10.8%**	**(4.3%)**	**1.7%**	**3.1%**
TRS Weighted Policy Index	(18.6)	(4.1)	17.9	11.3	10.7	(2.7)	2.6	3.0
CPI (Inflation)	(1.4)	5.0	2.7	4.3	2.5	2.1	2.6	2.6
TRS Equity - U.S.	**(27.3)**	**(15.1)**	**19.4**	**9.6**	**8.1**	**(9.7)**	**(2.7)**	**(1.6)**
Russell 3000 Index	(26.6)	(12.7)	20.1	9.6	8.1	(8.4)	(1.8)	(1.5)
TRS Fixed Income	**4.9**	**5.1**	**5.9**	**0.1**	**6.6**	**5.3**	**4.5**	**5.4**
TRS Fixed Income Index	6.1	7.1	6.1	(0.7)	6.8	6.4	5.0	5.8
TRS Equity - International	**(31.9)**	**(7.7)**	**29.6**	**27.3**	**17.3**	**(6.6)**	**4.0**	**3.3**
Non-U.S. Equity Index	(30.5)	(6.2)	30.2	28.4	17.0	(5.3)	5.0	2.9
TRS Real Estate	**(30.0)**	**4.5**	**25.3**	**18.8**	**19.9**	**(2.9)**	**5.5**	**7.0**
Real Estate Property Index	(19.6)	9.2	17.2	18.7	18.0	1.0	7.6	8.5
TRS Private Equity	**(17.9)**	**3.3**	**29.3**	**23.8**	**20.0**	**3.1**	**10.3**	**12.1**
Russell 3000 Index + 3.0%*	(24.3)	(10.0)	23.7	12.9	11.3	(5.5)	1.2	2.0
TRS Real Return	**(26.2)**	**20.5**	**-**	**-**	**-**	**-**	**-**	**-**
CPI (Inflation) + 5.0%*	3.5	10.3	-	-	-	-	-	-
TRS Absolute Return	**(13.9)**	**0.9**	**-**	**-**	**-**	**-**	**-**	**-**
90-Day Treasury Bill + 4.0%*	5.0	7.8	-	-	-	-	-	-

* *Index compounded monthly.*

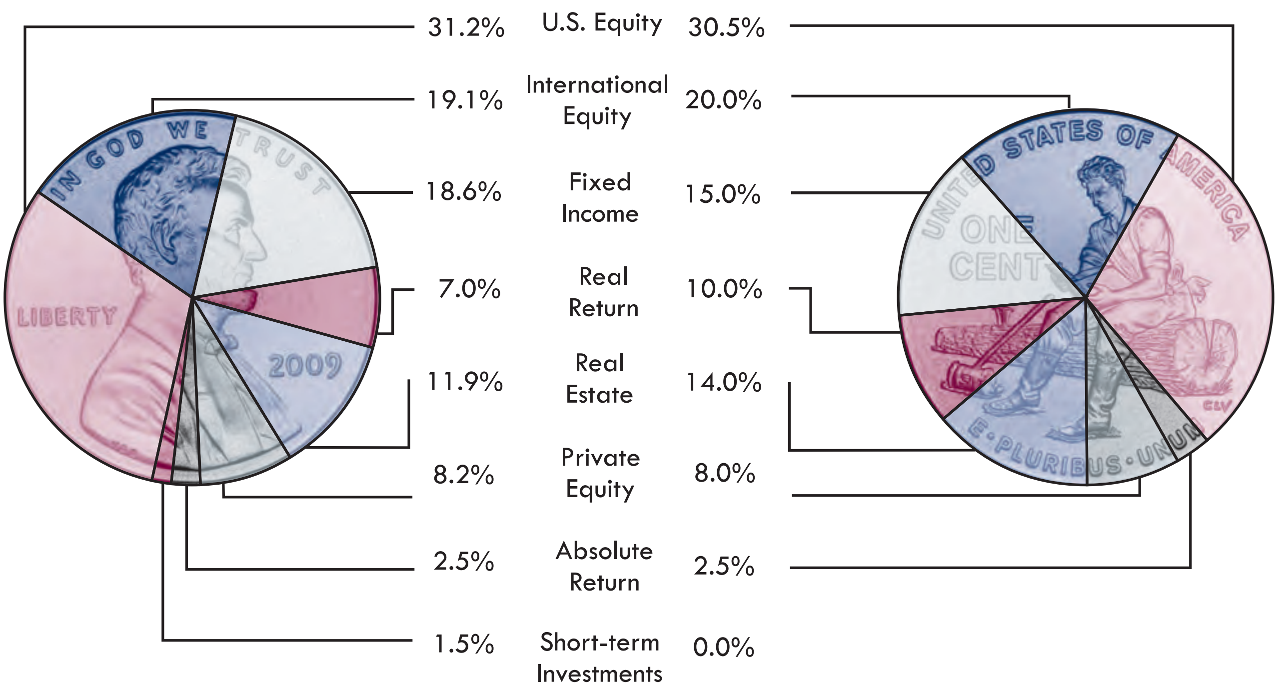
Note: Time-weighted rates of return based on the market rate of return are provided by State Street Bank and Trust.

Asset Allocation vs. Targets

A pension fund's most important investment policy decision is the selection of its asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to manage risk effectively.

FY09 Asset Allocation

Long-term Target Allocation



In FY09, TRS continued implementation of the latest asset allocation study that was completed in FY07. Following five years of strong investment performance, in FY07 the TRS Board of Trustees approved a new asset allocation, including initial investments within the real return and absolute return asset classes, as a means to further diversify the overall investment portfolio and reduce risk.

Following the unprecedented global economic events in late 2008, TRS initiated another full asset allocation study to confirm the proper long-term positioning of the investment portfolio. The results of the study were adopted by the Board of Trustees in May 2009 and represented a continued evolution of the risk-diversification strategy adopted in FY07.

The asset mix is periodically compared to the policy targets to determine when rebalancing of the fund or changes to the interim policy targets are necessary. The Strategic Investment Listing table shows the asset allocation targets, as adopted by the Board of Trustees, compared to the total assets assigned to each particular asset class at June 30, 2009.

Strategic Investment Listing
Allocation Targets vs. Total Assets

	6/30/09	FY09			FY08	
	Total Fund $Millions	Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. Equities	$8,864	31.2%	31.5%	30.5%	33.2%	30.5%
International Equities	5,441	19.1	20.0	20.0	21.4	20.0
Fixed Income	5,280	18.6	16.0	15.0	17.2	15.0
Real Return	1,978	7.0	7.7	10.0	8.0	10.0
Real Estate	3,382	11.9	14.0	14.0	12.5	14.0
Private Equity	2,345	8.2	7.0	8.0	6.3	8.0
Absolute Return	720	2.5	2.5	2.5	1.3	2.5
Short-Term Investments	433	1.5	1.3	0.0	0.1	0.0
Pending Settlements/Expenses*	518	NA	NA	NA	NA	NA
Total Fund	**$28,961**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

** The liability portion is placed within the Statements of Plan Net Assets.*

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 security summary represents types of financial instruments. The differences are explained by the types of investments each manager is allowed to hold within its portfolio. For example, a U.S. equity manager holds not only common stock within its portfolio, but it may hold small amounts of short-term investments as well.

The principal differences between the strategic investment approach and the Portfolio Securities summary are:

- The Pacific Investment Management Company StocksPlus assignment is treated as equity on the Strategic Investment Listing, but categorized as bonds and corporate obligations in the securities summary. This manager provides enhanced index products that use 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

	2009 Market Value	2009 % of Total	2008 Market Value	2008 % of Total
U.S. Government Obligations				
U.S. Treasuries	$300,375,693	1.0%	$710,206,700	1.8%
U.S. Federal Agencies	334,260,961	1.2	492,181,750	1.3
U.S. Government Index Linked Bonds	195,845,375	0.7	296,216,084	0.8
U.S. Government Backed Mortgages	1,642,564,054	5.7	2,374,253,476	6.0
U.S. Municipals (Taxable)	56,014,455	0.2	28,296,195	0.1
Credits				
Bank Loans	13,928,309	-	30,986,760	0.1
Financial	829,021,837	2.9	1,319,616,385	3.3
Industrial	766,386,520	2.6	706,891,256	1.8
Utilities	223,845,079	0.8	112,941,987	0.3
Structured Notes	-	-	3,000,000	-
Asset Backed Securities	242,291,664	0.8	370,453,273	0.9
Commercial Mortgage Backed Securities	54,815,495	0.2	361,639,452	0.9
Collateralized Mortgage Obligations	604,540,058	2.1	755,133,505	1.9
Commingled/Closed End Funds	85,399,730	0.3	81,924,023	0.2
Corporate Convertible Bonds	2,375,250	-	6,493,000	-
Foreign Debt Obligations	1,022,504,237	3.5	1,319,829,277	3.3
Total Bonds, Corporate Notes, and Government Obligations	**6,374,168,717**	**22.0**	**8,970,063,123**	**22.7**
Equities				
Common Stock - U.S.	7,988,982,368	27.6	10,833,227,881	27.4
Preferred Stock - U.S.	57,209,873	0.2	30,706,395	0.1
Common Stock - International	5,335,746,892	18.4	8,183,568,806	20.7
Preferred Stock - International	137,530,669	0.5	296,230,161	0.8
Total Equities	**13,519,469,802**	**46.7**	**19,343,733,243**	**49.0**
Real Return – Commingled Funds				
Commodity Funds	340,890,337	1.2	652,811,731	1.7
Global Macroeconomic Strategies	1,190,240,068	4.1	1,465,924,159	3.7
Total Real Return – Commingled Funds	**1,531,130,405**	**5.3**	**2,118,735,890**	**5.4**
Short-term Investments/ Cash Equivalents	**1,062,916,049**	**3.7**	**1,330,031,596**	**3.4**
Derivatives–Options, Futures, and Swaps	**(6,846,436)**	**-**	**(25,678,522)**	**(0.1)**
Foreign Currency	**35,797,184**	**0.1**	**60,605,839**	**0.1**
Absolute Return	**719,854,863**	**2.5**	**504,224,094**	**1.3**
Private Equity	**2,344,035,473**	**8.1**	**2,399,224,145**	**6.1**
Real Estate Equity	**3,380,826,272**	**11.6**	**4,794,916,293**	**12.1**
TRS Total Portfolio	**$28,961,352,329**	**100.0%**	**$39,495,855,701**	**100.0%**

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.

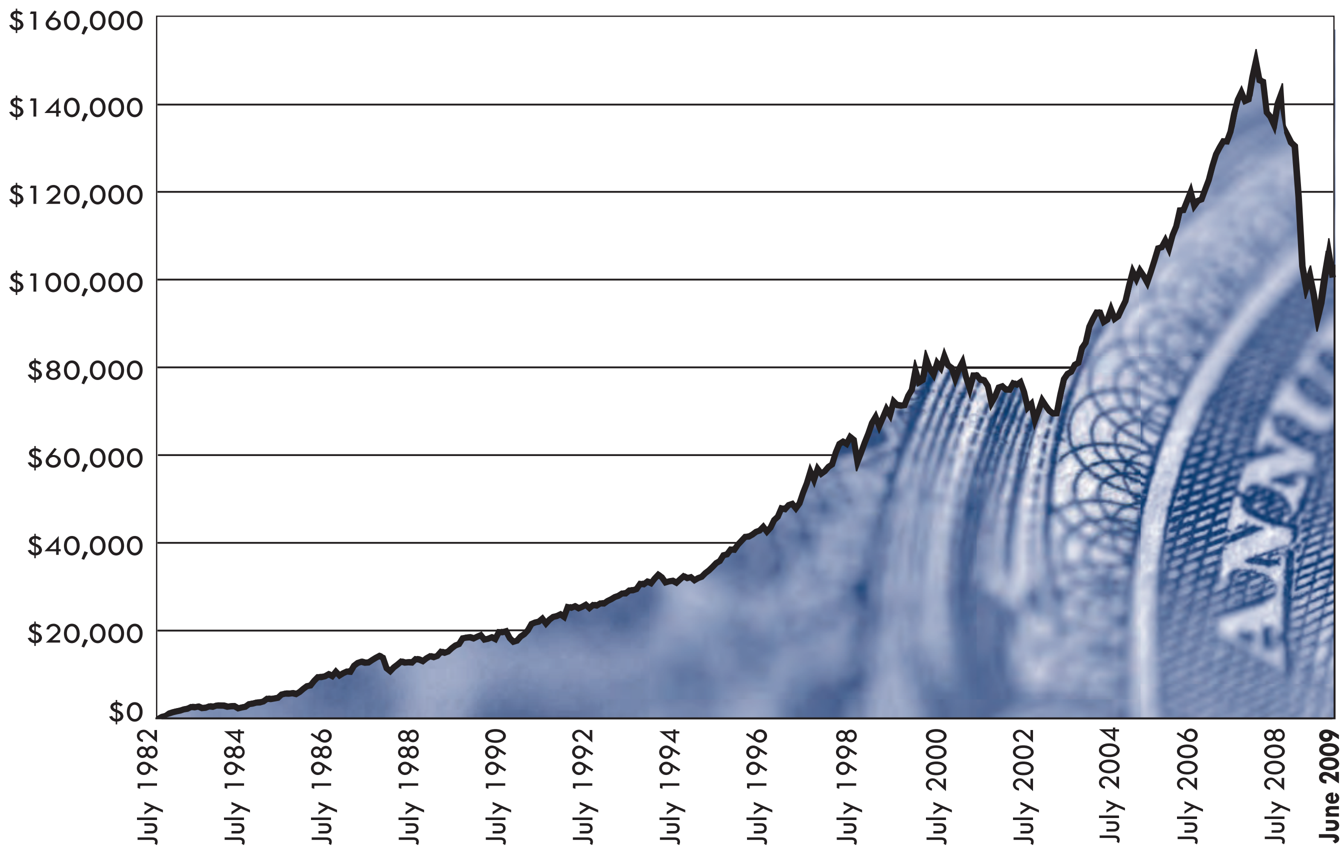
Securities Holdings for Years Ending June 30

Asset Type	2009	2008	2007	2006	2005
Bonds, Corporate Notes, and Government Obligations	22.0%	22.7%	24.0%	27.9%	29.4%
Equities - U.S.	27.8	27.5	33.0	33.6	35.8
Equities - International	18.9	21.5	22.6	19.8	17.7
Real Return	5.3	5.4	-	-	-
Short-Term Investments/Currency	3.8	3.4	3.6	4.2	4.1
Absolute Return	2.5	1.3	1.2	-	-
Private Equity	8.1	6.1	4.5	4.0	3.0
Real Estate Equity	11.6	12.1	11.1	10.5	10.0
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: TRS

Over the years, TRS's asset allocation has provided consistent overall returns, as represented by the following chart showing the growth of $10,000 over the last 27 years.

Growth of $10,000



Source: TRS

The following sections provide a brief and informative overview of the various asset classes utilized by TRS for the period ending June 30, 2009.

U.S. Equity

U.S. equity, or common stock, represents shares or units of ownership in a public corporation. TRS invests in equities because the asset class offers the opportunity to participate in the success of the economy and specific corporations within it. Stockholders share in the growth of a company through an increase in stock price, as well as through the distribution of corporate profits in the form of dividends.

For the fiscal year, TRS's U.S. equity portfolio declined 27.3 percent on a net of fee basis, compared to the Russell 3000 Index loss of 26.6 percent. One-, three-, five-, and 10-year comparisons to this benchmark are noted below:

	FY09	3-Year	5-Year	10-Year
TRS, net of fees	**(27.3%)**	**(9.7%)**	**(2.7%)**	**(1.6%)**
Russell 3000 Index	(26.6)	(8.4%)	(1.8%)	(1.5%)

The top 10 domestic equity holdings at June 30, 2009, are listed below and represent 9.1 percent of total U.S. equity holdings. A complete listing of investment holdings is available as a separate report.

Top 10 U.S. Equity Holdings at June 30, 2009

Firm	Market Value
Exxon Mobil Corp.	$109,153,140
Microsoft Corp.	78,975,064
Chevron Corp.	74,819,239
Qualcomm, Inc.	71,117,680
Wells Fargo and Company	69,904,753
Hewlett-Packard Co.	69,667,282
International Business Machines Corp.	67,997,051
Google, Inc.	66,311,891
JP Morgan Chase & Co.	65,932,720
Johnson & Johnson	58,663,381
Total	**$732,542,201**

Source: State Street Bank and Trust

At June 30, 2009, 31.2 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 FY09.

As of June 30, 2009, TRS employed the following domestic equity managers including their respective assets under management.

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

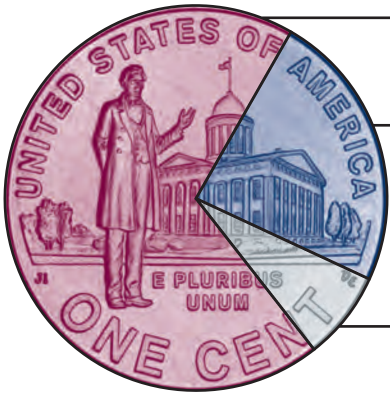
Index (Large Cap)	
RhumbLine Advisors, L.P. (5/06)	$719,506,957
Enhanced Index (Large Cap)	
Barclays Global Investors (6/05)	526,540,691
Pacific Investment Management Company, L.L.C. (8/91)	587,449,670
Piedmont Investment Advisors, L.L.C. (2/07)	89,848,252
T. Rowe Price Associates, Inc. (6/05)	601,397,046
Large Cap Core	
Analytic Investors, L.L.C. (12/07)	450,655,548
J.P. Morgan Investment Management, Inc. (12/07)	450,683,214
Large Cap Value	
Dodge & Cox (4/00)	599,783,150
EARNEST Partners, L.L.C. (2/02)	90,041,222
RhumbLine Advisors, L.P. (11/08)	156,468,796
Robeco Boston Partners Asset Management, L.P. (1/03)	432,217,575
Large Cap Growth	
T. Rowe Price Associates, Inc. (11/06)	445,822,367
Turner Investment Partners, Inc. (6/04)	628,563,915
Wellington Management Company, L.P. (11/07)	280,749,128
Index (Small/Mid Cap Core)	
Rhumbline Advisors, L.P. (5/07)	226,007,238
Small/Mid Cap Value	
Boston Company Asset Management, L.L.C. (7/08)	182,825,539
Cramer Rosenthal McGlynn, L.L.C. (3/09)	125,061,320
LSV Asset Management (12/02)	411,016,976
State Street Global Advisors (6/06)	110,745,495
Small/Mid Cap Growth	
Boston Company Asset Management, L.L.C. (3/09)	125,247,956
Copper Rock Capital Partners, L.L.C. (12/06)	157,863,907
Fred Alger Management, Inc. (12/07)	135,379,314
Mazama Capital Management, Inc. (1/03)	147,821,249
Tygh Capital Management, Inc. (6/06)	211,230,760
Small Cap Growth	
Emerald Advisors, Inc. (11/04)	174,045,350
Mazama Capital Management, Inc. (11/04)	123,032,076
Small Cap Value	
AQR Capital Management, L.L.C. (11/06)	182,052,561
Thompson, Siegel & Walmsley, Inc. (11/04)	159,064,367
Emerging Manager	
Credo Capital Management (6/09)	25,272,136
Denali Advisors, L.L.C. (4/08)	33,298,359
Fiduciary Management Associates, L.L.C. (2/07)	36,119,784
Lombardia Capital Partners, L.L.C. (2/07)	31,189,342
Ranger Investment Management (7/08)	30,555,230
Transition Manager	
Barclays Global Investors (6/08)	176,617,696

Note: The list does not include managers terminated prior to June 30, 2009 with residual assets in the account.

Discussion of U.S. Equity

Investment managers are chosen to diversify the portfolio on both a capitalization and style basis. This diversification is important for controlling the risk of the portfolio, as well as balancing the portfolio against the broad benchmark and economy.

Capitalization



Market Style

Source: TRS Investment Policy

The declines in the domestic equity market that began in October 2007 accelerated in late 2008 as the global financial crisis led to a massive market selloff and stock prices reflected the potential of an economic depression. The broad U.S. stock market (Russell 3000 Benchmark) hit a month-end low in February 2009, down 42 percent for the fiscal year and 51 percent since the October 2007 peak. The market recovered sharply beginning in March 2009 as economic expectations improved following passage of several stimulus initiatives by the federal government. The TRS domestic equity portfolio was down 27.3 percent for the fiscal year and lagged its Russell 3000 benchmark by approximately 0.7 percent. The underperformance was driven by a fearful and turbulent stock market that caused a significant disconnect between stock valuations and the true fundamental value of U.S. companies. The TRS portfolio did manage to outperform the benchmark during the last six months of the fiscal year as fundamental valuation returned to the market.

Statistical Data

The following 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 investible U.S. equity market.

TRS Domestic Equity as of June 30, 2009

Characteristic	TRS Domestic Equity	Russell 3000 Index
Weighted Average Market Cap (billions)	$37.2	$58.7
Price/Earnings Ratio	23.4x	19.8x
Dividend Yield	1.7%	2.2%
Beta	1.1	1.0
5-Year EPS Growth	16.5%	13.8%
Price/Book Ratio	2.9x	3.0x

Source: State Street Bank and Trust

U.S. Equity – Diversification by Industry Sector for Year Ending June 30, 2009

Sector	TRS Domestic Equity Weighting	Russell 3000 Index Weighting
Commingled Funds	5.6%	0.0%
Consumer Discretionary	11.9	11.0
Consumer Durables	5.3	9.3
Energy	7.4	10.9
Financial Services	14.2	14.6
Health Care	13.4	13.6
Industrials	10.2	11.0
Materials	3.3	4.0
Private Placement	5.5	0.0
Technology	18.3	17.9
Telecommunication Services	2.3	3.3
Utilities	2.6	4.4
Total	**100.0%**	**100.0%**

Source: State Street Bank and Trust

International Equity

International equity, or common stock, represents shares or units of ownership in public corporations domiciled outside the United States. International investing provides important diversification benefits to the TRS portfolio. While the international economy has increasingly become more global in nature, not all economies move in tandem. TRS's international equity managers are able to participate in the strength of individual markets, thus enhancing the TRS total portfolio. Additionally, corporations worldwide have expanded their global reach. The international equity portfolio is able to seek out superior companies operating multinationally, or companies that are particularly strong in their own markets or industries.

For the year ended June 30, 2009, the international equity asset class declined 31.9 percent on a net of fee basis compared to the Morgan Stanley Capital International (MSCI) All Country World Excluding U.S. Free Index (identified as Non-U.S. Equity Index in the following references) loss of 30.5 percent. One-, three-, five-, and 10-year comparisons to this benchmark are in the following table:

	FY09	3-Year	5-Year	10-Year
TRS, net of fees	**(31.9%)**	**(6.6%)**	**4.0%**	**3.3%**
Non-U.S. Equity Index	(30.5)	(5.3)	5.0	2.9

The following table lists the top 10 international equity holdings of active managers as of June 30, 2009. As is evident in the holdings list, these investments are diversified geographically and include companies that are dominant within their industry and familiar to the U.S. economy. These securities represent 10.3 percent of the total international equity holdings. A complete listing of investment holdings is available as a separate report.

Top 10 International Equity Holdings at June 30, 2009

Firm	Country	Market Value (USD)
Telefonica	Spain	$76,367,046
BP	United Kingdom	68,769,483
GlaxoSmithKline	United Kingdom	67,317,119
Nestle	Switzerland	63,132,499
Canon, Inc.	Japan	60,141,791
BG Group	United Kingdom	53,603,781
Carrefour Group	France	44,059,539
Deutsche Telekom	Germany	43,792,153
China Mobile Ltd.	China	43,435,103
France Telecom	France	42,952,625
Total		**$563,571,139**

Source: State Street Bank and Trust

At June 30, 2009, 19.1 percent of the TRS investment portfolio was assigned to international equity managers. TRS employed the following international equity managers including their respective assets under management.

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

Large Cap Growth	
Jarislowsky, Fraser Limited (8/05)	$296,588,897
McKinley Capital Management, Inc. (8/05)	758,391,171
Trilogy Global Advisors, L.L.C. (8/07)	277,481,930
State Street Global Advisors (8/05)	258,715,374
Large Cap Value	
Brandes Investment Partners, L.P. (2/98)	821,555,053
Mondrian Investment Partners Limited (4/93)	843,854,091
Enhanced Index	
State Street Global Advisors (8/07)	272,238,980
Small Cap	
American Century Global Investment Management, Inc. (6/08)	134,085,444
Dimensional Fund Advisors, L.P. (6/08)	177,314,248
Putnam Advisory Company, L.L.C. (3/09)	120,873,610
State Street Global Markets (8/07)	61,320,362
Passive Non-U.S.	
Barclays Global Advisors (5/07)	201,439,733
State Street Global Markets (6/09)	285,426,632
Emerging Markets	
Aberdeen Asset Management, Inc. (3/08)	281,796,133
Grantham, Mayo, Van Otterloo & Co., L.L.C. (3/03)	640,674,262

Note: The list does not include managers terminated prior to June 30, 2009 with residual assets in the account.

Discussion of International Equity

The International Equity Manager Structure table provides a further breakdown of the styles within the international equity portfolio. The actual allocation will become more aligned with the targets as TRS prudently rebalances investments from transitional passive assets to active core accounts while implementing the asset allocation study approved in FY07.

International Equity Manager Structure

International Equity Classification	Target	Actual
Enhanced Passive Non-U.S.	11.5%	15.1%
Active Core	60.0	59.2
Small Cap	12.0	9.0
Emerging Markets	16.5	16.7
Total	**100.0%**	**100.0%**

International equity markets posted significant losses for the year ended June 30, 2009, falling 30.5 percent as measured by the MSCI All Country Ex-U.S. Free Index ("ACWI"). As with the U.S. market, international stocks declined sharply during the first half of the fiscal year as markets reacted to the global financial crisis. Following initial signs of stability, international stocks then posted strong gains through the end of the fiscal year. Overall, the unprecedented level of market volatility made active management challenging over the period.

The emerging markets region, which is developing economies in the international markets and represents 21.0 percent weighting of the international index, was the most volatile. It fell 46.9 percent during the first half of the fiscal year, yet rebounded strongly during the second half, returning 38.3 percent. Within the emerging markets, the Far East region was the best performer, led by India and China's modest losses of 5.02 and 8.15 percent, respectively. In the developed portion of the non-U.S. markets, Hong Kong, which represents 1.7 percent in the international index, was the best-performing market for the year ended June 30, 2009, losing15.4 percent. Hong Kong benefited from its exposure to the strong Chinese economy. Europe, the largest international equity region representing 46.0 percent of the MSCI ACWI Index, dropped more compared to the broad market advance, depreciating by 34.0 percent. Ireland was the worst-performing European country due to its heavy financial exposure, dropping 66.4 percent.

The TRS international equity portfolio recorded negative returns for FY09 losing 31.9 percent, net of fees, and underperforming its index by 1.4 percent. The portfolio's defensive positioning posted solid relative performance during the market crisis outperforming its benchmark by 1.4 percent, but this defensive stance failed to fully participate in the strong rally that finished the fiscal year.

At the sector level, the TRS portfolio was underexposed to basic materials and energy sectors. The portfolio's underweight to these sectors benefited the portfolio during the market crisis, but has been a detractor as these sectors have rebounded strongly relative to most others. These industries are often considered much more cyclical in nature and do not possess the long-term quality sought by TRS international equity managers.

Portfolio Characteristics

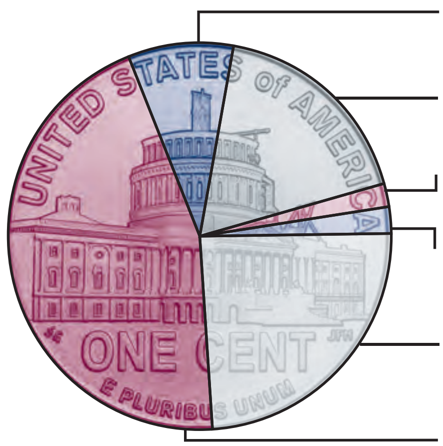
The next two charts convey the fundamental characteristics and the regional exposure of the international equity portfolio.

International Equity Fundamental Characteristics

Characteristic	TRS International Equity	Non-U.S. Equity Index
Weighted Average Market Cap (billions)	$31.9	$11.2
Price/Earnings Ratio	15.0x	15.3x
Dividend Yield	3.4%	3.4%
Price/Book Ratio	2.3x	2.2x

Source: State Street Bank and Trust Company

Regional Allocation Comparison June 30, 2009
TRS International Equity Exposure



Global Fixed Income

Global fixed income is a financial obligation of an entity including, but not limited to, U.S. and foreign corporations, governments, agencies, indices, or municipalities. These entities promise to pay a specified sum of money at a future date and represent a contractual obligation of a debt or a loan. The issuer of debt is the borrower of capital and the purchaser, or holder of bonds, is the creditor or lender.

Global fixed income is an important asset class in a well-diversified portfolio; these investments can reduce volatility, offer negative correlation to other asset classes and provide income streams, or coupons, essential to the growth of the overall portfolio.

For the year ended June 30, 2009, TRS's fixed income managers earned a 4.9 percent return, net of fees, compared to the 6.1 percent return of the benchmark, the Barclays Capital Aggregate Index. For periods longer than two years, TRS utilized a blended index of U.S. and non-dollar targets.

One-, three-, five-, and 10-year comparisons to the relative benchmarks are noted below:

	FY09	3-Year	5-Year	10-Year
TRS, net of fees	**4.9%**	**5.3%**	**4.5%**	**5.4%**
TRS Fixed Income Index	6.1	6.4	5.0	5.8

The following table lists the top 10 global fixed income securities held by all TRS's managers as of June 30, 2009. These securities represent 9.6 percent of the total fixed income assets. To-be-announced (TBA) mortgages are underlying contracts on mortgage-backed securities (MBS) to buy or sell a MBS which will be delivered at an agreed-upon date in the future. A complete listing of investment holdings is available as a separate report.

Top 10 Global Fixed Income Holdings at June 30, 2009

Security/Position	Rate	Market Value
Federal National Mortgage Association TBA	6.00%	$185,278,500
Federal National Mortgage Association TBA	5.00	72,842,051
Freddie Mac	0.94	61,384,036
Federal National Mortgage Association TBA	5.50	54,242,500
Federal National Mortgage Association TBA	5.00	48,870,000
Goldman Sachs CT High Yield Fund	-	47,943,707
U.S. Treasury Inflation Index-linked Bond	2.13	41,387,594
Goldman Sachs CT Emerging Markets Debt Implementation Fund	-	35,743,487
U.S. Treasury Bond	4.25	31,476,912
Small Business Administration	4.86	29,673,466
Total		**$608,842,253**

Source: State Street Bank and Trust and TRS

At June 30, 2009, 18.6 percent of the TRS investment portfolio was assigned to global fixed income managers. The following table categorizes manager assignments by core plus, international, enhanced indexed, and long duration. It excludes fixed income assets managed by other asset classes as part of other underlying strategies.

Core plus managers are firms with particular skills in the extended bonds markets, such as high yield, non-dollar denominated, and out-of-benchmark investments. Following defined parameters, these managers seek to offer enhanced returns while maintaining a similar risk profile to that of the index.

Global Fixed Income Managers and Assets Under Management (inception date of account)

Core Plus	
Dolan McEniry Capital Management, L.L.C. (5/06)	$154,995,824
EARNEST Partners Limited, L.L.C. (2/02)	145,063,749
Goldman Sachs Asset Management, L.P. (5/06)	1,070,342,834
Pacific Investment Management Company, L.L.C. (7/82)	1,231,861,302
Pacific Investment Management Company, L.L.C. (4/09)	210,005,679
Taplin, Canida & Habacht (3/04)	459,586,391
International	
Franklin Advisers, Inc. (2/08)	502,996,535
Enhanced Indexed	
Prudential Investment Management, Inc. (12/08)	843,863,904
Long Duration	
Loomis Sayles & Company, L.P. (6/08)	629,302,061

Note: This list does not include certain mangers terminated prior to June 30, 2009 with residual assets in the account.

Discussion of Global Fixed Income

As of June 30, 2009, the TRS global fixed income portfolio underperformed its assigned benchmark by 1.2 percent. Longer-term returns are more in line with the assigned index. As the market recovered from the financial deleveraging and credit crisis of late 2008, the flight to quality was evident.

From July through December 2008, all government-related securities outperformed other debt sectors as investors' overwhelming priority was safety. As liquidity improved in early 2009, investors began to re-enter the broader market and the performance of non-treasury holdings improved dramatically. While the portfolio lagged early in the year, TRS was well positioned to take advantage of this market recovery and began to outperform the benchmark by wide margins late in the year.

The following data provides statistical information on TRS's global fixed income portfolio.

Statistical Data

Global Fixed Income Profile

Characteristic	TRS Fixed Income Portfolio 6/30/09	Barclays Capital Aggregate Index 6/30/09	TRS Fixed Income Portfolio 6/30/08	Barclays Capital Aggregate Index 6/30/08
Average Maturity	7.8 years	5.9 years	9.9 years	7.5 years
Effective Duration	4.8 years	4.2 years	4.7 years	4.7 years
Average Coupon	5.0%	5.0%	5.2%	5.4%
Average Quality Rating	Aa3	Aaa	Aa1	Aa2
Current Yield	5.5%	4.8%	5.3%	5.3%

Source: State Street Bank and Trust

Diversification by Quality Rating for Global Fixed Income Portfolios

Moody's Quality Rating	2009	2008
Agency	1.0%	5.4%
Aaa*	51.9	60.9
Aa1 through Aa3	5.9	8.8
A1 through A3	13.4	9.8
Baa1 through Baa3	15.8	9.0
Ba1 through Ba3	4.6	1.7
B1 through B3	2.9	1.4
Other**	4.5	3.0
Total	**100.0%**	**100.0%**

** Aaa includes Treasury securities*

*** Other includes under B3 and unrated securities.*

Note: Chart includes enhance equity indexed underlying bond holdings.

Source: State Street Bank and Company and TRS

Real Return

The real return asset class is a recognition of the significant impact inflation can have on an investment portfolio and its return objectives. Traditional asset classes, such as stocks and bonds, tend to perform well in periods of stable or falling inflation. However, inflationary periods have historically been very challenging for these asset classes.

The objective of the real return asset class is to exceed the Consumer Price Index by 5.0 percent. Real return strategies are generally less correlated with traditional stock and bond portfolios and provide inflation protection and excess returns during periods of rising inflation while reducing overall risk to the total fund.

For the year ended June 30, 2009, TRS's real return asset class declined 26.2 percent, net of fees, compared to the 3.5 percent return of the benchmark. At June 30, 2009, 7.0 percent of TRS's investment portfolio was assigned to real return managers. TRS employed real return managers to use global inflation-linked, global macroeconomic, and balanced commodities strategies during FY09. As of June 30, 2009, TRS employed the following managers and or funds including their respective assets under management.

Real Return Managers and Assets Under Management (inception date of account)

Global Inflation-linked Bonds	
New Century Advisors, L.L.C. (2/08)	$23,331,003
Pacific Investment Management Company, L.L.C. (5/07)	209,771,741
Western Asset Management Company (2/05)	201,244,676
Global Macroeconomic Strategies	
AQR Global Risk Premium Tactical Offshore Fund II, Ltd. (7/07)	294,008,574
Bridgewater All Weather Portfolio Offshore Limited (7/07)	437,796,800
Wellington Management Company -	
Diversified Inflation Hedges Portfolio, L.L.C. (9/07)	458,434,693
Commodities	
Gresham Investment Management Company, L.L.C. (3/09)	114,190,915
PIMCO Commodity Real Return Fund, L.L.C. (3/08)	103,493,755
Schroder Commodity Offshore Portfolio, L.L.P. (3/08)	136,205,675

Discussion of Real Return

The real return asset class produced a very strong return of 20.5 percent in FY08. As a result, TRS took profits totaling over $335 million from this asset class during FY09. As the global markets reacted to the credit crisis, widespread selling of commodities and inflation-linked investments had a material impact on the portfolio. As a fund diversifier and inflation hedge, the real return asset class modestly outperformed the broad U.S. and international stock markets indices. TRS continues to prudently increase its investment in the real return asset class and expects to reach its long-term target of 10.0 percent in FY10.

Real Return Interim Targets and Actual Allocation as of June 30, 2009

Real Return Subclasses	Target	Actual
Global Inflation-linked Bonds	20.0%	21.9%
Global Macroeconomic Strategies	70.0	60.2
Commodities	10.0	17.9
Total	**100.0%**	**100.0%**

Private Equity

Private equity includes investments that are placed and traded outside of the stock exchanges and other public markets. Over the long term, they are an attractive investment for pension funds, endowments, insurance companies, and other sophisticated investors. The investment class benefits the economy by providing needed capital to start-up companies and for continued growth in privately held companies and firms that are restructuring to better compete. There is additional risk investing in private equity, but with skillful selection of managers, returns can be significantly higher than public equity investments.

The asset class is commonly referred to as private equity, even though it includes privately placed debt instruments. Often, the debt includes a control position that is similar to equity because it allows the debt holder to influence the operations and management of the company. TRS is widely diversified across all sub-sectors within private equity, including buyout, venture capital, subordinated debt, and distressed debt.

TRS measures private equity performance using the Russell 3000 stock index plus 300 basis points (3 percentage points). The benchmark does not specifically compare performance to the private equity industry, but rather to the TRS long-term expectation that private equity produce returns superior to the public markets. For the one-year period ending June 30, 2009, private equity outperformed the benchmark by 6.4 percentage points.

In general, an investor must look at a much longer-term investment horizon to measure the success of a private equity program. TRS's investments in private equity maintain a very strong long-term return, outperforming the benchmark by 10.1 percent over the 10-year period. This performance, as well as the performance of the private equity portfolio since TRS first began investing in private equity, is well above expectations. One-, three-, five-, and 10-year comparisons to this benchmark are noted in the following table:

	FY09	3-Year	5-Year	10-Year
TRS, net of fees	**(17.9%)**	**3.1%**	**10.3%**	**12.1%**
Russell 3000 Index + 3.0%	(24.3)	(5.5)	1.2	2.0

At June 30, 2009, 8.2 percent of the TRS investment portfolio was assigned to the private equity asset class. The long-term target for private equity is 8 percent of the total fund. The following chart lists the private equity partnerships/funds (and the respective assets under management) that TRS has hired or made commitments as of June 30, 2009.

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

Buyout	
Advent International GPE VI, L.P. (2/08)	$10,798,983
Apollo Investment Fund V, L.P. (5/01)	89,048,342
Apollo Investment Fund VI, L.P. (8/05)	101,839,873
Apollo Investment Fund VII, L.P. (8/07)	56,956,263
Banc Fund VI, L.P. (12/02)	28,549,315
Banc Fund VII, L.P. (5/05)	17,865,542
Carlyle Partners IV, L.P. (12/04)	79,793,704
Carlyle Partners V, L.P. (5/07)	52,581,672
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	56,349,010
Carlyle/Riverstone Global Energy and Power Fund III, L.P. (2/06)	91,854,712
Castle Harlan Partners IV, L.P. (5/03)	22,632,541
Code Hennessy & Simmons V, L.P. (2/05)	15,809,603
DLJ Merchant Banking Partners II, L.P. (3/97)	8,752,934
DLJ Merchant Banking Partners III, L.P. (9/00)	80,765,658
Elevation Partners, L.P. (2/05)	16,645,340
Energy Capital Partners I, L.P. (2/06)	10,005,494
Evercore Capital Partners II, L.P. (4/03)	32,660,506
GI Partners (1/09)	3,305,359
Glencoe Capital Partners III, L.P. (1/04)	14,090,426
Glencoe Capital Institutional Partners III, L.P. (6/04)	3,246,009
Green Equity Investors V, L.P. (2/07)	24,160,671
GTCR Fund VII/VIIA, L.P. (3/00)	1,694,129
GTCR Fund VIII, L.P. (7/03)	28,503,957
Hispania Private Equity, L.P. (5/04)	987,704
ICV Partners II, L.P. (12/05)	6,607,051
J.C. Flowers II, L.P. (2/07)	17,672,912
KKR 1996 Fund, L.P. (5/97)	7,771,733
Madison Dearborn V, L.P. (7/06)	55,337,970
MBK Partners (5/09)	5,278,025

Continued

Mesirow Capital Partners VII, L.P. (6/97)	$864,703
New Mountain Partners III, L.P. (5/07)	21,501,792
Onex Partners III, L.P. (04/09)	1,028,829
PAI Europe V, L.P. (2/08)	7,130,084
Pine Brook Capital Partners, L.P. (12/07)	10,093,935
Providence Equity Partners VI, L.P. (3/07)	48,247,893
Reliant Equity Partners, L.P. (6/04)	215,046
Riverstone/Carlyle GL IV (12/07)	29,378,228
Silver Lake Partners III, L.P. (2/07)	14,056,941
TCW/Latin America Private Equity Partners, L.P. (5/97)	7,225
Thayer Equity Investors V, L.P. (5/03)	32,946,516
TPG Partners IV, L.P. (12/03)	28,860,016
TPG Partners VI, L.P. (4/08)	2,210,274
Trilantic Capital Partners III, L.P. (2/05)	35,316,594
Trilantic Capital Partners IV, L.P. (2/07)	11,146,188
Trivest Fund II, Ltd. (6/96)	872,009
Vicente Capital Partners Growth Equity Fund, L.P. (2/08)	2,225,732
Vista Equity Partners Fund III, L.P. (10/07)	29,157,284
VS&A Communications Partners II, L.P. (9/95)	2,128,736
VSS Communication Partners IV, L.P. (2/05)	28,725,274
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P. (8/05)	45,457,677
Windpoint Partners VI, L.P. (5/05)	13,550,365
WPG Corporate Development Associates V, L.P. (11/97)	1,080,815
Distressed Debt	
Avenue Europe Special Situations Fund, L.P. (5/08)	22,998,170
Avenue Special Situations Fund V, L.P. (8/07)	66,936,645
Carlyle Strategic Partners, L.P. (2/04)	8,444,540
Clearlake Capital Partners, L.L.C. (5/09)*	0
MatlinPatterson Global Opportunities Fund II, L.P. (1/04)	31,803,618
MatlinPatterson Global Opportunities Fund III, L.P. (6/07)	39,200,704
MatlinPatterson Preferred II (3/09)	4,500,000
OCM Opportunities Fund V, L.P. (6/04)	4,714,673
OCM Opportunities Fund VIIb, L.P. (12/07)	85,044,461
OCM European Principal Opportunities Fund II, L.P. (8/08)	30,524,363
Subordinated Debt	
Maranon Mezzanine Fund, L.P. (6/09)*	0
Merit Mezzanine Fund IV, L.P. (2/04)	44,916,496
Prism Mezzanine Fund, L.P. (5/04)	7,068,276
SW Pelham Fund II, L.P. (9/03)	10,964,749
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P. (2/05)	34,840,057
William Blair Mezzanine Capital Fund II, L.P. (5/97)	6,523,050
William Blair Mezzanine Capital Fund III, L.P. (1/00)	11,144,647
Venture Capital	
21st Century Communications T-E Partners, L.P. (2/95)	309,706
Apex Investment Fund III, L.P. (6/96)	38
Apex Investment Fund V, L.P. (8/03)	13,545,915
Carlyle Venture Partners II, L.P. (10/02)	88,230,457
Carlyle Venture Partners III, L.P. (6/07)	22,815,181
Edgewater Growth Capital Partners, L.P. (11/03)	16,232,193
Edgewater Growth Capital Partners II, L.P. (2/05)	17,859,374
Evergreen Partners IV, L.P. (12/02)	15,559,937
Evergreen Partners V, L.P. (6/07)	9,444,609
Granite Ventures II, L.P. (5/05)	7,238,843
HealthPoint Partners, L.P. (6/04)	35,956,447
Hopewell Ventures, L.P. (6/04)	2,604,919

* Partnership was not funded at June 30, 2009. Date reflects the TRS Board of Trustees' approval.

Continued

Illinois Emerging Technologies Fund, L.P. (6/04)	$1,631,832
Longitude Venture Partners, L.P. (2/08)	6,242,149
SCP Private Equity Partners, L.P. (5/97)	1,158,104
SCP Private Equity Partners II, L.P. (6/00)	57,212,012
Shasta Ventures, L.P. (12/04)	16,213,429
Starvest Partners, L.P. (1/09)	1,611,089
Technology Crossover Ventures VII, L.P. (10/07)	2,114,829
VantagePoint Venture Partners IV, L.P. (6/00)	56,558,968
VantagePoint Venture Partners 2006, L.P. (12/06)	18,721,920
Warburg Pincus International Partners, L.P. (9/00)	59,148,117
Warburg Pincus International Partners IX, L.P. (8/05)	92,218,738
Warburg Pincus Private Equity X, L.P. (8/07)	64,398,342
WPG Enterprise Fund II, L.P. (8/94)	10,538,052
WPG Enterprise Fund III, L.P. (3/97)	9,078,231

Discussion of Private Equity

At June 30, 2009, following five years of positive returns, TRS's private equity portfolio declined 17.9 percent. The return still outperformed the benchmark by 6.4 percent. With the overall strength of the program and the asset class's diversification benefits to the overall portfolio, the TRS Board of Trustees affirmed its commitment to private equity, raising the long-term target to 10.0 percent, effective FY10. As such, TRS continues to steadily and prudently increase its exposure to private equity, with the full target allocation to the asset class expected in FY10 or FY11. Successful implementation of this target is subject to many factors, including public market performance and sufficient availability of quality opportunities in the market. The following chart provides a further breakdown of TRS's targeted style allocation as compared to the actual allocation at June 30, 2009.

Private Equity Target and Actual Allocation as of June 30, 2009

Subclasses	Target	Actual
Buyout	60-70%	53.8%
Venture Capital	10-20	26.7
Special Situations/Distressed Debt/Subordinated Debt	5-15	19.5
Total		**100.0%**

Source: TRS

TRS made new commitments to 13 separate funds totaling close to $700 million during the fiscal year. Included in this total were funds that can strategically benefit during recessionary or distressed-market environments. As part of the System's plan to diversify the private equity portfolio on a geographic basis, TRS also entered into its first Asian domiciled fund within the fiscal year. For FY10, the TRS private equity tactical plan calls for new commitments of approximately $800 to $1,200 million within the asset class.

Absolute Return

Along with the real return asset class, the absolute return class was established as a result of the FY07 asset allocation study. Like the addition of real return assets, investments in the absolute return class are designed to reduce the risk and volatility of the overall TRS portfolio.

Investments in this asset class are administered via both direct managers and diversified fund of funds. At June 30, 2009, the long-term target of the absolute return asset class is 2.5 percent of the overall TRS investment portfolio. Managers in this strategy are benchmarked a relative risk-free index of 90-Day Treasury Bills + 4.0 percent.

For the year ended June 30, 2009, TRS's absolute return investment asset class declined 13.9 percent, net of fees, compared to the 5.0 percent return of the benchmark. FY09 was the second full year of implementation for the absolute return asset class.

At June 30, 2009, 2.5 percent of TRS's investment portfolio was assigned to absolute return managers. As of June 30, 2009, TRS employed the following managers including their respective assets under management.

Absolute Return Managers and Assets Under Management (inception date of account)

Diversified	
Bridgewater Pure Alpha Fund I (1/09)	$171,559,497
Diversified Fund of Funds	
Grosvenor Monarch Fund, L.L.C. (6/07)	216,083,518
K2 Bluegill Fund, L.L.C. (6/07)	332,211,848

Discussion of Absolute Return

The absolute return portfolio lagged its benchmark in FY09 due to modest exposure to equities combined with significant market declines. However, performance was significantly better than the broad U.S. equity markets (the S&P 500 stock index declined 26.2 percent for the year). While the underperformance for the fiscal year is disappointing, it is within expectations given the extreme market environment. The initial portfolio target of 2.5 percent allocation was completed in January 2009 with the addition of Bridgewater Pure Alpha Fund I and additional incremental funding of K2 Bluegill Fund. TRS will continue implementation of this asset class toward its new 5.0 percent target allocation over the coming fiscal year.

Real Estate

Real estate investments are direct investments or ownership in land and buildings including apartments, offices, warehouses, shopping centers, and hotels. TRS also holds partnership interests in entities that purchase and manage property and pass rent and sale income back to TRS. Investment in real estate is intended to increase the TRS total portfolio long-term rate of return and reduce year-to-year volatility.

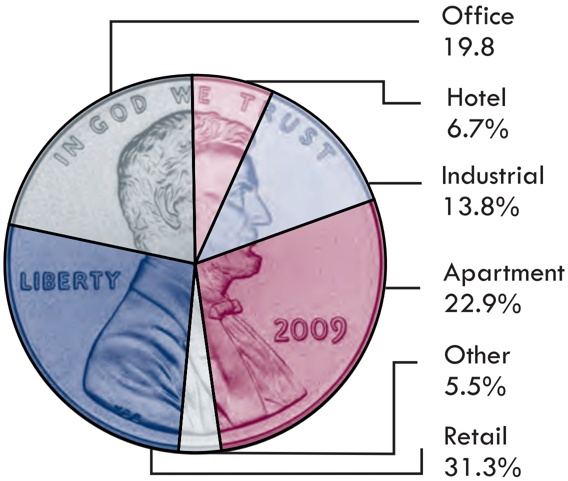
The real estate asset class offers competitive returns, provides diversification benefits to portfolios of stocks and bonds, and also serves as a hedge against inflation. Additionally, real estate offers a strong income component to pay TRS benefits.

As of June 30, 2009, TRS held $3.4 billion in real estate assets, or 11.9 percent of the total fund portfolio. For the fiscal year, TRS's real estate investments declined 30.0 percent. Real estate performance and benchmark comparison are noted in the following table:

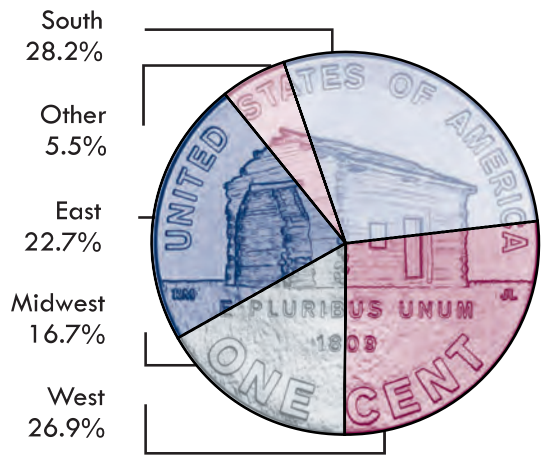
	FY09	3-Year	5-Year	10-Year
TRS, net of fees	**(30.0%)**	**(2.9%)**	**5.5%**	**7.0%**
Real Estate Property Index	(19.6)	1.0	7.6	8.5

To enhance returns and reduce risk, TRS acquires high quality properties diversified geographically and by property type. TRS's real estate holdings by type and geography are exhibited in the following charts.

Real Estate Holdings by Type as of June 30, 2009



Geographic Diversification of Real Estate Holdings as of June 30, 2009



Professional real estate advisors manage real estate owned by TRS. Separate account managers administer TRS's direct investments in real estate assets. Closed-end and open-end accounts represent partnership interests in real estate funds including TRS's international real estate accounts. As of June 30, 2009, TRS employed the following managers including their respective assets under management.

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

Separate Accounts	
Capri/Capital Advisors, L.L.C. (12/91)	$597,963,351
Cornerstone Real Estate Advisors, L.L.C. (7/08)	259,545,217
Cozad/Westchester Asset Management, Inc. (5/91)*	7,446,504
Commonwealth Realty Advisors, Inc. I (9/91)	864,095,785
Invesco Institutional (N.A.), Inc.	224,523,081
Koll Bren Schreiber Realty Advisors I (6/93)	276,077,189
Koll Bren Schreiber Realty Advisors II (5/96)*	1,886
LPC Realty Advisors I, Ltd. (7/92)	234,411,865
LPC Realty Advisors Core, Ltd. (4/07)	18,244,859
Stone-Levy, L.L.C. (4/95)	126,396,819
Closed End Accounts	
Beacon Capital Partners V, L.P. (8/07)	23,670,038
Blackstone Real Estate Partners VI, L.P. (9/07)	10,032,953
Capri/Capital Apartment Fund III (3/90)	106,464,168
Capri Select Income Fund II, L.L.C. (12/05)	9,069,030
Carlyle Realty Partners IV, L.P. (6/05)	42,494,298
Cornerstone Hotel Income & Equity Fund II, L.P. (7/08)	3,853,117
DLJ Real Estate Capital Partners, Inc. (3/96)*	562,417
JBC Opportunity Fund II, L.P. (7/03)	23,812,926
JER Real Estate Partners III, L.P. (1/05)	37,887,673
RLJ Lodging Fund II, L.P. (9/06)	37,999,214
RLJ Lodging Fund III, L.P. (8/08)	1,613,608

* *In liquidation mode.*

Continued

Thayer Hotel IV, L.P. (5/04)	$14,371,102
Walton Street Capital IV, L.L.C. (7/03)	54,317,194
Walton Street Capital VI, L.L.C. (4/09)	1,064,416
Open End Accounts	
Hines U.S. Core Office Fund, L.P. (12/05)	114,889,878
Lion Industrial Trust (4/05)	166,843,712
International Real Estate Accounts	
Carlyle Europe Real Estate Partners, L.P. (6/03)	42,558,561
Carlyle Europe Real Estate Partners III, L.P. (9/07)	13,979,068
CB Richard Ellis Strategic Partners Europe III (4/07)	39,609,191
CB Richard Ellis Strategic Partners U.K. III (5/07)	14,340,035
LaSalle Asia Opportunity Fund III, L.P. (11/07)	2,183,919
MGPA Asia Fund III, L.P. (12/07)	10,503,199

Discussion of Real Estate

The TRS real estate portfolio was not immune to the turmoil felt in the economic markets and the write-downs experienced in the portfolio were indicative of global market conditions. The real estate portfolio declined to 11.9 percent of the TRS investment portfolio, down from 12.5 percent in FY08. TRS continues to maintain a long-term target allocation of 14 percent to real estate. Throughout FY09, real estate property fundamentals continued to deteriorate with occupancy levels and rental receipts experiencing downward pressure. The transaction market remained constrained as real estate investors were reluctant to purchase or sell properties given current market pricing and an overall lack of available credit. In an effort to enhance returns, TRS will continue its efforts to move toward the 14 percent target allocation by upgrading the portfolio with opportunistic property acquisitions and dispositions, as well as further diversification into international investments utilizing highly-qualified international fund managers.

Brokerage Activity

The following table shows the top 50 listed brokers used by TRS external equity managers for the years ended June 30, 2009 and 2008. TRS also manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2009, TRS recaptured $0.9 million in cash that was reinvested in the fund. In addition, TRS uses a portion of these commission recapture refunds to pay for Investment Department expenses. During FY09, TRS used $2.0 million of recaptured funds to offset expenditures.

Top 50 Brokers Used by TRS Managers

Broker	FY09 Commission	FY08 Commission
Merrill Lynch & Co., Inc. and all Subsidiaries (Worldwide)	$2,250,354	$4,331,740
J.P. Morgan Securities, Inc. (Worldwide)	1,437,635	1,297,380
Goldman Sachs & Co. (Worldwide)	1,399,255	3,071,886
Credit Suisse (Worldwide)	1,316,792	1,321,142
Morgan Stanley & Co., Inc. and Subsidiaries (Worldwide)	1,103,759	2,253,082
UBS Warburg Securities and all Subsidiaries (Worldwide)	897,741	863,445
Instinet, L.L.C. (Worldwide)	809,675	308,801
Citigroup, Inc. and all Subsidiaries (Worldwide)	795,827	1,062,492
Deutsche Bank & Securities (Worldwlde)	750,059	842,254
Bank of New York Mellon (Worldwide)	667,392	659,766
Investment Technology Group, Inc. (Worldwide)	649,913	651,209
State Street Brokerage Services (Worldwide)	643,821	259,487
Liquidnet, Inc.	620,586	661,182

Continued

Broker	FY09 Commission	FY08 Commission
Barclays (Worldwide)	$577,860	$0
Jefferies & Company	347,209	494,142
Lynch Jones & Ryan	325,372	0
Ivy Securities, Inc.	313,267	354,734
Banc of America Securities	307,590	382,367
Cabrera Capital Markets, Inc.	279,410	117,261
Macquarie Bank & Securities, Ltd. (Worldwide)	250,924	344,856
M. Ramsey King Securities	197,954	121,544
Weeden & Co.	195,391	106,857
Union Bank of Switzerland (New York)	191,172	299,806
Sanford Bernstein (Worldwide)	169,557	115,749
Bloomberg Tradebook, L.L.C.	165,291	104,944
CL King & Associates, Inc.	161,310	113,092
Baird, Robert W., & Company, Incorporated	139,187	97,252
Raymond James (Worldwide)	138,065	146,250
Pulse Trading, L.L.C.	137,757	179,404
Cantor Fitzgerald	128,026	127,565
Piper Jaffray, Inc.	125,691	184,361
Melvin Securities, L.L.C.	125,353	117,332
Knight Securities, L.P.	125,122	204,425
RBC Dain Rauscher (Worldwide)	125,113	84,784
Oppenheimer & Company, Inc. (Worldwide)	124,991	94,417
SG Cowen & Company (Worldwide)	123,536	176,996
Loop Capital Markets, L.L.C.	123,384	127,384
Stifel Nicolaus & Company (Worldwide)	117,916	74,803
Credit Lyonnais Securities (Worldwide)	116,000	364,804
Williams Capital Group, L.P.	99,546	117,918
Thomas Weisel Partners, L.L.C.	97,755	183,514
Pipeline Trading Systems, L.L.C.	97,075	119,156
Magna Securities Corp.	91,537	130,186
ABN AMRO Securities (Worldwide)	91,464	235,407
Cazenove & Co. (Worldwide)	86,676	130,186
Guzman & Company	86,546	124,622
Cheuvreux De Virieu (Worldwide)	83,933	136,035
Nomura International (Worldwide)	82,250	119,869
Suntrust Robinson Humphrey	78,666	98,144
Wachovia Capital Markets (Worldwide)	75,389	78,411
All others (307 Brokers)	3,470,128	6,386,776
Totals	**$22,916,222**	**$29,979,219**

Source: The Northern Trust Company, State Street Bank and Trust, and TRS

External Manager Fee Payments

For the year ended June 30, 2009, fee payments to external investment managers totaled $161.9 million, a decrease of 3.3 percent from the year ended June 30, 2008. The decrease is attributable to the decline in asset values and the respective fees that are based on average asset values.

Schedule of Investment Manager Fees

Investment Manager/Account	FY09	FY08
21st Century Communication T-E Partners, L.P.	$0	$8,504
Aberdeen Asset Management, Inc.	1,568,764	649,569
Advent International GPE VI, L.P.	1,336,499	0
American Century Global Investment Management, Inc.	577,048	40,156
Analytic Investors, L.L.C.	2,029,793	1,509,108

Continued

Investment Manager/Account	FY09	FY08
Apex Investment Fund III, L.P.	$6,351	$46,088
Apex Investment Fund V, L.P.	444,375	455,624
Apollo Investment Fund V, L.P.	0	0
Apollo Investment Fund VI, L.P.	0	0
Apollo Investment Fund VII, L.P.	2,959,834	1,888,954
AQR Capital Management, L.L.C.	1,422,684	2,031,230
AQR Global Risk Premium Tactical Offshore Fund II, Ltd.	1,320,950	1,423,467
Avenue Europe Special Situations Fund, L.P.	460,240	57,296
Avenue Special Situations Fund V, L.P.	1,500,000	1,734,246
Banc Fund VI, L.P.	1,001,875	1,001,875
Banc Fund VII, L.P.	793,200	741,045
Barclays Global Investors	1,083,517	1,762,560
Batterymarch Financial Management, Inc.	423,785	1,531,961
Beacon Capital Partners V, L.P.	0	0
BlackRock, Inc.	0	73,792
Blackstone Real Estate Partners VI, L.P.	750,000	541,667
Boston Company Asset Management, L.L.C.	1,490,929	0
Brandes Investment Partners, L.P.	3,182,516	4,842,701
Bridgewater All Weather Portfolio Offshore Limited	1,547,758	1,812,668
Bridgewater Pure Alpha Fund I	2,743,678	0
Capri/Capital Advisors, L.L.C.	2,219,782	4,447,741
Capri/Capital Apartment Fund III	1,496,984	1,496,984
Capri Select Income II, L.L.C.	176,262	189,905
Carlyle Europe Real Estate Partners, L.P.	463,654	232,321
Carlyle Europe Real Estate Partners III, L.P.	1,207,375	1,267,752
Carlyle Partners IV, L.P.	583,146	131,472
Carlyle Partners V, L.P.	2,266,289	1,828,687
Carlyle Realty Partners IV, L.P.	879,141	813,221
Carlyle/Riverstone Global Energy Fund II, L.P.	686,791	819,616
Carlyle/Riverstone Global Energy Fund III, L.P.	638,516	895,307
Carlyle Strategic Partners, L.P.	306,283	371,464
Carlyle Ventures Capital II, L.P.	2,078,111	2,221,839
Carlyle Ventures Capital III, L.P.	1,000,000	1,000,000
Castle Harlan Partners IV, L.P.	198,035	65,220
CB Richards Ellis Strategic Partners Europe III	665,456	725,942
CB Richards Ellis Strategic Partners UK III	519,098	632,783
Clearlake Capital Partners II, L.P.	306,692	0
Code Hennessy & Simmons V, L.P.	0	0
Commonwealth Realty Advisors, Inc.	3,981,517	4,066,582
Copper Rock Capital Partners, L.L.C.	841,135	1,126,051
Cornerstone Hotel Income & Equity Fund II, L.P.	115,942	0
Cornerstone Real Estate Advisors, L.L.C.	1,118,859	0
Cozad/Westchester Asset Management, Inc.	0	2,157,467
Cramer Rosenthal McGlynn, L.L.C.	258,856	0
Credo Capital Management	11,763	0
Denali Advisors, L.L.C.	178,212	45,689
Dimensional Fund Advisors, L.P.	969,157	60,396
DLJ Merchant Banking Partners II, L.P.	142,893	158,446
DLJ Merchant Banking Partners III, L.P.	381,571	374,809
DLJ Real Estate Capital Partners, Inc.	0	0
Dodge & Cox	2,049,411	3,981,071
Dolan McEniry Capital Management, L.L.C.	379,428	92,091
EARNEST Partners, L.L.C.	440,568	684,796
Edgewater Growth Capital Partners, L.P.	28,869	242,073
Edgewater Growth Capital Partners II, L.P.	125,746	95,551

Continued

Investment Manager/Account	FY09	FY08
Elevation Partners, L.P.	$344,560	$285,505
Emerald Advisers, Inc.	1,090,079	1,576,072
Energy Capital Partners I, L.P.	723,968	530,077
Epoch Investment Partners, Inc.	0	190,693
Evercore Asset Management, L.L.C.	13,743	176,345
Evercore Capital Partners II, L.P.	225,177	641,564
Evergreen Partners IV, L.P.	376,659	542,785
Evergreen Partners V, L.P.	312,500	624,999
Fiduciary Management Associates, L.L.C.	252,719	0
Franklin Advisers, Inc.	1,253,125	390,179
Fred Alger Management, Inc.	808,927	642,338
GI Partners	640,874	0
Glencoe Capital Partners III, L.P.	236,775	473,338
Glencoe Capital Institutional Partners III, L.P.	0	0
Goldman Sachs Asset Management, L.P.	1,419,386	1,429,236
Granite Ventures II, L.P.	500,000	470,235
Grantham, Mayo, Van Otterloo & Co., L.L.C.	4,968,639	10,713,143
Green Equity Investors V, L.P.	1,018,815	396,419
Gresham Investment Management Company, L.L.C.	140,495	0
Grosvenor Monarch Fund, L.L.C.	1,698,830	1,874,091
GTCR Fund VII/VIIA, L.P.	553,718	704,205
GTCR Fund VIII, L.P.	351,631	0
HealthPoint Partners, L.P.	566,528	566,528
Hines U.S. Core Office Fund, L.P.	850,000	706,359
Hispania Private Equity, L.P.	174,907	289,269
Hopewell Ventures, L.P.	649,673	538,092
ICV Partners II, L.P.	245,897	265,013
Illinois Emerging Technologies Fund, L.P.	27,849	32,000
ING Investment Management Company	623,791	1,131,825
Invesco Institutional (N.A.), Inc.	1,203,067	0
Jarislowsky, Fraser Limited	745,541	1,032,774
JBC Opportunity Fund II, L.P.	368,839	164,169
J.C. Flowers II, L.P.	116,703	206,977
JER Real Estate Partners III, L.P.	577,675	957,567
JP Morgan Investment Management, Inc.	83,752	29,384
JP Morgan Management Associates, L.L.C.	3,023,572	2,089,885
K2 Bluegill Fund, L.L.C.	2,363,988	2,149,630
KKR 1996 Fund, L.P.	50,819	63,647
Koll Bren Schreiber Realty Advisors	1,338,813	4,667,168
LaSalle Asia Opportunity Fund III, L.P.	1,123,450	1,135,796
Lehman Brothers Asset Management, L.L.C.	166,138	544,200
Lehman Brothers Asset Management Offshore Strategic Commodities Fund, Ltd., sub adviser Gresham Investment Management Company, LLC	327,371	225,854
Lion Industrial Trust	2,125,518	2,078,952
Lombardia Capital Partners, L.L.C.	114,274	0
Longitude Ventures Partners, L.P.	750,000	483,333
Loomis Sayles & Company, L.P.	1,752,336	31,936
LPC Realty Advisors I, Ltd.	2,918,464	2,860,125
LSV Asset Management	2,225,245	3,565,897
MGPA Asia Fund III, L.P.	1,136,095	1,300,506
Madison Dearborn V, L.P.	1,047,446	641,643
Maranon Mezzanine Fund, L.P.	167,898	0
MatlinPatterson Global Opportunities Fund II, L.P.	222,990	536,745
MatlinPatterson Global Opportunities Fund III, L.P.	1,415,420	1,435,398

Continued

Investment Manager/Account	FY09	FY08
Mazama Capital Management, Inc.	$1,926,457	$3,421,775
MBK Partners	553,279	0
McKinley Capital Management, Inc.	3,585,487	5,957,131
Merit Mezzanine Fund IV, L.P.	942,319	836,371
Mesirow Capital Partners VII, L.P.	0	0
Mondrian Investment Partners Limited	1,905,022	2,990,156
New Century Advisors, L.L.C.	67,198	25,242
New Mountain Partners III, L.P.	1,398,065	1,498,494
OCM European Principal Opportunities Fund II, L.P.	0	0
OCM Opportunities Fund V, L.P.	110,695	287,586
OCM Opportunities Fund VIIb, L.P.	1,558,515	261,193
Onex Partners III, L.P.	487,432	0
Pacific Investment Management Company, L.L.C.	1,493,183	7,258,708
PAI Europe V, L.P.	983,155	197,501
Penman Private Equity & Mezzanine Fund, L.P.	0	70,304
Piedmont Investment Advisors, L.L.C.	44,184	47,362
PIMCO Commodity Real Return Fund, L.L.C.	0	0
Pine Brook Capital Partners, L.P.	818,850	382,248
Prism Mezzanine Fund, L.P.	613,272	651,616
Providence Equity Partners VI, L.P.	677,176	545,059
Prudential Investment Management, Inc.	214,927	0
Putnam Advisory Company, L.L.C.	208,650	0
Quantitative Management Associates, L.L.C.	996,807	1,654,000
Ranger Investment Management	214,313	0
Reliant Equity Partners, L.P.	38,548	127,984
RhumbLine Advisers, L.P.	101,551	134,684
Riverstone/Carlyle Global Energy and Power Fund IV, L.P.	1,370,573	786,997
RLJ Lodging Fund II, L.P.	711,834	468,750
RLJ Lodging Fund III, L.P.	1,232,449	0
Robeco Boston Partners Asset Management, L.P.	954,549	1,387,490
Schroder Commodity Offshore Portfolio, L.L.P.	1,219,992	590,894
SCP Private Equity Partners, L.P.	0	0
SCP Private Equity Partners II, L.P.	570,338	1,130,714
Shasta Ventures, L.P.	0	0
Silver Lake Partners III, L.P.	1,183,865	1,094,025
StarVest Partners, L.P.	600,000	0
State Street Bank and Trust Company (Custody)	50,000	0
State Street Global Advisors	513,515	608,387
State Street Global Markets	0	0
Stone-Levy, L.L.C.	730,229	1,240,078
SW Pelham Fund II, L.P.	367,406	304,411
T. Rowe Price Associates, Inc.	3,458,011	5,277,422
Taplin, Canida & Habacht	597,432	664,903
TCW/Latin American Private Equity Partners, L.P.	0	0
Technology Crossover Ventures VII, L.P.	142,663	0
Thayer Equity Investors V, L.P.	368,883	558,760
Thayer Hotel IV, L.P.	143,157	161,270
The Northern Trust Company (Custody)	441,667	550,000
Thompson, Siegel & Walmsley, Inc.	1,443,768	2,092,311
TPG Partners IV, L.P.	0	0
TPG Partners VI, L.P.	1,608,214	610,324
Trilantic Capital Partners III, L.P.	294,431	292,010
Trilantic Capital Partners IV, L.P.	720,250	813,550
Trilogy Global Advisors, L.L.C.	997,862	1,397,618
Trivest Fund II, Ltd.	0	0

Continued

Investment Manager/Account	FY09	FY08
Turner Investment Partners, Inc.	$1,979,053	$3,254,578
Tygh Capital Management, Inc.	1,368,837	2,728,410
VantagePoint Venture Partners IV, L.P.	0	0
VantagePoint Venture Partners 2006, L.P.	3,637,351	0
Vicente Capital Partners Growth Equity Fund, L.P.	300,000	405,833
Vista Equity Partners Fund III, L.P.	535,833	709,971
VS&A Communications Partners II, L.P.	0	0
VSS Communications Partners IV, L.P.	809,385	790,962
Walton Street Capital IV, L.L.C.	973,948	1,078,271
Walton Street Capital VI, L.L.C.	458,859	0
Warburg Pincus International Partners, L.P.	0	0
Warburg Pincus Private Equity IX, L.P.	2,555,904	0
Warburg Pincus Private Equity X, L.P.	6,255,626	0
Wellington Management Company, L.P.	1,103,552	1,028,390
Wellington Management Company – Diversified Inflation Hedges Portfolio, L.L.C.	3,161,042	4,079,718
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P.	238,634	352,695
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P.	235,654	721,191
Western Asset Management Company	395,168	1,458,159
William Blair Mezzanine Capital Fund II, L.P.	41,910	97,357
William Blair Mezzanine Capital Fund III, L.P.	129,743	158,490
Wind Point Partners VI, L.P.	36,960	44,125
WPG Corporate Development Associates V, L.P.	38,369	70,516
WPG Enterprise Fund II, L.P.	106,420	109,764
WPG Enterprise Fund III, L.P.	133,292	196,857
Total fees paid by TRS	**$161,949,730**	**$167,432,298**

Note: This schedule captures investment manager fees applicable to the fiscal year(s) reported and differs from investment fees reported within the Financial Section.

Securities Lending

TRS participates in securities lending activity with its custodian, State Street Bank and Trust Company, acting as the securities lending agent. The lending program with State Street Bank and Trust Company began with the commencement of the custody agreement on April 1, 2009. From July 1, 2008 to March 31, 2009, TRS participated in securities lending activity with its prior custodian, The Northern Trust Company. 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

	Amount
FY09 Net Securities Lending Income	$27,943,345
Total State Street (6/30/09) Collateral Market Value	4,259,993,713
Total Market Value of Securities on Loan at State Street (6/30/09)	4,120,984,083
Total Collateralized Percentage	103%

Source: The Northern Trust Company and State Street Bank and Trust

TRS Springfield office building, 1979 - present

TRS Lisle office building, 1973 - present

Michael Bracey Photography

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December 4, 2009

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, 2009

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 $73,027,198,000 as of June 30, 2009. The valuation was performed using the projected unit-credit actuarial cost method. Throughout the actuarial valuation report we reference the term Pension Benefit Obligation (PBO) when discussing the TRS actuarial accrued liability (AAL) because the TRS AAL is equivalent to the GASB Statement 5 PBO. Users of the TRS actuarial valuation report should consider the terms PBO and AAL to be equivalent and interchangeable.

The actuarial valuation was based on a census of retired members as of June 30, 2009, and a census of active and inactive members as of June 30, 2008, 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. In accordance with our normal procedures, we adjusted for the one-year lag in reporting of the active membership by assuming that the population was stationary with regard to age and service and by increasing reported payroll and member account balances by 4%.

Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. The actuary has provided the Unfunded Actuarial Accrued Liability, the Annual Required Contribution Per State Statute, and the GASB Statement No. 25 Annual Required Contribution that appear in this section. The actuary reviewed the remainder of the figures that appear in the Required Supplementary Information to ensure their consistency with the valuation report.

The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Actuarial Value of 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 actuary neither reviewed nor prepared any items beyond those specifically listed in this paragraph and the preceding paragraph.

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The amortization method established by PA 88-0593 – as amended by PA 90-0582, PA 93-0002, and PA 94-0004 – is used for funding purposes and 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% funded ratio is achieved by June 30, 2045. PA 94-0004 interrupted the phase-in methodology by specifying the amount of the state's fiscal year 2006 and 2007 contributions, and the phase-in to level percent of payroll funding has resumed with the fiscal year 2008 contribution. At June 30, 2009 the remaining GASB amortization period is 30 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2009. 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. With the exception of the asset method, the actuarial assumptions used for the June 30, 2009 actuarial valuation are unchanged from last year. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation. The method was changed from the market value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year, beginning with FY 2009, in equal amounts over the ensuing five-year period. The System incurred a loss of $11,868,414,000 in FY 2009. Per statutory requirement, 20% is recognized in the actuarial value of assets as of June 30, 2009, and recognition of the remaining 80%, or $9,494,731,000, will be deferred and recognized in equal amounts over the next four valuations. Depending on the whether the total net deferral is an investment gain or loss, the smoothing method will produce a contribution rate that is more or less than the rate based on the market value. As of the June 30, 2009 valuation the total net deferral is a $9,494,731,000 loss, resulting in a contribution that is lower than it would be if the assets were valued at market.

The valuation was prepared under the supervision of Larry Langer in accordance with generally accepted actuarial principles and practice, and peer reviewed by Paul Wilkinson. To the best of our knowledge, it is complete and accurate. Mr. Langer and Mr. Wilkinson are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Paul R. Wilkinson

Larry Langer	Marco Ruffini	Paul R. Wilkinson,
Principal, Consulting Actuary	Senior Consultant, Retirement	Director, Consulting Actuary

LL/MR:pl
7228/C6795RET01-2009-PBO doc

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,* as amended by GASB Statement No. 50.

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 assumptions below were revised in the 2007 actuarial experience analysis.

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.

Real wage growth (productivity): 1.2%. Adopted in the FY02 valuation.

Earnings progression: Merit and longevity increases, adjusted for inflation. Approximates 7.0 percent per year over a typical career. Adopted in the FY07 valuation.

Rates shown below include the inflation and real wage growth (productivity) assumptions.

Sample annual percentage salary increases:

Age	Male and Female
25	10.2%
30	8.4
40	7.2
50 and above	6.0

Retirement age: Graduated rates based on age and service 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 FY07 valuation. Modified rates of retirement by age and gender for members retiring under the Pipeline ERO in FY07 were adopted in the FY05 valuation.

Sample annual retirement rates per 100 participants (includes ERO retirees):

	Years of Service				
Age	5-18	19-30	31	32-33	34
54	-	7	12	38	40
55	-	12	20	38	40
60	14	27	45	45	37
65	23	33	45	45	30
70	100	100	100	100	100

Utilization of ERO among all active service retirees:

Years of Service on June 30 prior to Retirement	Age					
	54	55	56	57	58	59
19 – 30	63%	70%	69%	65%	63%	25%
31	72	72	71	71	71	38
32	66	68	68	67	66	45
33	66	68	68	67	66	45

Mortality: The 1995 Buck Mortality tables projected 16 years for males and one year for females. For beneficiaries, projected one year for both males and females, then rated forward two years for males and forward one year for females. Projected mortality improvements using Society of Actuaries Mortality Projection Scale AA are phased in over four years, beginning July 1, 2007. Adopted in the FY07 valuation.

Disability: Adopted in the FY07 valuation.

Sample annual disability rates per 100 participants:

Age	Male	Female
25	.034	.045
30	.030	.100
40	.060	.110
50	.110	.190
60	.200	.350

Termination from active service: Adopted in the FY07 valuation.

Sample annual termination rates per 100 participants:

	Nonvested Members		Vested Members	
Age	Male	Female	Male	Female
25	7.0	8.1	6.0	9.0
30	6.5	9.0	3.7	8.0
40	8.0	6.6	1.6	2.4
50	9.4	6.2	1.1	1.3
60	12.6	11.1	2.6	2.9

Severance pay: Increases with years of service at retirement, adjusted as described below table. Adopted in the FY07 valuation.

Years of Service at Retirement	Percent Retiring with Severance Pay	Severance Pay as a Percent of Final Salary
10–20	41%	13.81%
20–24	52	13.24
25–29	58	14.29
30 or more	75	15.35

The percentages in the "percent retiring with severance pay" column above were multiplied by 50 percent in FY09. They will be multiplied by 33.3 percent in FY10 and by 10 percent for retirements assumed to occur in FY11 and later because the percent of members retiring with severance is expected to decrease.

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased to cover the employer cost of optional service purchased in the last two years of service. Sample purchases at retirement follow. Adopted in the FY07 valuation.

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.388 years
20	1.131 years
25	1.245 years
30	0.886 years
34 or more	None

Unused and uncompensated sick leave: Varies by the amount of regular service at retirement. Adopted in the FY07 valuation.

Sample amount of sick leave at retirement:

Years of Service at Retirement	Sick Leave Service Credit
20	1.080 years
25	1.224 years
30	1.277 years
34	1.000 years
35 or more	none

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

Asset valuation method: Five-year prospective asset smoothing was adopted in the FY09 valuation. Market value was adopted in the FY97 valuation.

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 but not yet paid. The unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets on the valuation date.

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

Actuarial Valuation
($ in thousands)

	Years Ended June 30	
	2009	**2008**
Total actuarial accrued liability	**$73,027,198**	**$68,632,367**
Less actuarial value of assets*	38,026,044	38,430,723
Unfunded liability	**$35,001,154**	**$30,201,644**
Funded ratio*	52.1%	56.0%

** Market value through FY08. Five-year smoothing beginning in FY09.*

Analysis of Financial Experience: Reconciliation of Unfunded Liability

The net increase in the June 30, 2009, unfunded liability of $4.8 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 2009, this shortfall was $1.8 billion and in 2008 it was $1.5 billion.

A statutorily-required **change in asset valuation methods** in 2009 reduced the reported unfunded liability by $9.5 billion. Under Public Act 96-0043, actuarial gains or losses are smoothed over a five-year period beginning with the year ended June 30, 2009. Of the $11.9 billion actuarial loss on investments discussed in the following paragraph, $9.5 billion is the portion (80 percent of the total) that is being deferred to the actuarial valuations that will occur in FY10 through FY13.

TRS experienced actuarial gains under the **salary increase** assumption in both FY09 and FY08. Salary increases for continuing active members were $29 million lower than expected in 2009 and $154 million lower than expected in 2008. Under the **investment return** assumption, losses occurred both years. In FY09, assets were assumed to earn $3.2 billion, but earnings were actually ($8.7) billion. The actuarial loss due to investments was $11.9 billion in FY09, compared to a loss of $5.5 billion in FY08.

In both years, actuarial losses occurred under the **mortality** assumptions because fewer people died than expected. Actuarial losses were also incurred under the turnover assumption because fewer people left service than assumed. Additionally, many members repaid refunds, and the repurchased service increased the unfunded liability. In 2008, there were losses associated with the ERO contribution rates and the ERO contribution waivers for members who had 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, reflects an actuarial loss in 2009 and an actuarial gain in 2008. “Other” includes the effect of either more or fewer retirements than expected, retirements that were reported late to the actuary, and several other factors.

Reconciliation of Unfunded Liability
($ in thousands)

	Years Ended June 30	
	2009	2008
Unfunded liability at beginning of year	**$30,201,644**	**$23,739,077**
Additions (deductions)		
Employer cost in excess of contributions	1,782,855	1,529,701
Change in actuarial assumptions effective 6/30/09, asset valuation method changes to five-year smoothing	(9,494,731)	-
Net additions (deductions)	**(7,711,876)**	**1,529,701**
Actuarial losses (gains)		
Salary increases for continuing active members	(29,162)	(153,987)
Investment return	11,868,414	5,514,988
New entrant loss	30,694	28,587
Mortality other than expected	40,644	3,079
Fewer terminations than expected	35,951	32,821
Repayments of refunded member contributions[1]	30,441	33,390
ERO costs waived for those with 34 years of service	-	7,722
Delayed reporting of retirements (effect on assets)[2]	11,508	17,066
Other	522,896	(550,800)
Net actuarial losses (gains)	**12,511,386**	**4,932,866**
Unfunded liability at end of year	**$35,001,154**	**$30,201,644**

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

2 *616 retirements which occurred prior to 7/1/07 were not reported to the actuary until 6/30/08.*
461 retirements which occurred prior to 7/1/08 were not reported to the actuary until 6/30/09.

State Funding

Public Act 88-0593 was enacted in 1994 and first affected state contributions in FY96. The law established a 50-year funding plan that includes a 15-year phase-in period. Contributions are gradually increased to a percentage level of active member payroll during the phase-in period, with the exceptions noted below. 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 contributions to be made automatically to TRS.

Public Act 90-0582, 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 93-0002, the pension obligation bond (POB) legislation, was enacted in 2003 and first affected 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 reimburse the state for contributions it made 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 deposited on July 2, 2003.

The FY05 state contribution to TRS was reduced by the system's share of the POB debt service. The calculation was performed through a multi-step process that ensured that state contributions did not exceed certain maximums provided in the act.

Public Act 94-0004 specified certain dollar contributions to TRS for FY06 and FY07 and were not based on actuarial calculations. State contributions in FY08 and FY09 are based on the statutory schedule, with the continuing appropriation provisions being used to reach the certified funding amount in FY09. In FY10, the end of the 15-year ramp period, state contributions reach a level percentage of pay. That rate is to be maintained for the following 35 years until the 90 percent funded ratio is achieved in FY45.

State Funding Amounts

The FY09 actuarial valuation was used to determine the required FY11 state contributions and the FY11 employer's normal cost. The FY08 actuarial valuation was used to determine the required FY10 state contributions and the FY10 employer's normal cost.

State Funding Amounts

	FY11	FY10
Benefit Trust Reserve (excludes federal contributions; excludes school district contributions)	$2,357,041,000	$2,087,668,000
Minimum benefit reserve	1,400,000	1,600,000
Total state funding amount	**$2,358,441,000**	**$2,089,268,000**
Employer's normal cost as a percentage of active member payroll	8.77%	9.15%

Tests of Financial Condition

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

Funded Ratio Test ($ in thousands)

As of June 30	Actuarial Value of Assets*	Actuarial Accrued Liability	Funded Ratio*
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
2004	31,544,729	50,947,451	61.9
2005	34,085,218	56,075,029	60.8
2006	36,584,889	58,996,913	62.0
2007	41,909,318	65,648,395	63.8
2008	38,430,723	68,632,367	56.0
2009	**38,026,044**	**73,027,198**	**52.1**

* *Market value through FY08. Five-year smoothing beginning in FY09.*

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
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
2004	7,281,000	19,402,722	266.5
2005	7,550,510	21,989,811	291.2
2006	7,765,752	22,412,024	288.6
2007	8,149,849	23,739,077	291.3
2008	8,521,717	30,201,644	354.4
2009	**8,945,021**	**35,001,154**	**391.3**

** Market value through FY08. Five-year smoothing beginning in FY09.*

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 last passed the minimum standards of the solvency test in 2001.

Solvency Test
($ in thousands)

	Aggregate Accrued Liabilities for				Percentage of Benefits Covered by Net Assets		
Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)	Actuarial Value of Assets*	(1)	(2)	(3)
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	-
2003	5,622,026	25,188,870	16,122,536	23,124,823	100	69	-
2004	5,853,274	28,286,916	16,807,261	31,544,729	100	91	-
2005	5,925,696	32,861,473	17,287,860	34,085,218	100	86	-
2006	6,303,750	35,315,529	17,377,634	36,584,889	100	86	-
2007	6,500,318	39,785,368	19,362,709	41,909,318	100	89	-
2008	6,931,518	41,849,964	19,850,885	38,430,723	100	75	-
2009	**7,320,600**	**44,495,917**	**21,210,681**	**38,026,044**	**100**	**69**	**-**

** Market value through FY08. Five-year smoothing beginning in FY09.*

Other Information

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended June 30	Number at Beginning of Year	Number Added to Rolls	Number Removed from Rolls	Number at End of Year	End-of-Year Annual Allowances Amount	End-of-Year Annual Allowances % Increase	Average Annual Allowance Amount	Average Annual Allowance % Increase
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
2004	73,431	6,016	2,542	76,905	2,432,132,334	11.5	31,625	6.5
2005	76,905	7,897	2,227	82,575	2,806,341,054	15.4	33,985	7.5
2006	82,575	5,147	2,619	85,103	3,018,848,450	7.6	35,473	4.4
2007	85,103	6,473	2,340	89,236	3,344,714,652	10.8	37,482	5.7
2008	89,236	4,912	2,686	91,462	3,551,117,836	6.2	38,826	3.6
2009	**91,462**	**5,520**	**2,558**	**94,424**	**3,815,292,869**	**7.4**	**40,406**	**4.1**

* *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.*

	Amount Added to Rolls** Annual Benefit Increases	Amount Added to Rolls** New Benefit Recipients	Amount Removed from Rolls
2007	$81,629,966	$295,571,869	$51,335,633
2008	93,731,561	174,119,867	61,448,244
2009	**108,144,294**	**219,175,023**	**63,144,284**

** *Amounts added to and removed from rolls are available beginning with the year ended June 30, 2007.*

TRS Lisle office building, 1973 - present **Michael Bracey Photography**

Average Annual Salary for Active Members by Years of Service

Years of Service*		2009	2008	2007	2006
under 5	**Number**	**37,293**	**42,725**	**41,244**	**40,930**
	Average Salary	$45,464	$44,916	$43,446	$42,404
5-9	**Number**	**33,494**	**31,959**	**30,520**	**28,847**
	Average Salary	$55,945	$55,436	$53,062	$51,314
10-14	**Number**	**23,133**	**21,395**	**20,469**	**20,222**
	Average Salary	$65,168	$64,705	$62,447	$60,476
15-19	**Number**	**17,417**	**14,753**	**14,422**	**14,086**
	Average Salary	$73,770	$71,802	$69,368	$67,343
20-24	**Number**	**11,084**	**10,447**	**9,814**	**9,619**
	Average Salary	$79,805	$78,080	$74,894	$72,531
25-29	**Number**	**7,790**	**8,654**	**9,484**	**10,349**
	Average Salary	$84,282	$82,013	$78,831	$76,616
30-34	**Number**	**6,858**	**5,763**	**5,301**	**6,134**
	Average Salary	$87,973	$85,738	$82,508	$83,165
35 +	**Number**	**1,265**	**790**	**694**	**785**
	Average Salary	$90,698	$88,478	$84,065	$84,524
	Total Number	**138,334**	**136,486**	**131,948**	**130,972**
	Average Salary	$62,319	$60,254	$58,116	$56,916
% Change Average Salary		**3.4%**	**3.7%**	**2.1%**	**3.0%**
Total Payroll Full & Part-time		**$8,620,836,546**	**$8,223,827,444**	**$7,668,289,968**	**$7,454,402,352**

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.

** From FY00-FY08, years of service increments were as follows: 0-5, 6-10, 11-15, 16-20, 21-25, 26-30, 31-35, and 35+. However, figures for those years are not restated because the differences would be minor.*

2005	2004	2003	2002	2001	2000
39,728	**36,951**	**38,074**	**41,120**	**38,585**	**35,192**
$41,444	$37,633	$37,960	$36,242	$34,614	$33,070
26,557	**26,027**	**25,020**	**24,258**	**24,351**	**24,053**
$49,536	$45,568	$46,740	$45,300	$43,457	$41,616
20,295	**18,307**	**17,334**	**16,812**	**16,367**	**15,661**
$58,195	$52,771	$53,931	$52,761	$50,875	$49,109
13,429	**13,358**	**12,860**	**12,215**	**11,692**	**11,304**
$65,276	$59,820	$60,788	$59,011	$56,521	$54,335
9,431	**10,868**	**11,152**	**12,575**	**13,091**	**13,363**
$70,278	$64,881	$65,427	$63,599	$61,188	$58,918
10,667	**12,488**	**12,429**	**13,256**	**13,885**	**14,278**
$74,127	$69,276	$70,066	$68,501	$65,913	$64,254
5,900	**9,186**	**7,107**	**7,484**	**7,555**	**6,895**
$79,236	$75,643	$76,676	$76,413	$73,433	$70,455
744	**1,162**	**804**	**843**	**809**	**713**
$81,497	$77,805	$78,091	$78,831	$75,469	$71,036
126,751	**128,347**	**124,780**	**128,563**	**126,335**	**121,459**
$55,237	$52,181	$52,408	$50,895	$49,230	$47,665
5.9%	**(0.4%)**	**3.0%**	**3.4%**	**3.3%**	**2.9%**
$7,001,344,987	**$6,697,274,807**	**$6,539,470,240**	**$6,543,213,885**	**$6,219,472,050**	**$5,789,343,235**

Active Members by Age and Years of Service as of June 30, 2009

			Years of Service			
Age		**Subs**	**under 5**	**5-9**	**10-14**	**15-19**
20-24	**Number**	**3,649**	**4,815**	**-**	**-**	**-**
	Average Salary	$4,250	$39,146	-	-	-
25-29	**Number**	**4,442**	**15,732**	**6,092**	**-**	**-**
	Average Salary	$4,618	$44,183	$51,944	-	-
30-34	**Number**	**2,586**	**5,669**	**11,927**	**3,604**	**-**
	Average Salary	$4,190	$47,347	$55,716	$63,037	-
35-39	**Number**	**2,937**	**3,307**	**5,039**	**7,930**	**2,573**
	Average Salary	$4,186	$47,582	$57,128	$65,935	$71,851
40-44	**Number**	**4,307**	**3,013**	**3,181**	**3,508**	**5,351**
	Average Salary	$4,318	$46,222	$57,361	$66,486	$75,298
45-49	**Number**	**3,755**	**2,075**	**2,793**	**2,510**	**2,723**
	Average Salary	$4,512	$47,660	$56,501	$64,136	$74,268
50-54	**Number**	**3,163**	**1,404**	**2,386**	**2,517**	**2,651**
	Average Salary	$4,937	$49,629	$57,594	$64,613	$72,044
55-59	**Number**	**2,963**	**854**	**1,454**	**2,213**	**2,930**
	Average Salary	$4,921	$60,535	$59,994	$64,761	$73,741
60-64	**Number**	**1,859**	**357**	**536**	**745**	**1,054**
	Average Salary	$4,644	$62,808	$64,188	$67,587	$73,656
65-69	**Number**	**785**	**57**	**74**	**94**	**124**
	Average Salary	$4,455	$65,124	$67,285	$65,980	$75,732
70-74	**Number**	**243**	**8**	**10**	**8**	**10**
	Average Salary	$3,941	$48,539	$51,402	$65,051	$71,073
74 +	**Number**	**135**	**2**	**2**	**4**	**1**
	Average Salary	$3,395	$50,631	$75,127	$59,749	$31,410
	Total Number	**30,824**	**37,293**	**33,494**	**23,133**	**17,417**
	Average Salary	**$4,491**	**$45,464**	**$55,945**	**$65,168**	**$73,770**

Years of Service							Full and Part-time Member
20-24	**25-29**	**30-34**	**35-39**	**40-44**	**45-49**	**50+**	**Totals**
-	**-**	**-**	**-**	**-**	**-**	**-**	**4,815**
-	-	-	-	-	-	-	$39,146
-	**-**	**-**	**-**	**-**	**-**	**-**	**21,824**
-	-	-	-	-	-	-	$46,349
-	**-**	**-**	**-**	**-**	**-**	**-**	**21,200**
-	-	-	-	-	-	-	$54,723
-	**-**	**-**	**-**	**-**	**-**	**-**	**18,849**
-	-	-	-	-	-	-	$61,168
1,438	**-**	**-**	**-**	**-**	**-**	**-**	**16,491**
$79,307	-	-	-	-	-	-	$65,001
3,782	**1,258**	**-**	**-**	**-**	**-**	**-**	**15,141**
$80,799	$82,998	-	-	-	-	-	$68,021
2,367	**3,577**	**2,636**	**-**	**-**	**-**	**-**	**17,538**
$79,344	$84,456	$87,407	-	-	-	-	$73,043
2,516	**2,190**	**3,598**	**630**	**-**	**-**	**-**	**16,385**
$78,617	$84,910	$88,248	$91,691	-	-	-	$76,737
868	**677**	**548**	**398**	**101**	**-**	**-**	**5,284**
$81,293	$84,676	$89,344	$88,334	$96,371	-	-	$76,940
105	**76**	**70**	**36**	**55**	**13**	**-**	**704**
$78,098	$75,548	$84,901	$86,462	$86,427	$84,134	-	$75,467
5	**8**	**5**	**6**	**11**	**6**	**3**	**80**
$71,843	$90,778	$80,601	$87,216	$89,753	$119,867	$145,852	$78,616
3	**4**	**1**	**-**	**3**	**-**	**3**	**23**
$67,450	$74,765	$89,763	-	$69,908	-	$79,903	$67,936
11,084	**7,790**	**6,858**	**1,070**	**170**	**19**	**6**	**138,334**
$79,805	**$84,282**	**$87,973**	**$90,241**	**$92,259**	**$95,418**	**$112,877**	**$62,319**

	Average Age	Average Years of Service	Number
Full and Part-time Members	42	12	138,334
Substitutes	42	3	30,824
All	**42**	**10**	**169,158**

Plan Summary

Administration

TRS was created and is governed by Article 16 of the Illinois Pension Code, contained in the Illinois Compiled Statutes (ILCS). A 13-member Board of Trustees is authorized to carry out duties granted to it under the article.

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 FY09, members contributed 9.4 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 percent for post-retirement increases, 0.4 percent for the Early Retirement Option, 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 FY09, the member contribution was 0.84 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 authority of the United States government, substitute or part-time teaching prior to July 1, 1990, leaves of absence, involuntary layoffs, military service, and gaps in teaching due to pregnancy or adoption prior to July 1, 1983. Up to two years of unused, uncompensated sick leave that has been certified by former employers may also be added as service credit at retirement.

A payroll deduction program became effective July 1, 1998 and will end June 30, 2010. 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. Members were allowed to join the program until May 15, 2008. The program is being phased out to comply with guidance from the Internal Revenue Service.

Refunds

After a four-month waiting period from the date last taught, a member ceasing TRS-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 TRS-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

The following vesting schedule applies to all members.

Years of Service	Age
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. Members with contributing service before July 1, 2005, can retire under a money purchase style "actuarial" benefit instead of a retirement benefit formula. By law, the higher of the formula benefit or the actuarial benefit is paid. The maximum formula benefit is 75 percent of the final average salary; there is no maximum for the actuarial benefit.

Public Act 90-0582 improved retirement benefits for TRS members by changing the rate at which TRS benefits are accrued beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. 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 91-0017 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.

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.

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.

Early Retirement

Members who are age 55 but under age 60 who have at least 20 but fewer than 35 years of service can elect the Early Retirement Option (ERO) to avoid a discounted annuity. Both the member and employer make one-time contributions at retirement. Under the terms of the ERO program described in Public Act 94-0004, the member pays 11.5 percent for each year that his or her age is under 60 or years of service is under 35, whichever is less. The employer pays 23.5 percent for each year the member is under age 60. The ERO provisions apply to members who retire after June 30, 2005 who did not qualify for a temporary extension of the original ERO program that required lower contribution rates.

Post-Retirement Increase

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

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 a minimum of 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.

Public Act 94-0539 allows individuals who have received TRS disability benefits for one year or more to return to teaching if their medical conditions improve, allowing part-time work. It allows members on a limited basis to tutor, substitute, or teach part-time for a TRS-covered employer without loss of disability benefits as long as the combined earnings from teaching and disability benefits do not exceed 100 percent of the salary rate upon which the disability benefit was based.

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, as well as 0.5 percent paid toward annual increases in annuity, and 0.4 percent paid for the Early Retirement Option. Beneficiaries of an annuitant 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.

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.

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TRS Lisle office building, 1973 - present

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STATISTICAL

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Statistical Section

The tables in this section present detailed information on benefit payments and recipients, member and employer contributions, employer contribution rates, and the largest TRS employers.

Section Contents

This schedule shows the number of retirees by their years of service and years in retirement in five-year increments. It also shows their average current monthly benefits and average benefits when they first retired. A column on the right shows the average age of retirees in each "years retired" increment.

These schedules contain information that allows the reader to view the change in net assets and benefit and refund deductions from net assets over a 10-year period. Both schedules help the reader understand the financial changes that have occurred over time.

This schedule offers information on the contribution rates for employees, the state, and employers to the system over a 10-year period. This schedule also allows the reader to view the percentage of contributions made to the system.

These schedules help the reader understand the specific groups of benefit recipients and active members of the Teachers' Retirement System including the multiple types of benefits recipients receive.

This schedule contains information regarding the average benefits paid to recipients over a 10-year period. The schedule allows the reader to view average payments of recipients by years of service.

This schedule allows the reader to view the 10 largest participating employers of the Teachers' Retirement System. The reader can also view the top 10 employers' total TRS membership percentage.

Retired Members by Years of Service and Years in Retirement

Years Retired		Years of Service Under 5	5-9	10-14	15-19	20-24
Under 1	**Number**	**155**	**294**	**239**	**297**	**471**
	Average Current Benefit	$247	$644	$1,180	$2,015	$2,923
	Average Original Benefit	$247	$644	$1,180	$2,012	$2,917
1-4	**Number**	**771**	**1,079**	**1,114**	**1,102**	**2,035**
	Average Current Benefit	$255	$627	$1,196	$1,989	$2,739
	Average Original Benefit	$241	$592	$1,130	$1,883	$2,637
5-9	**Number**	**870**	**951**	**944**	**898**	**2,063**
	Average Current Benefit	$245	$611	$1,140	$1,888	$2,661
	Average Original Benefit	$201	$503	$943	$1,560	$2,225
10-14	**Number**	**553**	**605**	**458**	**367**	**835**
	Average Current Benefit	$274	$643	$940	$1,557	$2,257
	Average Original Benefit	$196	$453	$667	$1,111	$1,634
15-19	**Number**	**334**	**456**	**533**	**498**	**1,175**
	Average Current Benefit	$219	$557	$948	$1,279	$1,917
	Average Original Benefit	$134	$333	$570	$771	$1,152
20-24	**Number**	**166**	**348**	**455**	**522**	**1,304**
	Average Current Benefit	$198	$452	$804	$1,307	$1,780
	Average Original Benefit	$104	$219	$412	$682	$946
25-29	**Number**	**74**	**146**	**297**	**388**	**868**
	Average Current Benefit	$178	$362	$698	$1,056	$1,443
	Average Original Benefit	$81	$143	$302	$477	$665
30-34	**Number**	**29**	**44**	**126**	**179**	**430**
	Average Current Benefit	$140	$295	$579	$875	$1,097
	Average Original Benefit	$55	$88	$209	$340	$428
35-39	**Number**	**7**	**10**	**15**	**33**	**139**
	Average Current Benefit	$55	$208	$506	$757	$919
	Average Original Benefit	-	$62	$135	$233	$289
40-44	**Number**	**-**	**-**	**1**	**-**	**27**
	Average Current Benefit	-	-	$501	-	$803
	Average Original Benefit	-	-	$95	-	$165
45-49	**Number**	**-**	**-**	**-**	**-**	**3**
	Average Current Benefit	-	-	-	-	$887
	Average Original Benefit	-	-	-	-	$163
50 +	**Number**	**-**	**-**	**-**	**-**	**1**
	Average Current Benefit	-	-	-	-	$940
	Average Original Benefit	-	-	-	-	$98
Total Number		**2,959**	**3,933**	**4,182**	**4,284**	**9,351**
Avg. Current Benefit		**$244**	**$589**	**$1,024**	**$1,626**	**$2,222**
Avg. Original Benefit		**$195**	**$466**	**$800**	**$1,278**	**$1,720**

Years of Service							Average
25-29	30-34	35-39	40-44	45-49	50 +	Average	Age
425	**778**	**1,301**	**55**	**7**	**3**	**4,025**	**59**
$3,948	$4,944	$5,412	$6,244	$6,653	$9,901	$3,843	
$3,941	$4,937	$5,411	$6,244	$6,653	$9,901	$3,840	
2,294	**7,586**	**4,164**	**309**	**47**	**4**	**20,505**	**61**
$3,774	$5,018	$5,526	$5,853	$6,394	$8,743	$3,992	
$3,620	$4,901	$5,356	$5,482	$6,020	$8,258	$3,868	
2,429	**9,973**	**4,082**	**290**	**45**	**8**	**22,553**	**65**
$3,742	$5,123	$5,624	$5,598	$5,828	$6,650	$4,174	
$3,133	$4,366	$4,682	$4,612	$4,820	$5,471	$3,520	
960	**1,563**	**1,871**	**870**	**25**	**1**	**8,108**	**71**
$3,352	$4,611	$5,298	$5,548	$5,699	$5,086	$3,545	
$2,441	$3,404	$3,785	$3,728	$4,080	$3,613	$2,535	
1,680	**2,570**	**4,126**	**4,900**	**12**	**3**	**16,287**	**74**
$2,451	$3,245	$4,142	$4,565	$4,239	$3,753	$3,420	
$1,505	$2,009	$2,601	$2,935	$2,574	$2,313	$2,154	
1,217	**1,454**	**1,207**	**71**	**12**	**1**	**6,757**	**81**
$2,453	$3,442	$4,251	$4,110	$4,203	$3,264	$2,520	
$1,305	$1,840	$2,255	$2,171	$2,239	$1,830	$1,338	
738	**820**	**546**	**59**	**11**	**1**	**3,948**	**86**
$1,983	$2,793	$3,378	$3,259	$3,067	$3,389	$1,966	
$923	$1,308	$1,596	$1,511	$1,424	$1,607	$914	
340	**261**	**274**	**45**	**5**	**-**	**1,733**	**91**
$1,457	$1,929	$2,494	$2,588	$2,506	-	$1,460	
$587	$792	$1,016	$1,051	$1,013	-	$585	
107	**76**	**107**	**28**	**5**	**-**	**527**	**96**
$1,189	$1,498	$2,116	$2,109	$2,140	-	$1,328	
$396	$522	$768	$753	$759	-	$455	
12	**10**	**2**	**1**	**-**	**-**	**53**	**98**
$1,068	$1,152	$1,462	$1,622	-	-	$963	
$248	$277	$365	$500	-	-	$217	
6	**3**	**-**	**-**	**-**	**-**	**12**	**102**
$1,028	$1,134	-	-	-	-	$1,019	
$175	$235	-	-	-	-	$187	
-	**-**	**1**	**-**	**-**	**-**	**2**	**107**
-	-	$1,134	-	-	-	$1,037	
-	-	$199	-	-	-	$149	
10,208	**25,094**	**17,681**	**6,628**	**169**	**21**	**84,510**	**69**
$3,120	**$4,641**	**$4,971**	**$4,772**	**$5,385**	**$6,708**	**$3,597**	
$2,447	**$3,947**	**$3,972**	**$3,215**	**$4,324**	**$5,738**	**$2,884**	

Changes in Net Assets, Last 10 Fiscal Years

($ in thousands)

	2009	2008	2007	2006
Additions				
Member contributions*	$876,182	$865,400	$826,249	$799,034
State of Illinois	1,451,592	1,041,115	737,671	534,305
Pension Obligation Bond proceeds	-	-	-	-
Employer contributions**	152,329	130,673	115,915	123,543
Investment income (loss) net of expenses	(8,688,286)	(2,014,902)	6,831,324	3,993,290
Total Additions to/Reductions from Plan Net Assets	**($6,208,183)**	**$22,286**	**$8,511,159**	**$5,450,172**
Deductions				
Benefit payments	$3,653,714	$3,423,982	$3,111,753	$2,877,231
Refunds	53,709	60,286	59,732	57,967
Administrative expenses	17,388	16,613	15,245	15,303
Other expenses	-	-	-	-
Total Deductions from Plan Net Assets	**$3,724,811**	**$3,500,881**	**$3,186,730**	**$2,950,501**
Changes in Net Assets				
Beginning of year	$38,430,723	$41,909,318	$36,584,889	$34,085,218
Net increase (decrease)	(9,932,994)	(3,478,595)	5,324,429	2,499,671
End of year	**$28,497,729**	**$38,430,723**	**$41,909,318**	**$36,584,889**

** Member contributions increased from 9.0 percent to 9.4 percent beginning in FY06. Also included are member contributions for purchases of optional service, early retirement, and upgrades to the 2.2 formula.*

*** Employer contributions include contributions from federal funds, for early retirement, and for the 2.2 formula. Beginning in FY06, it includes employer contributions for salary increases in excess of 6 percent used in final average salary calculations and for excess sick leave used for service credit.*

Benefit and Refund Deductions from Net Assets by Type, Last 10 Fiscal Years

($ in thousands)

	2009	2008	2007	2006
Type of Benefit				
Retirees	$3,486,697	$3,268,108	$2,965,356	$2,741,164
Survivors	140,695	130,369	121,822	112,902
Disability benefits	26,322	25,505	24,575	23,165
Total Benefits	**$3,653,714**	**$3,423,982**	**$3,111,753**	**$2,877,231**
Type of Refund				
Withdrawals	$17,357	$17,280	$17,147	$17,155
Death benefits and excess contribution refunds paid to survivors	15,076	17,182	17,081	16,747
2.2 and optional service	11,013	14,082	14,145	12,666
Survivor contributions refunded to retirees	6,916	8,522	8,808	10,198
ERO and other	3,347	3,220	2,551	1,201
Total Refunds	**$53,709**	**$60,286**	**$59,732**	**$57,967**

2005	2004	2003	2002	2001	2000
$761,790	$768,661	$732,020	$681,152	$643,563	$619,623
906,749	1,031,478	929,710	814,740	724,008	639,299
-	4,330,374	-	-	-	-
148,813	127,573	91,552	92,618	97,618	91,298
3,330,040	4,485,730	1,060,853	(723,987)	(1,015,256)	2,336,217
$5,147,392	**$10,743,816**	**$2,814,135**	**$864,523**	**$449,933**	**$3,686,437**
$2,533,103	$2,262,329	$1,998,622	$1,759,749	$1,566,793	$1,402,246
59,396	48,020	43,115	38,756	35,849	28,797
14,404	13,561	13,859	13,487	12,641	11,681
-	-	-	1,892	417	10
$2,606,903	**$2,323,910**	**$2,055,596**	**$1,813,884**	**$1,615,700**	**$1,442,734**
$31,544,729	$23,124,823	$22,366,284	$23,315,645	$24,481,412	$22,237,709
2,540,489	8,419,906	758,539	(949,361)	(1,165,767)	2,243,703
$34,085,218	**$31,544,729**	**$23,124,823**	**$22,366,284**	**$23,315,645**	**$24,481,412**

2005	2004	2003	2002	2001	2000
$2,407,652	$2,145,187	$1,890,512	$1,660,998	$1,475,490	$1,317,841
103,991	97,155	88,997	80,461	74,631	68,798
21,460	19,987	19,113	18,290	16,672	15,607
$2,533,103	**$2,262,329**	**$1,998,622**	**$1,759,749**	**$1,566,793**	**$1,402,246**
$15,526	$14,858	$13,204	$13,976	$13,824	$14,130
16,541	16,145	17,734	14,927	14,343	11,768
15,181	7,977	3,699	3,483	1,740	50
10,354	7,835	7,024	5,587	5,174	2,828
1,794	1,205	1,454	783	768	21
$59,396	**$48,020**	**$43,115**	**$38,756**	**$35,849**	**$28,797**

TRS Lisle office building, 1973 - present **Michael Bracey Photography**

Employee and Employer Contribution Rates, Last 10 Fiscal Years

Fiscal Year	Employee Rate (%)[1]	Employer Rate (%)[2] State[3]	School Districts for 2.2 Formula[4]	School Districts from Federal Sources[5]	Total[6]
2000	9.00%	10.77%	0.58%	0.31%	11.66%
2001	9.00	11.47	0.58	0.32	12.37
2002	9.00	12.16	0.38	0.35	12.89
2003	9.00	13.01	0.18	0.35	13.55
2004	9.00	13.98	0.58	0.40	14.96
2005	9.00	11.76	0.58	0.49	12.84
2006	9.40	6.75	0.58	0.31	7.64
2007	9.40	9.26	0.58	0.52	10.36
2008	9.40	12.53	0.58	0.58	13.69
2009	**9.40**	**16.44**	**0.58**	**0.63**	**17.66**

1 *Rate increase in FY06 was for the Early Retirement Option.*

2 *Employer contributions exclude contributions for Early Retirement Option.*

3 *State contributions increased through FY04 pursuant to statutory ramp schedule under 40 ILCS 5/16-158 (b-3). Pension obligation bond (POB) proceeds that were received in FY04 are not state contributions and are not included in this schedule. FY05 decline was due to calculation required under POB legislation. FY06 and FY07 rates were due to specific dollar appropriation specified in Public Act 94-0004 that were not based on the statutory ramp schedule. FY08 and FY09 rates are based on statutory ramp schedule.*

4 *Employer contributions for the 2.2 formula change were 0.3 percent of pay in FY99 and 0.58 percent of pay thereafter, with waivers for certain employers under collective bargaining agreements. From January 1, 2002 through June 30, 2003, 40 ILCS 5/16-158 (e) allowed 0.4 percent of the 2.2 contribution to be diverted to cover a new employer contribution for retiree health insurance.*

5 *Federal contributions above are expressed as percentages of total active member payroll. Through FY05, employers contributed 10.5 percent of pay as the employer contribution for members paid from federal sources. Beginning in FY06, the employer contribution rate paid on behalf of members paid from federal sources is the same as the employer contribution rate paid by the State of Illinois on behalf of members not paid from federal sources [7.06 percent in FY06, 9.78 percent in FY07, 13.11 percent in FY08, and 17.08 percent in FY09 with further increases according to the statutory schedule under 40 ILCS 5/16-158 (b-3)].*

6 *Totals shown are rates certified by the actuaries based on estimated payrolls and may not total due to rounding. Actual amounts collected do not equal amounts estimated by actuaries due to differences between estimated and actual payroll. Also, the total rate shown in FY02 is lower than the total contribution requirement certified by the actuaries because the diversion of the health insurance contributions that began in the middle of the year was not anticipated.*

Demographics of Benefit Recipients and Active Members as of June 30, 2009

(Excludes inactive members)

	Retirees			Disability Benefit Recipients			Survivors		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 20	-	-	-	-	-	-	31	28	59
20-24	-	-	-	-	-	-	8	16	24
25-29	-	-	-	-	6	6	2	-	2
30-34	-	-	-	3	16	19	2	4	6
35-39	-	-	-	2	22	24	12	10	22
40-44	-	-	-	9	43	52	7	13	20
45-49	-	-	-	15	53	68	17	29	46
50-54	24	40	64	23	128	151	49	87	136
55-59	2,993	6,675	9,668	57	262	319	116	244	360
60-64	7,809	14,786	22,595	43	177	220	232	454	686
65-69	6,532	11,555	18,087	22	65	87	290	680	970
70-74	4,607	7,364	11,971	10	51	61	309	877	1,186
75-79	3,539	5,343	8,882	6	31	37	406	1,056	1,462
80-84	2,336	4,234	6,570	8	25	33	400	1,154	1,554
85-89	1,016	2,994	4,010	-	16	16	386	875	1,261
90+	413	2,250	2,663	-	4	4	253	770	1,023
Total	**29,269**	**55,241**	**84,510**	**198**	**899**	**1,097**	**2,520**	**6,297**	**8,817**

Benefit Recipients by Type as of June 30, 2009

		Type of Monthly Benefit				
Monthly Benefit Range	**Number of Recipients (all)**	**Age Retirement**	**Disability Retirement**	**Nonoccupational Disability**	**Occupational Disability**	**Survivor Monthly Benefits**
Under $500	6,649	5,217	9	3	-	1,420
$500 - $999	7,824	5,374	105	4	-	2,341
$1,000 - $1,499	7,483	5,293	250	24	-	1,916
$1,500 - $1,999	7,345	5,765	161	105	-	1,314
$2,000 - $2,499	7,195	6,113	92	94	2	894
$2,500 - $2,999	7,233	6,656	43	45	2	487
$3,000 - $3,499	7,862	7,549	37	27	-	249
$3,500 - $3,999	8,048	7,901	34	8	-	105
$4,000 - $4,499	7,924	7,870	17	-	-	37
$4,500 - $4,999	6,562	6,528	15	-	-	19
$5,000 - $5,499	4,971	4,946	10	-	-	15
$5,500 - $5,999	4,166	4,152	5	-	-	9
$6,000 - $6,499	3,269	3,262	2	-	1	4
$6,500 - $6,999	2,635	2,632	-	-	-	3
$7,000 - $7,499	1,894	1,894	-	-	-	-
$7,500 - $7,999	1,224	1,223	-	-	-	1
$8,000 or more	2,140	2,135	2	-	-	3
Total benefit recipients	**94,424**	**84,510**	**782**	**310**	**5**	**8,817**

Summary Statistics, All Benefit Recipients, as of June 30, 2009

	Age Retirement	**Disability Benefits (3 types)**	**Survivor Benefits**
Average monthly benefit	$3,597	$1,991	$1,337
Average age	69	59	76
Average years of service	29	17	n/a

Active Members			Total Retirees, Disabilitants, Survivors, and Active Members			Percent Distribution of Retirees, Disabilitants, Survivors, and Active Members		
Male	Female	Total	Male	Female	Total	Male	Female	Total
-	-	-	31	28	59	53%	47%	100%
1,842	6,622	8,464	1,850	6,638	8,488	22	78	100
6,089	20,177	26,266	6,091	20,183	26,274	23	77	100
6,041	17,745	23,786	6,046	17,765	23,811	25	75	100
5,756	16,030	21,786	5,770	16,062	21,832	26	74	100
5,130	15,668	20,798	5,146	15,724	20,870	25	75	100
4,007	14,889	18,896	4,039	14,971	19,010	21	79	100
4,225	16,476	20,701	4,321	16,731	21,052	21	79	100
3,910	15,438	19,348	7,076	22,619	29,695	24	76	100
1,764	5,379	7,143	9,848	20,796	30,644	32	68	100
527	962	1,489	7,371	13,262	20,633	36	64	100
167	194	361	5,093	8,486	13,579	38	62	100
43	41	84	3,994	6,471	10,465	38	62	100
7	9	16	2,751	5,422	8,173	34	66	100
2	-	2	1,404	3,885	5,289	27	73	100
3	15	18	669	3,039	3,708	18	82	100
39,513	**129,645**	**169,158**	**71,500**	**192,082**	**263,582**	**27%**	**73%**	**100%**

Subtypes of Age Retirement Benefits						
Regular 2.2 Flat Formula	Graduated Formula	Actuarial Benefit Style	ERO (2.2 & Grad. Form.)	ERI (State or TRS)	Other	Age Retirement Total
827	1,954	2,423	5	5	3	5,217
664	2,353	2,193	58	87	19	5,374
785	2,143	1,526	482	310	47	5,293
879	1,861	1,100	1,296	598	31	5,765
989	1,715	657	1,766	940	46	6,113
1,271	1,318	358	2,342	1,327	40	6,656
1,749	1,271	219	2,762	1,476	72	7,549
2,077	1,180	167	2,995	1,381	101	7,901
2,105	1,121	148	3,039	1,329	128	7,870
1,947	930	88	2,580	880	103	6,528
1,468	802	58	1,890	633	95	4,946
1,247	657	38	1,554	573	83	4,152
974	471	36	1,285	421	75	3,262
813	426	14	1,036	295	48	2,632
624	306	14	752	158	40	1,894
390	200	8	482	112	31	1,223
750	428	20	698	167	72	2,135
19,559	**19,136**	**9,067**	**25,022**	**10,692**	**1,034**	**84,510**

Percentage of Age Retirement Benefits by Subtype

23%	22%	11%	30%	13%	1%	100%

Average Benefit Payments for New Retirees Last 10 Fiscal Years

Retirement Effective Dates	Years of Service: Under 5	5-9	10-14	15-19	20-24
Period July 1, 2008 through June 30, 2009					
Average monthly benefit	$247	$642	$1,181	$2,012	$2,920
Average final average salary	$55,946	$39,118	$42,853	$57,824	$70,216
Number of retired members	155	295	240	297	472
Period July 1, 2007 through June 30, 2008					
Average monthly benefit	$228	$623	$1,077	$1,836	$2,713
Average final average salary	$54,905	$41,044	$40,557	$52,692	$66,593
Number of retired members	112	197	256	251	400
Period July 1, 2006 through June 30, 2007					
Average monthly benefit	$208	$595	$1,118	$1,932	$2,716
Average final average salary	$55,395	$40,331	$46,226	$56,872	$66,645
Number of retired members	132	212	233	286	492
Period July 1, 2005 through June 30, 2006					
Average monthly benefit	$210	$515	$1,139	$1,744	$2,509
Average final average salary	$55,558	$36,036	$44,715	$53,349	$62,206
Number of retired members	114	202	202	199	376
Period July 1, 2004 through June 30, 2005					
Average monthly benefit	$228	$544	$1,074	$1,715	$2,475
Average final average salary	$59,538	$39,038	$44,000	$52,488	$61,882
Number of retired members	170	198	233	251	567
Period July 1, 2003 through June 30, 2004					
Average monthly benefit	$208	$575	$1,052	$1,635	$2,359
Average final average salary*	–	–	–	–	–
Number of retired members	106	152	182	181	419
Period July 1, 2002 through June 30, 2003					
Average monthly benefit	$206	$522	$960	$1,573	$2,350
Average final average salary*	–	–	–	–	–
Number of retired members	213	191	197	191	395
Period July 1, 2001 through June 30, 2002					
Average monthly benefit	$198	$509	$898	$1,486	$2,140
Average final average salary*	–	–	–	–	–
Number of retired members	156	183	169	174	397
Period July 1, 2000 through June 30, 2001					
Average monthly benefit	$191	$468	$910	$1,398	$2,057
Average final average salary*	–	–	–	–	–
Number of retired members	191	175	163	170	396
Period July 1, 1999 through June 30, 2000					
Average monthly benefit	$210	$448	$795	$1,390	$1,915
Average final average salary*	–	–	–	–	–
Number of retired members	194	159	144	138	347

** The average for the final average salary by years of service are not available for periods before July 1, 2004.*

Years of Service 25-29	30-34	35-39	40+	All Fiscal Year Retirees	Average Age For All Fiscal Year Retirees	Average Service For All Fiscal Year Retirees
$3,941	$4,940	$5,411	$6,457	$3,840	**age 59**	**27 years**
$78,684	$82,544	$86,467	$92,170	$73,725		
425	779	1,301	65	4,029		
$3,505	$4,737	$5,098	$5,413	$3,536	**age 59**	**26 years**
$71,223	$80,631	$81,570	$79,227	$69,412		
398	695	884	67	3,260		
$3,744	$5,080	$5,598	$5,887	$4,260	**age 58**	**29 years**
$75,511	$83,693	$89,451	$89,442	$77,499		
575	1,858	1,506	139	5,433		
$3,372	$4,728	$5,161	$5,600	$3,789	**age 59**	**28 years**
$68,902	$77,920	$82,558	$85,399	$70,764		
404	1,205	1,005	84	3,791		
$3,467	$4,700	$5,264	$5,270	$4,070	**age 58**	**30 years**
$70,637	$76,980	$84,774	$81,371	$73,078		
737	2,992	1,637	123	6,908		
$3,227	$4,546	$5,056	$5,206	$3,892	**age 58**	**30 years**
–	–	–	–	$70,359		
510	1,988	1,184	95	4,817		
$3,147	$4,281	$4,628	$4,598	$3,534	**age 58**	**29 years**
–	–	–	–	$62,728		
508	1,995	1,144	81	4,915		
$3,080	$4,301	$4,543	$4,700	$3,512	**age 59**	**29 years**
–	–	–	–	$61,714		
481	2,117	831	74	4,582		
$2,857	$4,113	$4,436	$4,198	$3,250	**age 59**	**28 years**
–	–	–	–	$58,144		
442	1,677	762	67	4,043		
$2,767	$3,850	$4,236	$3,991	$3,053	**age 59**	**28 years**
–	–	–	–	$55,634		
404	1,348	751	71	3,556		

Principal Participating Employers

Participating Employer	City	Rank (2009)	Covered Employees with subs (2009)	% of Total TRS Mmbrshp. (2009)	Rank (2000)	Covered Employees with subs (2000)	% of Total TRS Mmbrshp. (2000)
		Year ended June 30, 2009			Year Ended June 30, 2000		
School District U46	Elgin	1	3,258	2.0%	1	2,731	1.9%
Indian Prairie CUSD 204	Naperville	2	2,725	1.6%	3	1,832	1.3%
Plainfield SD 202	Plainfield	3	2,508	1.5%	-	-	-
Rockford School District 205	Rockford	4	2,396	1.4%	2	2,249	1.6%
Naperville CUSD 203	Naperville	5	1,680	1.0%	4	1,553	1.1%
Community USD 300	Carpentersville	6	1,643	1.0%	9	1,220	0.9%
Valley View CUSD 365	Romeoville	7	1,624	1.0%	-	-	-
Springfield SD 186	Springfield	8	1,583	0.9%	6	1,413	1.0%
Peoria SD 150	Peoria	9	1,531	0.9%	5	1,518	1.1%
Schaumburg CCSD 54	Schaumburg	10	1,422	0.8%	7	1,404	1.0%
Waukegan CUSD 60	Waukegan	-	-	-	10	1,136	0.8%
Community Unit SD 200	Wheaton	-	-	-	8	1,260	0.9%
Total, largest 10 employers			**20,370**	**12.0%**		**16,316**	**11.3%**
All other (1,020 employers in 2009*; 1,049 employers in 2000)			**148,788**	**88.0%**		**128,659**	**88.7%**
			169,158	**100.0%**		**144,975**	**100.0%**

*Other Employers by Type as of June 30, 2009	Number of Other Employers	Other Covered Employees
Local school districts	857	141,137
Special districts	140	7,031
State agencies	23	620
Total, employers other than largest 10	**1,020**	**148,788**

Total Employers by Type as of June 30, 2009	Total Number of Employers	Total Covered Employees
Local school districts	867	161,507
Special districts	140	7,031
State agencies	23	620
Total, all employers	**1,030**	**169,158**

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