COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2014

Wilsonville Grade School
Wilsonville, Illinois
1939

Geneva Jr. & Sr. High French Class
Geneva, Illinois
2014

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

a component unit of the State of Illinois

STATEMENT OF PURPOSE

Retirement Security for Illinois Educators

MISSION STATEMENT

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

FISCAL YEAR HIGHLIGHTS

	As of June 30, 2014
Active contributing members	159,838
Inactive noncontributing members	122,964
Benefit recipients*	112,333
Total membership	395,135
INVESTMENT RETURN	
Total fund investment return, net of fees	17.4%
FOR FUNDING PURPOSES	
Actuarial accrued liability (AAL)	$103,740,377,267
Less actuarial value of assets (smoothed assets)	42,150,765,261
Unfunded actuarial accrued liability (UAAL)	$61,589,612,006
Funded ratio (% of AAL covered by assets, based on smoothed assets)	40.6%
FOR FINANCIAL DISCLOSURE	
Total pension liability (TPL)	$106,682,654,886
Less fiduciary net position (FNP)	45,824,382,514
Net pension liability (NPL)	60,858,272,372
FNP as a percentage of TPL	43.0%
INCOME	
Member contributions	$928,745,853
Employer contributions	158,334,598
State of Illinois contributions	3,438,382,892
Total investment income	6,782,031,720
Total income	$11,307,495,063
EXPENSES	
Benefits paid	$5,225,206,828
Refunds paid	95,456,151
Administrative expenses	21,218,069
Total expenses	$5,341,881,048

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2014

PREFACE

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

Prairie Dell Grade School
Piatt County, Illinois
1939

Teachers' Retirement System of the State of Illinois
a component unit of the State of Illinois
2815 West Washington | P.O. Box 19253 | Springfield, Illinois 62794-9253
http://trs.illinois.gov

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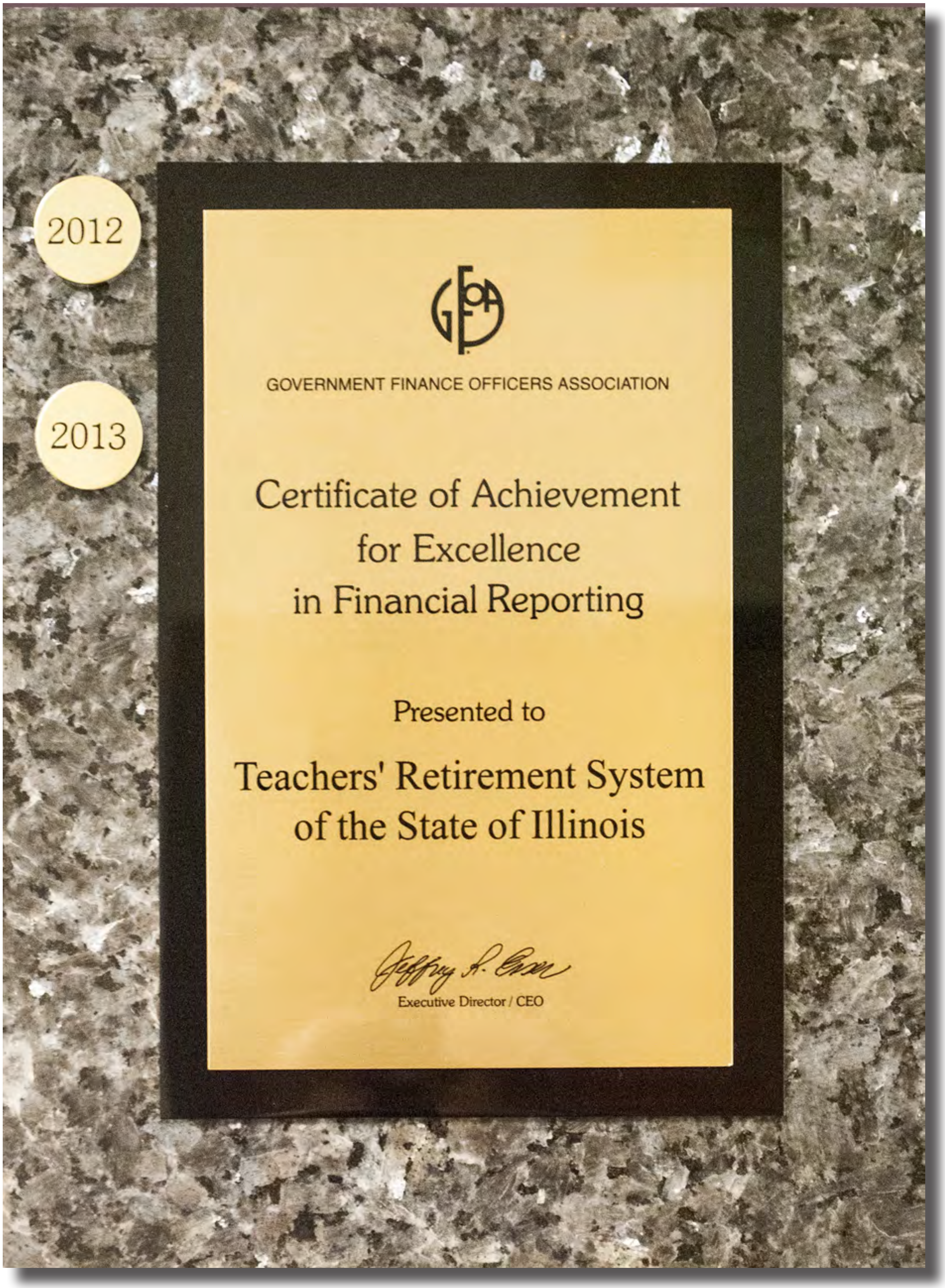
INTRODUCTION

Moulton Grade School
Wilmington, Illinois
1939
photo courtesy of *Illinois State Magazine*

Arlington Football Team
Arlington Heights, Illinois


2012
2013
GFOA
GOVERNMENT FINANCE OFFICERS ASSOCIATION
Certificate of Achievement
for Excellence
in Financial Reporting
Presented to
Teachers' Retirement System
of the State of Illinois
Executive Director / CEO

Public Pension Coordinating Council

Recognition Award for Administration 2014

Presented to

Teachers' Retirement System of the State of Illinois

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

A SHORT HISTORY OF TEACHERS' RETIREMENT SYSTEM

Teachers' Retirement System of the State of Illinois was created by an act of the Illinois General Assembly on July 1, 1939 to help safeguard the retirements of the state's public school teachers.

TRS replaced the Illinois State Teachers' Pension and Retirement Fund, which was founded in 1915 but over time proved to be inadequate in meeting the growing needs of retired educators.

In 1915, 301 retired teachers received annual state retirement payments totaling $8,528. By 1939, 3,481 retirees received $1.4 million in benefits, an increase of more than 16,000 percent in just a quarter of a century.

As the state's population, number of school districts and economy continued to grow, the financial structure of the Pension and Retirement Fund could not keep pace. The "flat" retirement plan created in 1915 depended solely on member contributions and an annual state appropriation to cover each year's expenses.

TRS was designed as an actuarially-based system that allowed a Board of Trustees to continually invest revenues from members, school districts and state government in order to generate greater revenue. Each year's benefit costs were to be covered under this design, along with future obligations, although the legislature limited the amount of money state government had to contribute to the System.

TRS started life with $4.4 million in total assets.

Then as now, TRS covered all public school teachers outside of the City of Chicago. In 1939, there were approximately 38,000 total members. Seventy-five years later, TRS had 395,135 members.

By the 25th anniversary of TRS in 1964, the System was distributing $26.6 million to 13,239 benefit recipients and had $280 million in assets. During the 50th anniversary of TRS in 1989, 45,718 benefit recipients received $477.2 million. The System had total assets of $7.2 billion. In year 75, TRS distributed $5.2 billion to 112,333 benefit recipients and had $45.8 billion in assets.

Over 75 years, the General Assembly has greatly expanded the complexity of the TRS benefit structure and created new responsibilities designed to help disabled teachers, the survivors of deceased members and help all member cope with a rising cost of living.

The minimum retirement benefit in 1939 for teachers retiring after 25 years of service was $400 per year. Active members paid 4 percent of their salaries to TRS. By 1964, the active member contribution rate was 7 percent and the average annual benefit was $2,139. In 1989, the member contribution was set at 8 percent and the average benefit was $10,439 per year. In 2014, the active member contribution was 9.4 percent of salary and the average benefit was $46,513.

The System originally was governed by a five-member Board of Trustees; two members elected by members and two appointed by Gov. Henry Horner. The elected Superintendent of Public Instruction, John A. Weiland, served as president of the Board. Today, the Board consists of 13 trustees: six appointed by the governor and six elected statewide by members. The president of the Board continues to be the State Superintendent of Education. In 2014 that post was held by Christopher Koch, Ed.D.

Despite a long-term unfunded liability created by historically inadequate state funding, throughout its 75 years TRS has diligently kept the retirement promises made by state government to Illinois' educators, and is working to secure those promises into the future.

Centennial building
(now the Howlett building)
TRS office from 1939 - 1955

Stratton building
TRS office from 1955 - 1966

Iles Park Place
TRS office from 1966 - 1979

2815 West Washington
TRS office from 1979 - present

TRS Lisle office
1987 - present

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253
Richard W. Ingram, Executive Director
members@trs.illinois.gov | http://trs.illinois.gov
(800) 877-7896 | for the hearing impaired: (866) 326-0087

LETTER OF TRANSMITTAL

January 6, 2015

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, 2014. This report marks the 75th anniversary of the founding of TRS – to replace the Illinois State Teachers' Pension and Retirement Fund – and its commitment to maintain the State of Illinois' retirement promises to its public school teachers and their dependents.

The 2014 CAFR reveals that despite its standing as one of the largest retirement systems in the United States and one of the top 100 funds worldwide, TRS continues to face significant financial challenges caused by decades of consistent underfunding by state government.

According to a media analysis, TRS currently ranks 40th, based on assets, among United States pension systems, both public and private, having a net position of $45.8 billion at the end of fiscal year 2014. However, if the System had been properly funded since its inception in 1939, TRS would be among the 10 largest U.S. systems. These facts underscore the extent of the problem.

By all accounts, the long-term funded status of TRS is among the worst in the nation. For funding purposes, the System's funded ratio at the end of the fiscal year stood at 40.6 percent, on an actuarial basis, with a long-term unfunded liability of $61.6 billion. The unfunded obligations owed members have increased by more than 400 percent since 2000. For purposes of financial disclosure under new reporting methods mentioned in this letter, the plan fiduciary net position as a percentage of the total pension liability was 43.0 percent, with a net pension liability of $60.9 billion.

For the last three years TRS has played a leading role in pinpointing and explaining the steep challenges faced by the State's five public pension systems. Led by the Board of Trustees, TRS has consistently warned that growing pension obligations and state government's consistent inability to provide actuarially adequate funding could lead to a calamity in less than 25 years. Without any changes to correct the imbalance between spending and revenue, TRS may not be able to pay the retirement benefits promised to our members by the State of Illinois.

Ensuring the long-term stability and strength of TRS will enable the System to keep the promises made by the State of Illinois for a secure retirement. In good times and bad, TRS has maintained trusted relationships with generations of educators and has never defaulted on any promises.

In December of 2013, after more than three years of often-contentious debate, the Illinois General Assembly and Governor Pat Quinn enacted sweeping legislation designed to fix the System's long-term financial problems and eliminate the State's combined unfunded pension liability by 2044.

This new law overhauled the long-standing benefit structure of TRS and was intended to reduce future costs. It placed tighter controls on state government to help ensure that elected officials meet their annual financial commitments to all TRS members, whether they are active, inactive or retired. However, by the end of fiscal year 2014, the implementation of this new law was indefinitely suspended by a state court pending the resolution of a legal challenge to the law's constitutionality. Members of Illinois' public pension systems contend that the reduction in retirement benefits violates a clause in the Illinois Constitution that prohibits pension benefits from being "diminished or impaired." On November 21, 2014, Sangamon County Circuit Court Judge John Belz ruled that the new law was a violation of the Illinois Constitution's "pension protection clause." In December the Illinois Attorney General, charged with defending the constitutionality of the law, appealed Judge Belz's decision directly to the Illinois Supreme Court. The case is not expected to be resolved until sometime in 2015, at the earliest.

TRS remains a respected entity in institutional investing, but over time its growing unfunded liability will increasingly hamper its effectiveness for all members – those that are retired and those who are active educators. A large unfunded liability threatens our ability to continue the investment returns that are vital to the System's security.

We display this caution despite the fact that to date TRS has more than fulfilled its duty to properly manage the money entrusted to the System by our members. For the fiscal year ended on June 30, 2014, TRS investments returned 17.4 percent net of fees, outperforming the System's custom benchmark of 16.4 percent. More importantly, the System's 30-year investment return exceeded 9.5 percent per year average, which outperformed the TRS long-term assumed rate of return of 8 percent.

The State's promise of a secure retirement is vital to school teachers and communities in every corner of Illinois. TRS pensions provide our members with a stable income during their golden years that allow them to continue to be involved members of society. Moreover, TRS members continue to contribute to the Illinois economy. TRS benefits create economic activity that supports more than 41,000 jobs throughout the state and provides an annual economic stimulus in excess of $5.5 billion.

TRS is required by law to publish a CAFR annually with information about the System's financial condition, investment methods and performance, actuarial conclusions that determine financial needs and statistical information about members, school districts, revenues and benefits. TRS management and staff are responsible for the accuracy of this report and for ensuring that all material disclosures have been made. TRS recognizes that the limitations of internal controls must be considered. These controls are designed to provide reasonable assurance regarding the safekeeping of assets, the reliability of financial records, the appropriate segregation of duties and responsibilities and the use of sound accounting and financial practices. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. The objective of internal controls at TRS is a reasonable, not absolute, assurance that the System's financial statements are free of material misstatements. Three internal auditors are employed to continually review and determine that all laws, rules, policies and procedures are followed.

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, six representatives of the public who are appointed by the governor, four members of TRS who are elected by active teachers, and two retired members who are elected by annuitants. The Board of Trustees appoints the executive director, who is responsible for the effective 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 financial statements presented in conformity with generally accepted accounting principles (GAAP) applied 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 a professional accounting firm that serves as a special assistant auditor 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 Auditor's Report on TRS's financial statements is included on pages 18 and 19 in the Financial Section of this report. TRS received an unmodified auditor opinion on the fair presentation of its financial statements.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the 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 are 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)

			Increase	
Source	**2014**	**2013**	**Amount**	**% Change**
Member contributions	$929	$922	$7	0.8%
State of Illinois	3,438	2,703	735	27.2
Employer contributions	159	157	2	1.3
Total investment income	6,782	4,562	2,220	48.7
Total	**$11,308**	**$8,344**	**$2,964**	**35.5%**

Expenses ($ millions)

			Increase	
Source	**2014**	**2013**	**Amount**	**% Change**
Benefits payments	$5,225	$4,893	$332	6.8%
Refunds	96	89	7	7.9
Administrative/other	21	20	1	5.0
Total	**$5,342**	**$5,002**	**$340**	**6.8%**

The TRS Board of Trustees and staff remain vigilant in our efforts to improve the retirement system's funded status for current and future members. We continue to invest prudently and in a disciplined manner for the benefit of our membership and for the long-term success of the retirement system. The TRS Board and staff believe the overall investment strategy remains sound and appropriate for our circumstances.

INVESTMENTS

The TRS investment portfolio returned 18.1 percent, gross of fees, for the fiscal year ended June 30, 2014. Total investment assets increased approximately $5.8 billion during the year.

The TRS trust fund is invested under the authority of the Illinois Pension Code and follows the "prudent person rule," which requires 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.

The Investment Section of this report contains a summary of the portfolio and investment activities. Pages 74 to 77 provide specific details regarding fees and commissions and a list of investment professionals who provided services to TRS.

FUNDING

During the year ended June 30, 2014, the funded ratio based on the actuarial value of assets of the Teachers' Retirement System did not change from its June 30, 2013 level of 40.6 percent. The actuarial value of assets at year end was $42.2 billion and the actuarial accrued liability was $103.7 billion. New actuarial assumptions were adopted in the 2014 actuarial valuation that increased the accrued liability, but other actuarial gains offset some of the liability increase. Under the smoothing methodology required by Public Act 96-0043, differences between actual and expected investment earnings are recognized prospectively over a five-year period. The actuarial value of assets now recognizes 100 percent of the 2010 gains, 80 percent of the 2011 gains, 60 percent of the 2012 losses, 40 percent of the 2013 gains, and 20 percent of the 2014 gains, compared to the actuarially assumed rate of return.

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

MAJOR INITIATIVES

In fiscal year 2014, TRS initiated and continued several programs and projects that benefited its members and enhanced the retirement system:

- The enrollment, during a limited, three-month period, of more than 35,000 retired TRS members into a brand new state-mandated Medicare Advantage health insurance program. Legislation enacted in June of 2013 required all Medicare-eligible TRS annuitants and their dependents to choose and enroll in completely new health insurance plans prior to the end of calendar year 2013. TRS went to great lengths to ensure that all affected members, especially those that have trouble communicating their needs, maintained their health insurance.

- The expansion of "TRS Self Service," a program that gives members the ability to request, electronically complete and submit TRS forms used in the everyday administration of TRS business. TRS Self Service reduces the need to contact the System's office for assistance with these forms. The program also includes the on-demand, electronic availability of personalized benefit reports and other documents that members routinely use when dealing with financial institutions, governments and businesses.

- An extensive document imaging project designed to digitize approximately 398,000 hard-copy member records containing an estimated 11 million images. The new imaging system will help prevent identity theft and the unintended loss of records. All new member documents are being digitized as they are received and the project is now expanding to other TRS departments, including Administrative Services and Investments.

- The integration of new financial reporting guidelines established by the Government Accounting Standards Board for initial use in fiscal year 2014, along with an education program to help members, employers, stakeholders and the media understand the rationale, use and limitations of the new procedures.

- A comprehensive review of all aspects of the System's organization, internal culture, administration, staffing and procedures, as well as equipment and office needs, designed to enhance services and responsiveness for all members, stakeholders, elected officials and the general public. This project began with a review of the Member Services Department and will lead to a number of upgrades to the System's interaction with educators.

- A complete re-tooling of the System's internal personnel evaluation system designed to improve employee interaction with management, better promote the agency's core responsibilities and competencies, as well as establish individual goals for all staff that advance member services and career paths.

All of these initiatives are pursued with one goal in mind: to better serve our members whether they are 25 or 100. We are committed to earning their trust. We know they look to TRS to keep the retirement promises made to them. That requires us to be honest about the threats to these promises. We are committed to being a source of clarity in a world filled with uncertainty and are grateful for the trust placed in us.

AWARDS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2013. This was the 25th consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government or government entity must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report*. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current *Comprehensive Annual Financial Report* continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

PUBLIC PENSION COORDINATING COUNCIL (PPCC), RECOGNITION AWARD FOR ADMINISTRATION

TRS received the Recognition Award for Administration in 2014 in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards of the PPCC. The award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

ACKNOWLEDGMENTS

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

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 website, **http://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.

Richard Ingram
Executive Director

Jana Bergschneider, CPA
Director of Administration

BOARD OF TRUSTEES
AS OF DECEMBER 1, 2014

EXECUTIVE STAFF
AS OF DECEMBER 1, 2014

Front row, left to right:
Director of Internal Audit Stacy Smith, CPA, CIDA ; Director of Research Kathleen Farney, CEBS; Director of Human Resources Gina Larkin ; Director of Member Services Sally Sherman; and Director of Administration Jana Bergschneider, CPA

Back row, left to right:
Chief Investment Officer Stan Rupnik, CFA; General Counsel Tom Gray; Executive Director Dick Ingram; Director of Outreach Rich Frankenfeld; and Director of Communications Dave Urbanek

ORGANIZATIONAL STRUCTURE
EXECUTIVE STAFF AS OF DECEMBER 1, 2014

BOARD OF TRUSTEES
Investment Committee, Audit Committee, Legislative Committee, Rules & Personnel Committee, Claims Hearing Committee, Diversity Committee

DICK INGRAM
Executive Director

JANA BERGSCHNEIDER, CPA
Director of Administration

KATHLEEN FARNEY, CEBS
Director of Research

STAN RUPNIK, CFA
Chief Investment Officer

RICH FRANKENFELD
Director of Outreach

DAVE URBANEK
Director of Communications

SALLY SHERMAN
Director of Member Services

TOM GRAY
General Counsel

STACY SMITH, CPA, CIDA
Director of Internal Audit

GINA LARKIN
Director of Human Resources

CONSULTING AND PROFESSIONAL SERVICES

ACTUARY

Buck Consultants, L.L.C.
Chicago, Illinois

EXTERNAL AUDITORS

(Special assistants to the Office of the Auditor General)

McGladrey L.L.P.
Schaumburg, Illinois

INFORMATION SYSTEMS

Brent Ozar Unlimited
Beaverton, Oregon

Laserfiche Corporate Headquarters
Long Beach, California

McAfee
Chicago, Illinois

Sentinel Technologies
Chicago, Illinois

SunGard Availability Services
Chicago, Illinois

LEGISLATIVE

Leinenweber Baroni & Daffada Consulting, L.L.C.
Springfield, Illinois

LEGAL SERVICES

Bingham McCutchen, L.L.P.
Hartford, Connecticut

Cavanagh & O'Hara
Springfield, Illinois

Holland & Knight, L.L.P.
Chicago, Illinois

Howard & Howard Attorneys, P.L.L.C.
Peoria, Illinois

Jackson Walker, L.L.P.
Austin, Texas

Kopec White & Spooner
Springfield, Illinois

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

Morgan Lewis & Bockius, L.L.P.
New York, New York

Robbins Geller Rudman & Dowd, L.L.P.
San Diego, California

Sorling Northrup
Springfield, Illinois

MASTER TRUSTEE

State Street Bank and Trust Company
Boston, Massachusetts

SECURITIES LENDING AGENT

Citibank, N.A.
New York, New York

INVESTMENT CONSULTANTS

Albourne America, L.L.C.
(Absolute return)
San Francisco, California

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

RVK, Inc.
(General investment)
Portland, Oregon

Risk Resources
(Real estate insurance)
Elmhurst, Illinois

TorreyCove Capital Partners, L.L.C.
(Private equity)
La Jolla, California

CO-INVESTMENT ADVISORS

LP Capital Advisors, L.L.C.
(Private equity)
Sacramento, California

ORG Portfolio Management, L.L.C.
(Real estate)
Cleveland, Ohio

Real Asset Portfolio Management, L.L.C.
(Real estate)
Portland, Oregon

Stout Risius Ross, Inc.
(Private equity)
Los Angeles, California

FINANCIAL

Russell Lee School
Tent City, Illinois
1937

Harrison School
Harrison, Illinois
1949

TRS ILLINOIS

McGladrey

Independent Auditor's Report

Honorable William G. Holland, Auditor General – State of Illinois

Board of Trustees, Teachers' Retirement System of the State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Statement of Net Position of the Teachers' Retirement System of the State of Illinois (System), a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related Statement of Changes in Net Position for the year then ended, and the related notes to the financial statements which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Teachers' Retirement System of Illinois as of June 30, 2014, and the changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B, Section 4 on page 30 of the financial statements, in 2014, the System adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. As required by Statement No. 67, the actuarially determined pension liability is dependent on several assumptions including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. These assumptions are discussed in Note A, Section 6 of the financial statements on page 29. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information:
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 23 and the schedule of changes in the net pension liability for fiscal year, the schedule of the net pension liability for fiscal year, schedule of investment returns for fiscal year and the schedule of contributions from employers and other contributing entities last 10 fiscal years on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:
Our audit for the year ended June 30, 2014 was conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information in the financial section on pages 52 through 54, and the accompanying introduction, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information for the year ended June 30, 2014 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2014 and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole for the year ended June 30, 2014. The introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the System's financial statements as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 16, 2013, which contained an unmodified opinion on those financial statements. The accompanying supplementary information which consisted of supporting schedules, for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole for the year ended June 30, 2013.

McGladrey LLP

Schaumburg, Illinois
January 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This 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, 2014. Please read it in conjunction with the Letter of Transmittal in the Introduction Section on page 7 and the Financial Statements and related notes that follow this discussion.

FINANCIAL HIGHLIGHTS

- The net position of TRS at June 30, 2014 was $45.8 billion.
- During FY14, the net position of TRS increased $6.0 billion.
- Contributions from members, employers, and the State was $4.5 billion, an increase of $744 million or 19.7 percent for FY14.
- Total investment gain was $6.8 billion, compared to an investment gain of $4.6 billion in FY13, an increase of $2.2 billion.
- Benefits and refunds paid to members and annuitants was $5.3 billion, an increase of $339 million or 6.8 percent.
- The total actuarial accrued liability was $103.7 billion at June 30, 2014.
- The unfunded actuarial accrued liability was $61.6 billion at June 30, 2014. The funded ratio was 40.6 percent at June 30, 2014. The unfunded liability and funded ratio are calculated using a smoothed value of assets, as required under Public Act 96-0043.
- The total pension liability was $106.7 billion at June 30, 2014.
- The net pension liability was $60.9 billion at June 30, 2014. The Plan Fiduciary Net Position, as a percentage of total pension liability, was 43.0 percent.

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

Statement of Fiduciary Net Position. This statement reports the pension trust fund's net position which represents the difference between the other statement elements comprised of assets and liabilities. It is the balance sheet for the pension system and reflects the financial position of the Teachers' Retirement System as of June 30, 2014.

Statement of Changes in Fiduciary Net Position. 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. This statement supports the change in the value of net position reported on the Statement of Fiduciary Net Position.

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 Statements of Fiduciary Net Position as of June 30

	2014	Percentage Change	2013
Cash	$60,859,067	315.2%	$14,659,145
Receivables and prepaid expenses	5,430,213,496	21.0	4,488,401,761
Investments	45,435,578,617	14.5	39,681,752,953
Invested securities lending collateral	2,798,549,336	44.8	1,932,554,323
Capital assets	4,114,038	(5.6)	4,358,587
Total assets	**53,729,314,554**	**16.5**	**46,121,726,769**
Total liabilities	**7,904,932,040**	**26.2**	**6,262,958,270**
Net position restricted for pensions	**$45,824,382,514**	15.0%	**$39,858,768,499**

Condensed Comparative Statements of Changes in Fiduciary Net Position for the Years Ended June 30

	2014	Percentage Change	2013
Contributions	$4,525,463,343	19.7%	$3,781,914,113
Net investment income	6,782,031,720	48.7	4,561,768,383
Total additions	11,307,495,063	35.5	8,343,682,496
Benefits and refunds	5,320,662,979	6.8	4,981,481,783
Administrative expenses	21,218,069	4.7	20,257,553
Total deductions	5,341,881,048	6.8	5,001,739,336
Net increase in net position	**5,965,614,015**		**3,341,943,160**
Net position restricted for pensions - beginning of year	**39,858,768,499**	**9.2**	**36,516,825,339**
Net position restricted for pensions - end of year	**$45,824,382,514**	15.0%	**$39,858,768,499**

FINANCIAL ANALYSIS

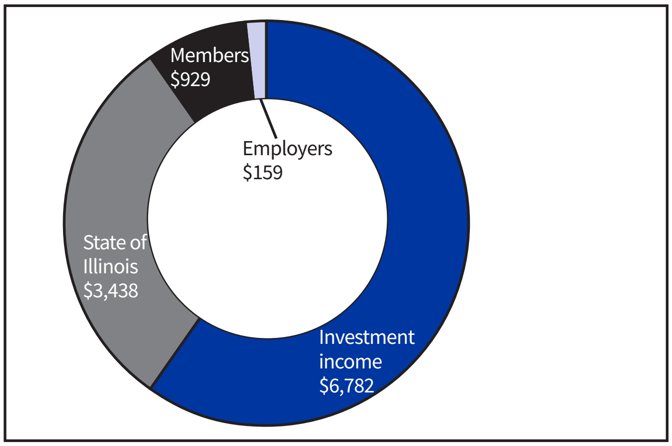
TRS was created to provide retirement, survivor, and disability benefits to qualified members. Increases or decreases in the plan's net position serve as useful indicators of TRS's financial position. The net position available to pay benefits was $45.8 billion at June 30, 2014.

CONTRIBUTIONS

Contributions increased $744 million during FY14. During FY14, member contributions increased $7 million and employer contributions from school districts increased $2 million. The net increase in employer contributions from school districts in FY14 is attributable to an increase in federal funds contributions and a decrease in both employer early retirement and excess salary increase contributions.

The State of Illinois makes appropriations to TRS. Receipts from the State of Illinois increased $735 million in FY14 . The increase in FY14 was mainly due to the continued recognition of FY09 losses in the FY12 actuarial value of assets that was used to determine the FY14 funding requirements. State funding law provides for a 50-year funding plan that included a 15-year phase-in period and a goal of 90 percent funding in the year 2045.

Revenues by Type
for the Year Ended June 30, 2014
($ millions)

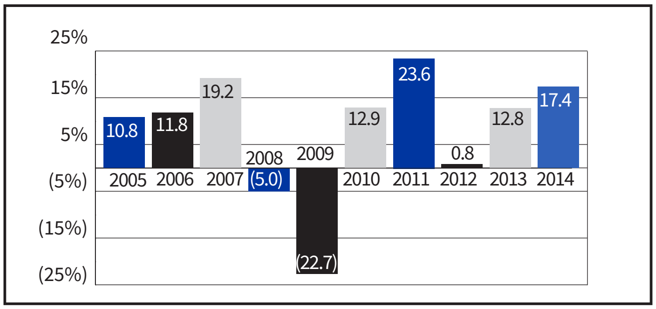


INVESTMENTS

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.

The TRS investment portfolio returned 17.4 percent, net of fees, for the fiscal year ended June 30, 2014. Total TRS investment assets increased approximately $5.8 billion during the year.

Annual Rate of Return
(net of investment expenses)

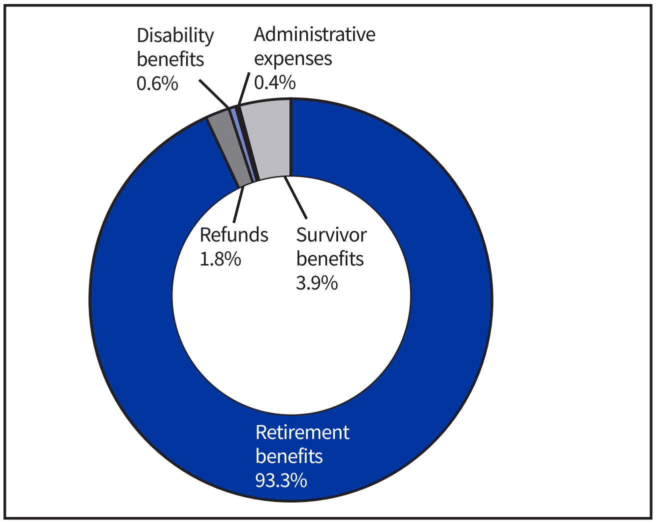


BENEFITS AND REFUNDS

Retirement, survivor, and disability benefit payments increased $332 million during FY14. Benefit payments increased to $5.2 billion with 112,333 recipients in FY14. The overall increase in benefit payments for FY14 is due to an increase in retirement benefits and the 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 97,899 as of June 30, 2013 to 101,184 as of June 30, 2014.

Refunds of contributions increased $7 million in FY14. The increase during FY14 is the result of a greater number of member and retirement refunds.

Expenses by Type
for the Year Ended June 30, 2014



ACTUARIAL

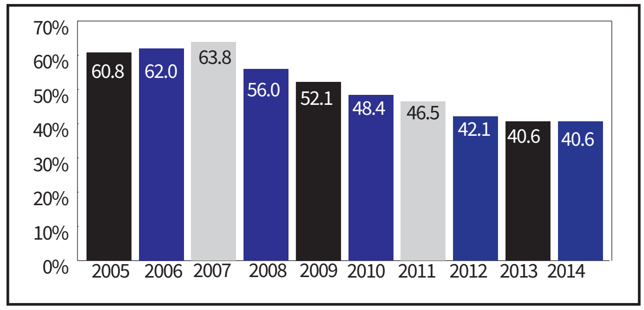
For statutory funding and financial reporting, an actuarial valuation is performed annually and measures the total liability for all benefits earned to date. The actuarial accrued liability is a present value estimate of all the benefits that have been earned to date but not yet paid. The actuarial accrued liability based on statutory funding requirements increased $9.9 billion in FY14 to $103.7 billion at June 30, 2014. The actuarial unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets as of the valuation date. The actuarial unfunded liability increased $5.9 billion during FY14 to $61.6 billion at June 30, 2014. The funded ratio reflects the percentage of the actuarial accrued liability covered by the actuarial value of assets. The funded ratio was unchanged from FY13, staying at 40.6 percent on June 30, 2014.

In FY14, the actuarial unfunded liability and funded ratio is based on a smoothed value of assets. Public Act 96-0043 required 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.

When the funded ratio was based on the fair value of assets, the reported funded ratio was impacted immediately by changes in market conditions. State funding requirements based on fair value assets also were impacted immediately and therefore were more volatile. Using the smoothed value of assets results in more stable reported funded ratios and State funding requirements over time.

During fiscal year 2014, TRS implemented GASB Statement No. 67, "Financial Reporting for Pension Plans." As a result of implementing the new statement, TRS is required to disclose the net pension liability and total pension liability in the Financial Statement Notes and Required Supplementary Information in accordance with criteria which differs from the actuarial accrued liability and actuarial unfunded liability. The total pension liability is $106.7 billion at June 30, 2014, while the net pension liability is $60.9 billion at June 30, 2014.

Funded Ratio Based on Actuarial Value of Assets



The funded ratio in this chart is the ratio of actuarial assets to the actuarial liability. 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 fair value through 2008 with five-year smoothing beginning in 2009.

LEGISLATIVE

In December of 2013, Governor Pat Quinn signed into law Public Act 98-0599, legislation designed to fix the System's long-term financial problems.

This new law's intent was to eliminate the TRS unfunded liability by 2044 and the long-term stabilization of the System's finances. This was accomplished by, among other things, reducing the annual cost of living adjustment, capping the pensionable earnings of Tier I members, delaying the retirement date of members under age 45, reducing Tier I member contributions, guaranteeing adequate annual State contributions, earmarking extra funds to help pay off the unfunded liability and calculating the System's liabilities under standard actuarial practices.

However, the implementation of the new law was suspended due to a lawsuit which alleged the act violated a provision in the Illinois Constitution that prohibits pension benefits from being "diminished or impaired." Members of Illinois' public pension systems contended that the law resulted in reduced pension benefits for both active and retired members.

On November 21, 2014, Sangamon County Circuit Court Judge John Belz ruled that the Public Act 98-0599 was a violation of the Illinois Constitution's "pension protection clause." In December the Illinois Attorney General, charged with defending the constitutionality of the act, appealed Judge Belz's decision directly to the Illinois Supreme Court. The case is not expected to be resolved until sometime in 2015, at the earliest.

FINANCIAL STATEMENTS

Teachers' Retirement System of the State of Illinois
Statement of Fiduciary Net Position
June 30, 2014

	2014
Assets	
Cash	$60,859,067
Receivables and prepaid expenses:	
Member contributions	57,529,290
Employer contributions	14,367,466
State of Illinois	372,984,303
Investment income	106,358,243
Pending investment sales	4,876,016,116
Prepaid expenses	2,958,078
Total receivables and prepaid expenses	5,430,213,496
Investments, at fair value:	
Fixed income	8,413,584,938
Equities	19,151,133,896
Real estate	5,638,680,343
Short-term investments	1,432,002,394
Private equity investments	5,038,446,122
Real return	3,055,818,516
Absolute return	2,618,256,628
Foreign currency	84,850,132
Derivatives	2,805,648
Total investments	45,435,578,617
Invested securities lending collateral:	
Short-term investments	2,718,126,389
Fixed income	12,965,947
Securities lending collateral with the State Treasurer	67,457,000
Total invested securities lending collateral	2,798,549,336
Capital assets, net of accumulated depreciation	4,114,038
Total assets	53,729,314,554
Liabilities	
Benefits and refunds payable	8,324,286
Administrative and investment expenses payable	45,714,593
Pending investment purchases	5,052,429,964
Securities lending collateral	2,798,463,197
Total liabilities	7,904,932,040
Net position restricted for pensions	$45,824,382,514

See accompanying Notes to Financial Statements.

Teachers' Retirement System of the State of Illinois
Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2014

	2014
Additions	
Contributions:	
Members	$928,745,853
State of Illinois	3,438,382,892
Employers	
Early retirement	23,392,170
Federal funds	74,484,109
2.2 benefit formula	55,181,100
Excess salary/sick leave	5,277,219
Total contributions	4,525,463,343
Investment income:	
Net increase in fair value of investments	5,804,678,228
Interest	236,947,917
Real estate operating income, net	311,383,726
Dividends	515,858,875
Private equity income	117,978,674
Other investment income	81,912,282
Securities lending income	7,541,948
Less investment expenses:	
Direct investment expense	(300,257,270)
Securities lending management fees	(863,807)
Securities lending borrower rebates	6,851,147
Net investment income	6,782,031,720
Total additions	11,307,495,063
Deductions	
Retirement benefits	4,986,155,845
Survivor benefits	208,424,078
Disability benefits	30,626,905
Refunds	95,456,151
Administrative expenses	21,218,069
Total deductions	5,341,881,048
Net increase in net position	5,965,614,015
Net position restricted for pensions	
Beginning of year	39,858,768,499
End of year	$45,824,382,514

See accompanying Notes to Financial 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 also are 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 salary increases of more than 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 were 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 is a nonemployer contributing entity that provides employer contributions. For information about employer contributions made by the State of Illinois, see "Schedule of Contributions from Employers and Other Contributing Entities" on page 50.

Number of Employers (as of June 30)

	2014
Local school districts	859
Special districts	136
State agencies	18
Total	**1,013**

3. MEMBERS

TRS Membership (as of June 30)

	2014
Retirees and beneficiaries	112,333
Inactive members	122,964
Active members	159,838
Total	**395,135**

4. BOARD OF TRUSTEES

TRS is governed by a 13-member Board of Trustees. Trustees include the state superintendent of education, six trustees appointed by the governor, four trustees elected by contributing TRS members, and two trustees elected by TRS annuitants.

The president of the Board of Trustees, by law, is the Illinois superintendent of education. The Board of Trustees elects its vice president from among its members. The Board of Trustees appoints an executive director who also serves as the secretary of the Board of Trustees. The executive director is responsible for daily operations at TRS.

5. 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. Membership is mandatory for all full-time, part-time, and substitute school personnel employed in Illinois outside the city of Chicago.

Public Act 96-0889, which was signed into law in the spring of 2010, added a new section to the Pension Code that applies different benefits to anyone who first contributes to TRS on or after January 1, 2011 and does not have any other previous service credit with one of the reciprocal retirement systems in Illinois. Members who first participate on or after that date are members of Tier II.

The act does not apply to anyone who made contributions to TRS prior to January 1, 2011. They remain participants of Tier I.

TIER I 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 but 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 at age 65.

A retirement benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. The 2.2 percent formula became effective July 1, 1998 but service earned before that date can be upgraded to the 2.2 formula with a member contribution. The cost of the upgrade can be reduced if members upgrade and continue teaching after 1998. A graduated formula applies to service earned before 1998 and provides a maximum benefit of 75 percent of average salary with 38 years of service.

Tier I members who contributed to TRS before July 1, 2005 receive a money purchase (actuarial) benefit if it provides a higher benefit than the 2.2 or graduated formulas. The 75 percent cap does not apply to the money purchase benefit.

Essentially all retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later.

Disability and death benefits are also provided.

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.

Tier I members contribute 9.4 percent of their creditable earnings to TRS and an additional contribution to a retiree health insurance program that is not administered by TRS.

TIER II BENEFITS

Changes from Tier I include raising the minimum eligibility to draw a retirement benefit to age 67 with 10 years of service. A discounted annuity can be paid at age 62 with 10 years of service. The Tier II law caps creditable earnings and contributions used for retirement purposes at a level that is lower than the Social Security Wage Base. Post retirement increases are limited to the lesser of 3 percent or half the annual increase in the Consumer Price Index and are not compounded.

The 2.2 retirement formula also applies to Tier II but the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. The single-sum benefit is also payable at age 65 to Tier II members with fewer than five years of service. Tier II members cannot retire under ERO, and the money purchase (actuarial) benefit is not available to them.

Disability and refund provisions for Tier II are identical to those that apply to Tier I. Death benefits are payable under a formula that is different from Tier I.

Tier II members also contribute 9.4 percent of their creditable earnings to TRS and an additional contribution to a retiree health insurance program that is not administered by TRS.

6. ACTUARIAL MEASUREMENTS

The Schedule of Changes in the Net Pension Liability, Schedule of the Net Pension Liability, and the Schedule of Contributions from Employers and Other Contributing Entities may be found in the Required Supplementary Information. Other schedules pertaining to the System's funded status are in the Actuarial section.

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, 2005, member contributions increased from 9 percent to 9.4 percent of salary. These contributions are allocated as follows: 7.5 percent for retirement; 0.5 percent for post-retirement increases; 1 percent for death benefits; and 0.4 percent to help cover the cost of Early Retirement Option (ERO), which is refundable if the member does not retire using ERO or if the ERO program is terminated.

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. 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 ERO and any excess salary increase or sick leave costs due.

State funding law provides for a 50-year funding plan that includes a 15-year phase-in period.

Public Act 96-0043, which was effective July 15, 2009, required TRS to use a five-year smoothing method for asset valuation beginning on June 30, 2009. It first affected State contribution requirements in FY11.

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.

PENSION LIABILITY

The long-term rate of return as of June 30, 2014 is 7.5 percent, as adopted by the Board of Trustees. The prior year long-term rate of return was 8.0 percent. The assumptions as of June 30, 2014 were assumed to be in effect at the beginning of the fiscal year as well. The long-term rate of return assumption is based on a 2014 asset liability study conducted by the TRS investment consultant and additional analysis conducted by the TRS actuary.

The TRS actuary used the following assumed rates of returns by asset class, excluding 3.00 percent for the assumed rate of inflation.

Expected Arithmetic Real Returns over 30 Years

Asset Class	Return
U.S. large cap	8.23%
Global equity excluding U.S.	8.58
Aggregate bonds	2.27
U.S. TIPS	3.52
NCREIF	5.81
Opportunistic real estate	9.79
ARS	3.27
Risk parity	5.57
Diversified inflation strategy	3.96
Private equity	13.03

GASB Statement No. 67 requires the discount rate to be a blended rate, which includes the long-term expected rate of return and a municipal bond rate (the S & P Municipal Bond 20 Year High Grade Rate Index) as of the end of the current year. Based on projections discussed below, the System can utilize the long-term expected rate of return as the discount rate. Therefore, the long-term expected rate of return and the discount rate are the same, 7.5 percent for the year ended June 30, 2014.

TRS, with the assistance of the actuary, projected that the Plan's fiduciary net position will be sufficient to provide for all benefit payments to current plan members. Projected contributions from members, employers, and the State of Illinois (non-employer contributing entity) assume that all statutorily required contributions are made through FY2112 and that Public Act 98-0599 does not go into effect. Estimated contributions from employers and the State of Illinois, of which the majority of the contribution (approximately 98 percent) is provided by the State of Illinois, are projected to be $3.6 billion in 2015 and growing to $8.8 billion in 2045 based on current statutory requirements for current members. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate.

The actuarial cost method required for financial reporting purposes is the entry age normal method. For TRS, Total Pension Liability (TPL) is developed and rolled forward to the fiscal year end based on a valuation date and member census one year prior. TPL is projected to June 30, 2014, based on a valuation date of June 30, 2013. Assets, referred to as Fiduciary Net Position, are measured at fair value.

Net Pension Liability

	June 30, 2014
Total pension liability	$106,682,654,886
Plan fiduciary net position	45,824,382,514
Net pension liability	$60,858,272,372
Plan fiduciary net position as a percentage of the total pension liability	43.0%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current	1% Increase
Discount rate	6.5%	7.5%	8.5%
Net pension liability	$75,156,979,079	$60,858,272,372	$49,017,312,800

Most of the actuarial assumptions are based on the actuarial experience analysis dated August 2012, which covered the period July 1, 2006 through June 30, 2011. Its recommendations were adopted in the June 30, 2012 actuarial valuation. New assumptions for the assumed rate of investment return, salary increases, inflation and related economic assumptions were adopted in the June 30, 2014 actuarial valuation.

Additional Information Regarding Assumptions used for Financial Reporting Disclosure and the Actuarial Valuation follow:

	June 30, 2014
Actuarial Cost Method:	
For financial reporting purposes	Entry age normal
Amortization Method:	
For financial reporting purposes	Level percent of payroll
Remaining Amortization Period:	
For financial reporting purposes	30 years, open
Asset Valuation Method:	
For financial reporting purposes	Fair value
Actuarial Assumptions:	
Investment rate of return (long-term)	7.5%
Real rate of investment return (long-term)	4.5%
Projected salary increases	4.75% (at age 69) to 9.90% (at age 20), composite 5.75%. Includes inflation and real wage growth (productivity) assumptions.
Group size growth rate	0%
Assumed inflation rate	3.00%
Real wage growth (productivity)	0.75%
Post-retirement increase	Tier I: 3% compounded; Tier II: Lesser of 3% or ½ of the CPI increase, not compounded
Mortality table	RP - 2000 Mortality Tables with future mortality improvements on a generational basis.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial transactions of TRS are recorded using the economic resources measurement focus and 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 expenses 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 position during the reporting period. Actual results could differ from these estimates. TRS uses an actuary to determine the total pension liability for the defined benefit plan and to determine the actuarially required contribution.

3. RISKS AND UNCERTAINTIES

TRS investments are diversified and include various investment securities. Investment securities are exposed to a variety of risk including credit, market and interest rate risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that value changes will occur in the near-term and such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

4. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," was established to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. TRS implemented this statement for the year ended June 30, 2014, with no significant financial impact.

GASB Statement No. 67, "Financial Reporting for Pension Plans," established standards for defined benefit pension plans' financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. TRS implemented this statement for the year ended June 30, 2014.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," was established to set standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures related to pensions. This statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. TRS will assist employers in their implementation of this statement for the year ended June 30, 2015.

GASB Statement No.71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," was established to improve accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of the statement by employers and nonemployer contribution entities. TRS will assist employers in implementing this statement simultaneously with the provisions of GASB Statement No. 68.

5. METHOD USED TO VALUE INVESTMENTS

TRS reports investments at fair value. Fair value for publicly traded real return funds, equities, foreign currency and exchange traded derivatives is determined by using the closing price listed on national securities exchanges as of June 30. Fair value for fixed income securities and over-the-counter derivatives is determined primarily by using quoted market prices provided by independent pricing services. Short-term investments are generally reported at average cost, which approximates fair value. Appraisals are used to determine fair value on directly-owned real estate investments. Fair value for private equity investments, absolute return funds, non-publicly traded 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 that an independent audit be performed on an annual basis.

6. CAPITAL ASSETS

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. Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Land	$235,534	$ -	$ -	$235,534
Mineral Lease Rights	2,643	-	-	2,643
Office building	7,217,795	233,269	-	7,451,064
Site improvement	1,088,635	-	-	1,088,635
Equipment and furniture	2,306,363	260,296	113,204	2,453,455
Software	1,193,413	288,759	-	1,482,172
	12,044,383	782,324	113,204	12,713,503
Less accumulated depreciation:				
Office building	5,085,533	373,216	-	5,458,749
Site improvement	456,468	76,654	-	533,122
Equipment and furniture	1,744,467	256,704	103,212	1,897,959
Software	399,328	310,307	-	709,635
	7,685,796	1,016,881	103,212	8,599,465
	$4,358,587	($234,557)	$9,992	$4,114,038

The average estimated useful lives for depreciable capital assets are as follows:

Office building	40 years
Equipment and furniture	3 -10 years
Software	3 - 5 years

7. 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.) Sick time earned after December 31, 1997 is not compensable at termination.

At June 30, 2014, the System had a liability of $1,881,735 for compensated absences. The liability is included in administrative and investment expenses payable on the Statement of Fiduciary Net Position. For non-investment staff, the increase or decrease in liability is reflected in the financial statements as administrative expense. For investment staff, the increase or decrease is reflected as investment expense. Compensated absences payable for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences payable	$1,689,265	$1,053,087	$860,617	$1,881,735

The estimated amount due within one year is: $100,000

8. RECEIVABLES

Receivables consist primarily of 1) member and employer contributions owed and yet to be remitted by the employing districts, 2) interest, dividends, real estate and private equity income owed to TRS, 3) appropriations not yet received from the State of Illinois as of June 30, and 4) pending investment sales.

TRS assesses penalties for late payment of contributions and may collect any unpaid amounts from the employing districts by filing a claim with the appropriate 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.

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 is designed 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 work 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 was $60,859,067 at June 30, 2014. Of the bank balance, $60,858,942 was on deposit with the State treasurer at June 30, 2014. State treasurer deposits are in an internal investment pool collateralized at a third party custodial bank and 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, commercial paper and repurchase agreements. For financial statement presentation and investment purposes, TRS reports its cash equivalents as short-term investments in the Statement of Fiduciary Net Position. Included in the reported balances is the State Street Global Advisors Short-Term Investment Fund (STIF) with a value of $1,061,378,315 at June 30, 2014. The STIF fund has an average credit quality rating of A1P1 and a weighted average maturity of 40.0 days.

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 $84,850,132 at June 30, 2014.

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 under the "prudent person rule."

The Board of Trustees, through the investment policy, has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the System's operations, including the allocation of invested assets. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension plan. The following table summarizes the Board-adopted, long-term allocation targets in effect as of June 30, 2014. Long-term asset allocation targets remained the same in FY14 as no significant investment policy changes were made during the fiscal year.

Long-term Asset Allocation Policy Mix	
Global equity	40%
Global fixed income	16
Real estate	14
Private equity	12
Real return	10
Absolute return	8
Short-term	0
Total	**100%**

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. The TRS investment policy adopted by the Board of Trustees includes a formal process to address custodial credit risk. This policy requires the custodian to provide safekeeping of the System's assets in segregated accounts and to have the assets registered in TRS's name, custodian's nominee name or in a corporate depository or federal book entry system.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in any one issuer. Investment parameters established in the Investment Management Agreements with external managers restrict holdings to no more than 5 percent of a single issuer within an account. The TRS portfolio has no investments in any one issuer that comprise 5 percent or more of the System's total investments.

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 below this rating 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, 2014, TRS held the following fixed income investments with respective Moody's quality ratings or equivalent rating. 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. Treasuries & Agency Obligations	Municipals	Commingled Funds	Securities Lending Collateral	Total
Aaa	$394,494,781	$335,260,934	$1,323,283,564	$1,788,384	$ -	$ -	$2,054,827,663
Aa1	24,457,586	354,953,328	-	5,543,944	-	-	384,954,858
Aa2	16,393,116	47,406,071	-	12,070,424	-	-	75,869,611
Aa3	42,694,279	116,621,066	-	6,799,044	116,434,912	-	282,549,301
A1	118,807,882	33,318,843	-	-	-	-	152,126,725
A2	115,572,081	117,518,313	1,071,349	8,888,638	-	-	243,050,381
A3	226,946,290	192,543,266	-	3,619,754	-	-	423,109,310
Baa1	225,358,646	161,346,601	-	308,280	-	-	387,013,527
Baa2	382,806,804	399,251,093	-	-	-	-	782,057,897
Baa3	365,000,507	259,672,993	-	-	-	-	624,673,500
Ba1	158,412,859	185,691,372	-	-	56,602,591	-	400,706,822
Ba2	121,366,996	46,691,213	-	-	54,500,838	-	222,559,047
Ba3	204,708,203	52,988,979	-	-	488,868,642	-	746,565,824
B1	204,192,707	56,570,406	-	-	198,940,753	-	459,703,866
B2	83,700,516	65,882,544	-	-	19,194,996	-	168,778,056
B3	75,118,416	27,918,958	-	-	-	-	103,037,374
Caa1	28,263,803	18,790,925	-	-	-	-	47,054,728
Caa2	20,979,112	1,470,000	-	-	-	-	22,449,112
Caa3	18,690,919	30,120,403	-	-	-	-	48,811,322
Ca	10,238,853	-	-	-	-	-	10,238,853
C	6,484,993	-	-	-	99,113,693	-	105,598,686
Not available	2,247,148	13,224,470	-	-	497,136,121	-	512,607,739
Not rated	25,160,598	115,504,411	-	-	-	12,965,947	153,630,956
Withdrawn	10,736,417	417,937	3,421,373	-	-	-	14,575,727
Total bonds, corporate notes & government obligations	**$2,882,833,512**	**$2,633,164,126**	**$1,327,776,286**	**$39,018,468**	**$1,530,792,546**	**$12,965,947**	**$8,426,550,885**

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 reflect the total fair value of investments maturing during a given time period. The segmented time distribution of the various investment types of TRS debt securities as of June 30, 2014 is as follows:

		Maturity in Years					
Type	2014 Fair Value	Less Than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	More Than 20 years	Other*
U.S. treasuries	$235,144,805	$15,443,309	$102,415,450	$79,719,444	$6,404,809	$31,161,793	$ -
U.S. federal agencies	57,382,591	2,848,915	16,141,234	35,495,156	2,794,135	103,151	-
U.S. government index-linked bonds	713,871,733	12,507,477	361,392,808	173,992,292	131,693,603	34,285,553	-
U.S. government-backed mortgages	321,377,157	13,469,425	9,242,615	18,301,699	55,220,446	225,142,972	-
Municipals	39,018,468	594,922	263,913	1,295,309	6,619,350	30,244,974	-
Asset-backed securities	317,429,427	-	142,804,654	50,500,650	53,772,079	70,352,044	-
Commercial mortgage-backed securities	134,062,799	-	-	3,156,625	10,720,120	120,186,054	-
Collateralized mortgage obligations	202,394,617	-	4,424,007	24,561,288	28,655,470	144,753,852	-
Commingled funds (U.S. & International)**	1,530,792,546	-	242,134,711	769,174,943	-	-	519,482,892
Corporate convertible bonds	38,328,098	2,079,821	18,821,475	6,287,226	5,611,149	5,528,427	-
Domestic credit obligations	2,190,618,571	139,522,789	960,268,602	776,681,258	79,722,171	234,423,751	-
Foreign debt/corporate obligations	2,633,164,126	310,006,333	1,018,077,075	868,228,854	217,786,379	219,065,485	-
Total bonds, corporate notes and government obligations	**8,413,584,938**	**496,472,991**	**2,875,986,544**	**2,807,394,744**	**598,999,711**	**1,115,248,056**	**519,482,892**
Securities lending collateral	12,965,947	12,965,947	-	-	-	-	-
Derivatives	2,805,648	(1,849,893)	8,010,378	(641,164)	1,208,083	(3,921,756)	-
Total bonds, corporate notes, government obligations, securities lending collateral and derivatives	**$8,429,356,533**	**$507,589,045**	**$2,883,996,922**	**$2,806,753,580**	**$600,207,794**	**$1,111,326,300**	**$519,482,892**

** Maturity date is not available or applicable.*
*** Weighted average maturity figures were used if available 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 and fixed income investments, as well as 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, 2014 is as follows:

Currency	Foreign Currency	Equities	Fixed Income	Derivatives	Total
Australian dollar	$143,730	$317,793,612	$57,857,376	$794,004	$376,588,722
Brazilian real	3,740,293	149,579,379	91,025,495	(935,002)	243,410,165
British pound	11,615,801	1,553,356,641	278,267,701	(161,849)	1,843,078,294
Canadian dollar	4,842,394	563,570,497	53,519,075	843,868	622,775,834
Chilean peso	296,781	12,123,993	2,978,816	-	15,399,590
Columbia peso	26,175	3,161,387	9,651,685	-	12,839,247
Czech koruna	4,525	3,544,138	-	-	3,548,663
Danish krone	346,865	85,009,366	21,764,354	-	107,120,585
Emirati dirham	24,035	1,199,191	-	-	1,223,226
Egyptian pound	404,691	541,699	-	-	946,390
Euro	30,642,223	1,941,544,596	614,172,866	(1,511,018)	2,584,848,667
Ghana cedi	144,138	-	15,925,931	-	16,070,069
Hong Kong dollar	2,830,950	524,697,463	-	-	527,528,413
Hungarian forint	1,231,491	12,304,240	51,541,938	-	65,077,669
Indian rupee	531,343	148,552,341	5,442,606	-	154,526,290
Indonesian rupiah	183,026	64,655,773	14,575,221	-	79,414,020
Israeli shekel	238,337	28,644,185	-	-	28,882,522
Japanese yen	11,993,205	1,177,759,122	6,413,875	(1,889,572)	1,194,276,630
Malaysian ringgit	883,102	81,666,049	18,291,082	-	100,840,233
Mexican peso	1,999,574	60,482,458	153,629,251	422,203	216,533,486
Moroccan dirham	604	-	-	-	604
New Taiwan dollar	585,373	233,256,390	-	66,194	233,907,957
New Zealand dollar	1,187,107	16,200,495	60,516,629	(200,413)	77,703,818
Norwegian krone	1,147,992	82,268,718	14,543,638	-	97,960,348
Philippine peso	109,404	46,778,022	16,376,597	-	63,264,023
Polish zloty	2,157,135	38,295,265	48,865,970	-	89,318,370
Qatari rial	860	1,249,354	-	-	1,250,214
Russian ruble	-	8,029,047	-	-	8,029,047
Serbian dinar	78,098	-	13,731,706	-	13,809,804
Singapore dollar	1,418,060	185,083,323	23,223,444	-	209,724,827
South African rand	748,601	155,257,225	-	-	156,005,826
South Korean won	4,536,955	290,685,300	93,716,234	(87,024)	388,851,465
Sri Lanka rupee	316,450	-	11,883,355	-	12,199,805
Swedish krona	2,232,313	169,586,422	31,161,207	-	202,979,942
Swiss franc	501,949	645,707,420	-	-	646,209,369
Thailand baht	322,296	77,291,069	14,200,866	-	91,814,231
Turkish lira	(4,187,965)	71,017,791	-	-	66,829,826
Ukraine hryvnia	(198,621)	-	540,648	-	342,027
Uruguayo peso	1,770,842	-	54,241,880	-	56,012,722
Total subject to foreign currency risk	**84,850,132**	**8,750,891,971**	**1,778,059,446**	**(2,658,609)**	**10,611,142,940**
Investments in international securities payable in U.S. dollars	-	1,331,099,450	910,458,982	1,231,270	2,242,789,702
Total international investment securities (including domestic securities payable in foreign currency)	**84,850,132**	**10,081,991,421**	**2,688,518,428**	**(1,427,339)**	**12,853,932,642**
Domestic investments (excluding securities payable in foreign currency)	-	9,069,142,475	5,725,066,510	4,232,987	14,798,441,972
Total fair value	**$84,850,132**	**$19,151,133,896**	**$8,413,584,938**	**$2,805,648**	**$27,652,374,614**

In addition to the above, the fair value of TRS's investments in foreign currency denominated real estate and private equity funds was $92,599,449 and $352,760,196 at June 30, 2014, respectively. Currencies included euro, British pound, Canadian dollar and South Korean won.

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 or other approved entities. The borrower of a security must post collateral in excess of the fair value of the security. TRS receives both cash and non-cash (i.e., securities) collateral. Eligible forms of collateral include cash consisting of U.S. dollar, euro, sterling and yen, U.S. treasuries, government agency securities, certificates of deposit, letters of credit issued by approved banks and specific types of corporate debt obligations and common stock. Initial collateral received from the borrower must be at least 102 percent of the fair value of all loaned securities except non-U.S. securities, which require 105 percent. Securities on loan are marked to market daily and collateral for the loan is required not to fall below minimum levels established by TRS and its lending agent. Agreements are in place for TRS to return the collateral in exchange for the original securities upon demand or when the security is no longer borrowed. TRS does not have the authority to pledge or sell collateral securities, without borrower default; as such, the collateral security or non-cash collateral is not reported in TRS's financial statements.

As of June 30, 2014, Citibank, N.A. served as the third-party securities lending agent for the fixed income, domestic equity and international equity lending programs. In this capacity, TRS reduces credit risk by allowing Citibank to lend securities to a diverse group of dealers on behalf of TRS. At fiscal year end, TRS has no credit risk exposure to borrowers because the amount TRS owes the borrowers exceeds the amount the borrowers owe TRS. The contract with TRS's lending agent requires the agent to indemnify TRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay TRS for income distributions by the securities issuers while the securities are on loan. Securities on loan can be recalled on demand by TRS, or the borrower can return the loaned securities at any time, although the weighted average term of the loans is 22 days. Since loans are terminable at will, the maturity of loans generally does not match the maturity of collateral investments. TRS may enter into term loan agreements, which are evaluated on an individual basis; however, there were no term loans as of June 30, 2014.

The cash collateral received is invested in a separate account managed by the lending agent, with a weighted average maturity of 55 days at June 30, 2014. 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, 2014, TRS had outstanding loaned investment securities with a fair value of $2,652,759,472, against which it had received cash and non-cash collateral with a fair value of $2,735,112,052. The securities on loan remain on TRS's Statement of Fiduciary Net Position in their respective investment categories. As of June 30, 2014, TRS cash collateral received and reported as securities lending obligation on the Statement of Fiduciary Net Position totaled $2,731,006,197; whereas, the fair value of reinvested cash collateral reported as securities lending collateral was $2,731,092,336. The change in fair value of the reinvested cash collateral is included as net appreciation/depreciation within investment income in the Statement of Changes in Fiduciary Net Position. TRS also reports securities lending collateral with the Office of the Illinois State Treasurer on the Statement of Fiduciary Net Position. Further detail on this amount can be found in the Illinois State Treasurer's financial report.

Income earned and costs related to securities lending activities are reported on the Statement of Changes in Fiduciary Net Position. For fiscal year 2014, the System earned net income of $13,529,288 from securities lending. Additional detail regarding securities lending activity is included within the Investments Section.

4. DERIVATIVES

TRS, through its investment managers, invests in derivative securities as a fundamental part of the overall investment process. All TRS derivatives are considered investments and the fair value is reported in the Statement of Fiduciary Net Position. TRS does not directly invest in derivatives but allows certain external managers to utilize these instruments within the investment portfolio for a variety of purposes. TRS managers may hold derivatives to hedge investment transactions accounted for at fair value. The term "hedge" in this context denotes the broad economic activity of entering into contracts intended to offset risks associated with certain transactions, such as the changes in interest rates on investments in debt securities, commodities or instruments denominated in a foreign currency. Assets and liabilities that are measured at fair value, such as investments, do not qualify as hedgeable items and do not meet the requirements for hedge accounting.

A derivative security is an investment whose return depends upon the value of another financial instrument or security such as stocks, bonds, commodities, or a market index. The derivative investments in TRS's portfolio are used primarily to enhance performance and reduce volatility. TRS's investments in derivatives are not leveraged through borrowing. In the case of an obligation to purchase (long a financial future or call option), the full value of the obligation is primarily held in cash or cash equivalents. For obligations to sell (short a financial future or put option), the reference security is held in the portfolio.

To varying degrees, derivative transactions involve credit risk, sometimes known as default or counterparty 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 contract 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 restricts 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.

As of June 30, 2014, derivative investments in the TRS investment portfolio included currency forward contracts, rights, warrants, futures, options, swaps and swaptions. Within the financial statements, currency forward contracts are reflected as investment payables/receivables, rights and warrants are reflected as equities, and all futures, options, swaps and swaptions are classified as derivatives. The change in fair value of derivative investments is included in investment income on the Statement of Changes in Fiduciary Net Position.

The following tables summarize the derivatives held within the TRS investment portfolio and the change in fair value of derivative investments, realized and unrealized, during the fiscal year. The notional amounts shown represent TRS's financial exposure to these instruments in U.S. dollars. Investments in limited partnerships and commingled funds may include derivatives that are not covered in the following disclosure.

As of June 30, 2014, the TRS investment portfolio held the following derivatives.

Investment Derivatives	Fair Value at June 30, 2014	Change in Fair Value	Shares/Par	Notional
Rights	$385,671	$1,820,571	2,462,609	$2,462,609
Warrants	113	486,768	241,707	241,707
Currency forwards	(13,875,149)	(8,607,544)	-	-
Equity futures long	-	27,671,381	584,504	253,634,760
Equity futures short	-	(11,099,154)	(146,287,638)	(87,165,715)
Fixed income futures long	-	9,974,093	1,706,565,647	1,779,414,072
Fixed income futures short	-	(12,777,285)	(839,658,745)	(970,341,242)
Commodity futures long	-	(2,994,982)	8,269,500	80,007,220
Commodity futures short	-	5,910,065	(5,079,000)	(57,986,843)
Currency futures long	-	(191,304)	-	-
Currency futures short	-	(68,858)	-	-
Equity options purchased	1,906,530	(5,046,469)	1,184,300	13,229,280
Equity options written	(1,520,502)	3,272,432	(1,582,910)	12,694,722
Currency forward options purchased	118,804	(1,364,362)	132,215,741	3,053,622
Currency forward options written	(221,954)	1,465,910	(37,136,825)	6,298,655
Options on futures purchased	423,601	(469,459)	1,687,900	17,543,515
Options on futures written	(335,535)	1,557,850	(501,900)	4,581,191
Swaptions purchased	1,861,532	(3,373,194)	169,197,045	23,389,244
Swaptions written	(3,057,383)	14,298,753	(1,143,955,439)	244,448,238
Credit default swaps buying protection	695,347	(1,311,606)	44,360,469	45,190,028
Credit default swaps selling protection	5,103,587	3,285,263	353,159,178	358,379,435
Index swaps	252,591	3,035,612	51,367,277	63,558,888
Pay fixed interest rate swaps	(6,990,209)	(9,768,590)	279,825,848	280,246,525
Receive fixed interest rate swaps	5,254,975	(434,668)	628,083,899	633,479,414
Pay fixed inflation swaps	(685,736)	243,660	53,000,000	52,314,638
Grand totals	**($10,683,717)**	**$15,514,883**		**$2,758,673,963**

CURRENCY FORWARD CONTRACTS

Objective: Currency forward contracts are agreements to exchange one currency for another at an agreed upon price and settlement date. TRS's investment managers use these contracts primarily to hedge the currency exposure of its investments.

Terms: Currency forward contracts are two-sided contracts in the form of either forward purchases or forward sales. Forward purchases obligate TRS to purchase specific currency at an agreed upon price. Forward sales obligate TRS to sell specific currency at an agreed upon price. As of June 30, 2014, TRS had currency forward purchase or sale contracts for 34 different currencies with various settlement dates.

Fair Value: As of June 30, 2014, TRS's open currency forward contracts had a net fair value (unrealized loss) of ($13,875,149).

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, protect against changes in interest rates or 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 loss is recognized and paid to, or received from, the clearinghouse. As of June 30, 2014, TRS had outstanding futures contracts with a notional value, or exposure, of $997,562,252. Notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through March 2017.

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. TRS's realized gain on futures contracts was $19,921,916 during FY14. TRS had the following futures contracts at June 30, 2014.

Type	Number of Contracts	Notional Principal
Commodity Futures		
Commodity futures - long	2,489	$80,007,220
Commodity futures - short	(1,233)	(57,986,843)
Equity Futures		
U.S. stock index futures - long	505	45,195,450
International equity index futures - long	6,216	208,439,310
International equity index futures - short	(4,273)	(87,165,715)
Fixed Income/Cash Equivalent Futures		
Fixed income index futures – long	3,442	437,852,852
Fixed income index futures – short	(5,545)	(938,941,758)
International fixed income index futures – long	422	100,825,345
International fixed income index futures – short	(156)	(31,399,484)
Cash equivalent (Eurodollar) futures – long	5,017	1,240,735,875
Total futures (net)	**6,884**	**$997,562,252**

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. The owner (buyer) of an option has all the rights, while the seller (writer) of an option has the obligations of the agreement. 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. The Options Clearing Corporation (OCC) performs much the same function for options markets as the clearinghouse does for futures markets.

Terms: As of June 30, 2014, the TRS investment portfolio held U.S. equity options with notional value of $25,924,002, currency forward options with notional value of $9,352,277, and options on futures with underlying notional value of $22,124,706. Contractual principal/notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through February 2019.

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 expire. As of June 30, 2014, the fair value of all option contracts, gross of premiums received, was $370,944. 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 outstanding contracts as of June 30, 2014. Notional 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	Number of Contracts	Notional Principal
Equity Options		
Equity index call options - purchased	89	$399,534
Equity index call options - written	(8)	44,959
Equity index put options - purchased	6,830	5,692,681
Equity index put options - written	(979)	709,213
ETF/Stock put options - purchased	4,330	7,137,065
ETF/Stock put options - written	(14,096)	11,940,550
Currency Forward Options		
Currency forward call options - purchased	4	6,970
Currency forward call options - written	2	6,033,798
Currency forward put options - purchased	3	3,046,652
Currency forward put options - written	3	264,857
Options on Futures		
Fixed income call options on futures USD - purchased	519	4,683,520
Fixed income call options on futures USD - written	(500)	4,565,000
Fixed income put options on futures USD - purchased	1,186	12,859,995
Fixed income put options on futures USD - written	(19)	16,191

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 interest rate in a swap in exchange for a floating rate for a stated time period. TRS has both written and purchased interest rate swaptions in its portfolio. In a written call swaption, the seller (writer) is obligated 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 is obligated 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.

The TRS investment portfolio also holds credit default swaptions. A credit default swaption gives the holder the right, but not the obligation to buy (call) or sell (put) protection on a specified entity or index for a specified future time period.

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. As the purchaser of a swaption, TRS pays an upfront premium.

Terms: As of June 30, 2014, TRS had outstanding written call swaption exposure of $178,089,492, written put swaption exposure of $66,358,746, purchased call swaption exposure of $10,118,030, and purchased put swaption exposure of $13,271,214. The contracts have various maturity dates through May 2024. Exposure amounts for swaptions do not represent the actual values in the Statement of Fiduciary Net Position.

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, 2014, the fair value of swaption contracts was ($1,195,851).

CREDIT DEFAULT SWAPS/INDEX SWAPS

Objective: Credit default swaps are financial instruments used to replicate the effect of investing in debt obligations of corporate bond issuers as a means to manage bond exposure, effectively buying or selling insurance protection in case of default. Credit default swaps may be specific to an individual security or to a specific market sector (index swaps). The risk of the credit default/index swap is comparable to the credit risk of the underlying debt obligations of issuers that comprise the credit default/index swap, with the primary risk being counterparty risk. The owner/buyer of protection (long the swap) pays an agreed upon premium to the seller of protection (short the swap) for the right to sell the debt 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 is called, 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 debt to the counterparty in the event of a default. 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. If no default occurs, the buyer loses only the premium paid.

Written credit default swaps increase credit exposure (selling protection), obligating the portfolio to buy debt from counterparties in the event of a default. 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 obligation in exchange for the obligation. If no default occurs, the seller will have earned the premium paid.

Terms: As of June 30, 2014, TRS had credit default/index swaps in its portfolio with various maturity dates through January 2043. The notional values as of June 30, 2014 included written credit default swaps (selling protection) of $358,379,435, purchased credit default swaps (buying protection) of $45,190,028 and index swaps of $63,558,888.

Fair Value: The fair value of credit default swaps, including index swaps, held by TRS was $6,051,525 as of June 30, 2014. This represents the amount due to or (from) TRS under the terms of the counterparty agreements.

INTEREST RATE SWAPS

Objective: Interest rate swaps are agreements between parties to exchange a set of cash flow streams 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 positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease interest rate/risk exposure.

Terms: As of June 30, 2014, TRS held interest rate swaps in various currencies with various expiration/maturity dates ranging from 2014 to 2044. Swap agreements typically are settled on a net basis, with a party receiving or paying only the net amount of the fixed/floating 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 as of June 30, 2014.

	As of June 30, 2014
Receive floating/pay fixed	($6,990,209)
Receive fixed/pay floating	5,254,975

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 and are used to transfer inflation risk from one counterparty to another.

Terms: As of June 30, 2014, TRS was a party to inflation-linked swaps denominated in various currencies with expiration dates through May 2023. TRS receives a fixed rate for all current positions, reducing inflation risks in certain countries. 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 ($685,736) as of June 30, 2014.

DERIVATIVE INTEREST RATE RISK

Interest rate risk for derivative securities is disclosed in the Financial Note D. 2. Both interest rate and inflation rate swaps have fair values that are sensitive to interest rate changes.

TRS had the following interest rate and inflation swaps at June 30, 2014.

Asset Description	Par	Gross Notional	TRS Receives	TRS Pays	Maturity Date	Fair Value 6/30/14
Pay Fixed Interest Rate Swaps:						
Interest rate swap USD	20,200,000	$20,406,464	U.S. CPI URNSA	1.77%	3/26/2016	$206,464
Interest rate swap USD	16,800,000	16,915,097	U.S. CPI URNSA	1.75	3/27/2016	115,097
Interest rate swap USD	39,970,000	39,993,836	3 month LIBOR	2.79	3/31/2024	(680,743)
Interest rate swap USD	3,600,000	3,600,000	3 month LIBOR	2.75	6/18/2024	(44,876)
Interest rate swap USD	1,300,000	1,300,481	3 month LIBOR	2.75	6/20/2042	136,646
Interest rate swap USD	15,000,000	15,001,140	3 month LIBOR	2.75	6/19/2043	1,627,773
Interest rate swap USD	14,000,000	14,001,155	3 month LIBOR	3.25	12/18/2043	156,613
Interest rate swap USD	12,600,000	12,601,028	3 month LIBOR	3.50	12/18/2043	(482,537)
Interest rate swap USD	19,030,000	19,041,356	3 month LIBOR	3.49	3/31/2044	(603,289)
Interest rate swap USD	18,300,000	18,301,298	3 month LIBOR	3.75	6/18/2044	(1,611,947)
Interest rate swap USD	7,300,000	7,300,000	3 month LIBOR	3.50	12/17/2044	(167,505)
Interest rate swap CAD	26,500,000	24,879,125	3 month CDOR	3.50	6/20/2044	(1,190,732)
Interest rate swap EUR	8,500,000	11,657,760	6 month EURIBOR	2.00	1/29/2024	(658,471)
Interest rate swap EUR	9,900,000	13,554,588	6 month EURIBOR	2.75	9/17/2044	(1,711,777)
Interest rate swap GBP	900,000	1,538,864	6 month LIBOR	3.50	9/17/2044	(71,270)
Interest rate swap JPY	6,090,000,000	60,154,333	6 month JPY LIBOR	1.00	9/18/2023	(2,009,655)
Total pay fixed interest rate swaps:		**$280,246,525**				**($6,990,209)**
Receive Fixed Interest Rate Swaps:						
Interest rate swap USD	24,600,000	$24,698,874	0.75%	3 month LIBOR	9/17/2015	$98,874
Interest rate swap USD	116,400,000	117,406,976	1.50	3 month LIBOR	3/18/2016	1,006,976
Interest rate swap USD	16,500,000	16,530,380	1.50	3 month LIBOR	12/16/2016	30,380
Interest rate swap USD	32,700,000	32,686,180	1.75	3 month LIBOR	6/15/2017	(13,820)
Interest rate swap USD	128,300,000	129,513,112	3.00	3 month LIBOR	9/21/2017	1,213,112
Interest rate swap USD	24,900,000	24,687,612	1.00	Fed Fund Effective Rate	10/15/2017	(212,388)
Interest rate swap USD	12,800,000	13,158,021	2.50	3 month LIBOR	12/18/2020	346,465
Interest rate swap USD	45,100,000	45,732,444	4.00	3 month LIBOR	6/19/2024	632,444
Interest rate swap AUD	8,300,000	7,944,215	3.50	6 month Australian Bank Bill	12/11/2018	95,275
Interest rate swap AUD	14,900,000	14,409,448	3.75	6 month Australian Bank Bill	12/11/2018	317,259
Interest rate swap AUD	13,600,000	13,273,613	4.00	6 month Australian Bank Bill	6/18/2019	419,011
Interest rate swap BRL	700,000	317,916	10.41	3 month Brazilian CDI	1/2/2015	327
Interest rate swap BRL	1,800,000	761,349	8.22	3 month Brazilian CDI	1/2/2017	(55,311)
Interest rate swap BRL	4,500,000	1,910,543	8.30	3 month Brazilian CDI	1/2/2017	(131,106)
Interest rate swap BRL	13,300,000	5,727,804	8.64	3 month Brazilian CDI	1/2/2017	(306,405)
Interest rate swap BRL	13,800,000	5,988,227	8.86	3 month Brazilian CDI	1/2/2017	(272,832)
Interest rate swap BRL	10,600,000	4,579,242	8.94	3 month Brazilian CDI	1/2/2017	(229,977)

(continued)

(continued)

Asset Description	Par	Gross Notional	TRS Receives	TRS Pays	Maturity Date	Fair Value 6/30/14
Interest rate swap BRL	300,000	$129,931	9.10%	3 month Brazilian CDI	1/2/2017	($6,179)
Interest rate swap BRL	5,100,000	2,311,956	10.91	12 month Brazilian CDI	1/2/2017	(1,913)
Interest rate swap BRL	2,200,000	1,007,148	11.47	3 month Brazilian CDI	1/2/2017	9,008
Interest rate swap BRL	15,900,000	7,156,284	11.68	3 month Brazilian CDI	1/4/2021	(57,545)
Interest rate swap BRL	11,700,000	5,425,220	12.56	3 month Brazilian CDI	1/4/2021	116,931
Interest rate swap CAD	15,400,000	15,300,218	3.30	3 month CDOR	6/19/2024	826,517
Interest rate swap CAD	31,600,000	30,905,254	3.40	3 month CDOR	6/20/2029	1,208,083
Interest rate swap MXN	1,100,000	88,102	5.60	28 day Mexican TIIE	9/6/2016	3,126
Interest rate swap MXN	54,000,000	4,324,184	5.50	28 day Mexican TIIE	9/13/2017	157,877
Interest rate swap MXN	70,000,000	5,621,049	5.70	28 day Mexican TIIE	1/18/2019	209,849
Interest rate swap MXN	500,000	40,499	6.35	28 day Mexican TIIE	6/2/2021	1,821
Interest rate swap MXN	1,500,000	113,458	5.50	28 day Mexican TIIE	9/2/2022	(2,361)
Interest rate swap MXN	8,000,000	615,926	5.75	28 day Mexican TIIE	9/2/2022	(1,823)
Interest rate swap MXN	1,600,000	122,225	5.75	28 day Mexican TIIE	6/5/2023	(1,404)
Interest rate swap MXN	1,200,000	93,346	6.00	28 day Mexican TIIE	6/5/2023	615
Interest rate swap MXN	30,000,000	2,322,492	7.74	28 day Mexican TIIE	5/29/2024	9,997
Interest rate swap MXN	145,000,000	11,221,566	7.65	28 day Mexican TIIE	5/30/2024	44,506
Interest rate swap NZD	100,000,000	87,354,600	4.00	3 month NZD Bank Bill	12/11/2015	(200,414)
Total receive fixed interest rate swaps:		**$633,479,414**				**$5,254,975**
Pay Fixed Inflation-Linked Swaps:						
Inflation swap USD	500,000	$492,418	U.S. CPI URNSA	2.42%	2/12/2017	($7,582)
Inflation swap USD	25,400,000	25,047,898	U.S. CPI URNSA	2.25	7/15/2017	(352,476)
Inflation swap USD	3,800,000	3,817,450	U.S. CPI URNSA	2.09	10/11/2017	17,450
Inflation swap USD	3,000,000	3,006,414	U.S. CPI URNSA	2.21	10/11/2018	6,414
Inflation swap USD	18,200,000	17,880,608	U.S. CPI URNSA	2.50	7/15/2022	(319,392)
Inflation swap USD	2,100,000	2,069,850	U.S. CPI URNSA	2.56	5/8/2023	(30,150)
Total Pay Fixed Inflation-Linked Swaps:		**$52,314,638**				**($685,736)**

CDI - Cetip Interbank Deposit (interbank lending rate)
CPI - Consumer Price Index
TIIE - Mexico Interbank Equilibrium Interest Rate
CDOR - Canadian Dollar Offered Rate
LIBOR - London Interbank Offered Rate
URNSA - Urban Consumers NSA Index Rate

DERIVATIVE CREDIT 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. In order to eliminate credit risk, derivative securities are traded through a clearing house which guarantees delivery and accepts the risk of default by either party. Derivatives which are exchange traded are not subject to credit risk and are evaluated within the investment risk disclosure.

Non-exchange traded derivative instruments may expose TRS to credit/counterparty risk. TRS investment managers reduce credit risk by evaluating the credit quality and operational capabilities of the counterparties. Because the counterparty risk of a security will fluctuate with market movements, all TRS managers using non-exchange traded derivatives operate a collateral call process ensuring full collateralization of these derivatives. TRS does not have a policy regarding master netting arrangements.

As of June 30, 2014, the aggregate fair value of non-exchange traded derivative instruments in asset positions was $35,623,112. All applicable futures, options and swaps are in compliance with Dodd-Frank requirements and cleared through the appropriate futures and swaps exchanges. The counterparty risk exposure below is primarily unsettled currency forward contracts. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Counterparty Ratings for Non-Exchange Traded Derivatives

Quality Rating	Fair Value at June 30, 2014
Aa2	$312,237
Aa3	6,771,065
A1	8,549,001
A2	7,354,386
A3	4,091,229
Baa1	8,087,002
Baa2	386,645
Baa3	71,547
Total subject to credit risk	**$35,623,112**

Although the derivative instruments held within the TRS investment portfolio are executed with various counterparties, approximately 94 percent of the net market value exposure to credit risk is for non-exchange traded derivative contracts held with 10 counterparties.

5. INVESTMENT COMMITMENTS

As of June 30, 2014, TRS had commitments for the future purchase of investments in real estate of $819.4 million and private equity partnerships of $3.7 billion.

6. RATE OF RETURN

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 17.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

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

	2014
Balances at June 30	$45,817,133,317

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 $61.6 billion in FY14, based on the actuarial value of assets.

2. MINIMUM RETIREMENT ANNUITY

	2014
Balances at June 30	$7,249,197

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. 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 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** or by writing to SERS at 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255. 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**, or by writing to the Office of the Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1858.

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 year ended June 30, 2014 was determined according to a statutory schedule.

TRS contribution rate to SERS for its SERS-covered employees for the year ended June 30, 2014 was 40.312 percent. TRS paid the required contributions of $2,196,556.

TEACHERS' RETIREMENT SYSTEM (TRS)

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, 2001 and for employees hired on or after that date, TRS contributes 0.58 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 year ended June 30, 2014 was $26,296. This amount represents 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 Central Management Services (CMS). 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 and are vested in either SERS or TRS do not contribute towards health and vision benefits. A premium is required for dental. 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 and vision benefits. A premium is required for dental. 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.

Public Act 97-0695 was signed into law on June 21, 2012. Effective July 1, 2013, all retirees within state retirement systems began paying a premium for health and vision benefits at a rate determined by CMS. The rate was a percentage of the retiree's annuity and differed depending on whether the retiree was enrolled in Medicare. Due to an Illinois Supreme Court decision in July of 2014, Public Act 97-0695 was suspended and the collection of premiums was stopped. All premiums collected are expected to be refunded.

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 for 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 for CMS. A copy of the financial statements may be obtained by writing to their office, Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

G. SUBSEQUENT EVENTS

On December 5, 2013, Governor Pat Quinn signed into law Public Act 98-0599. This new law significantly altered the funding structure of TRS and reduced the retirement benefits for Tier I members. The act was set to take effect on June 1, 2014.

In December of 2013 and January of 2014, lawsuits were filed that challenged the constitutionality of Public Act 98-0599. A court injunction was issued in May of 2014 to delay the implementation of the new pension law pending the outcome of the court challenge.

On November 21, 2014, a Sangamon County Circuit Court ruled that Public Act 98-0599 was unconstitutional and void in its entirety. The State, represented by the Illinois attorney general, appealed that decision directly to the Illinois Supreme Court. A decision from the high court is expected during 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability for Fiscal Year:

	2014
Total pension liability	
Service cost	$1,894,351,211
Interest	7,561,104,814
Changes of benefit terms	-
Difference between expected and actual experience	39,950,212
Change of assumptions*	-
Benefit payments, including refund of member contributions	(5,320,662,979)
Net change in total pension liability	4,174,743,258
Total pension liability - beginning	102,507,911,628
Total pension liability - ending (a)	$106,682,654,886
Plan fiduciary net position	
Contributions - employer	$158,334,598
Contributions - nonemployer contributing entity	3,438,382,892
Contributions - member	928,745,853
Net investment income	6,782,031,720
Benefit payments, including refund of member contributions	(5,320,662,979)
Administrative expense	(21,218,069)
Other	-
Net change in plan fiduciary net position	5,965,614,015
Plan fiduciary net position - beginning	39,858,768,499
Plan fiduciary net position - ending (b)	$45,824,382,514
Employers' net pension liability - ending (a) - (b)	$60,858,272,372

**No value is shown for Change of assumptions because both the beginning and the ending total pension liability are based on the actuarial assumptions adopted in the June 30, 2014 valuation. Assumptions: See GASB Statement No. 67 assumptions in table on page 29.*

Schedule of the Net Pension Liability* for Fiscal Year:

	2014
Total pension liability	$106,682,654,886
Plan fiduciary net position	45,824,382,514
Net pension liability*	$60,858,272,372
Net pension liability – beginning of year	$62,649,143,129
Change in net pension liability	1,790,870,757
Plan fiduciary net position as a percentage of the total pension liability	43.0%
Covered-employee payroll	$9,512,809,680
Net pension liability as a percentage of covered-employee payroll	639.8%

** Combined for nonemployer contributing entity and employers Assumptions: See GASB Statement No. 67 assumptions in table on page 29.*

Schedule of Investment Returns for Fiscal Year:

	2014
Annual money-weighted rate of return, net of investment expense	17.4%

Schedule of Contributions from Employers and Other Contributing Entities
Last 10 Fiscal Years
($ thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution (ADC)	$4,091,978	$3,582,033	$3,429,945	$2,743,221	$2,481,914	$2,109,480	$1,949,463	$2,052,396	$1,679,524	$1,683,212
Contributions in relation to the actuarially determined contribution:*										
State	3,437,478	2,702,278	2,405,172	2,169,518	2,079,129	1,449,889	1,039,195	735,515	531,828	903,928
Federal & Employer Contributions	157,228	155,787	153,409	154,150	170,653	151,716	130,578	81,155	69,645	83,434
Total contributions	3,594,706	2,858,065	2,558,581	2,323,668	2,249,782	1,601,605	1,169,773	816,670	601,473	987,362
Contribution deficiency	$497,272	$723,968	$871,364	$419,553	$232,132	$507,875	$779,690	$1,235,726	$1,078,051	$695,850
Covered-employee payroll	$9,512,810	$9,394,741	$9,321,098	$9,205,603	$9,251,139	$8,945,021	$8,521,717	$8,149,849	$7,765,752	$7,550,510
Contributions as a percentage of covered-employee payroll	37.8%	30.4%	27.4%	25.2%	24.3%	17.9%	13.7%	10.0%	7.7%	13.1%

** Contributions for minimum benefits from the state and for excess sick from employers do not count towards actuarial 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. 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.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Contributions from Employers and Other Contributing Entities compares actual and actuarially determined contributions. There is a difference between these amounts because actual contributions are based on state statute under a methodology that does not conform to that used to determine the actuarially determined contribution.

The following assumptions were used to determine the statutory and actuarially determined contributions for FY14:

	For Funding per State Statute	For Determining the Actuarially Determined Contribution
Valuation Used to Determine Funding Amount	June 30, 2012	June 30, 2012
Actuarial Cost Method:	Projected unit credit	Projected unit credit
Amortization Method:	15-year phase-in to a level percent of payroll reached in FY10; then level percent of payroll until a 90 percent funding level is achieved in FY45	Level percent of payroll
Remaining Amortization:	31 years, closed	30 years, open
Asset Valuation Method:	Actuarial value of assets	Actuarial value of assets

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses
for the Years Ended June 30

	2014	2013
Personnel services		
Salaries	$10,015,342	$9,481,562
Retirement contributions	2,223,899	2,097,086
Insurance and payroll taxes	3,648,898	3,904,026
	15,888,139	15,482,674
Professional services		
Actuarial services	569,979	315,309
External auditors	128,282	166,629
Legal services	446,242	532,242
Internal audit consulting	0	68,028
Legislative consulting	84,000	84,000
Salary review consulting	0	35,721
Information systems consulting	46,150	17,250
Operations consulting	50,329	237,008
Other	15,040	4,657
	1,340,022	1,460,844
Communications		
Postage	192,065	253,734
Printing and copying	171,855	131,484
Telephone	260,206	225,360
	624,126	610,578
Other expenses		
Administrative services	193,276	208,255
Building operations and maintenance	601,630	491,791
EDP supplies and equipment	164,654	262,683
Equipment repairs, rental and maintenance	286,121	284,505
Insurance	385,017	11,762
Memberships and subscriptions	34,854	30,320
Office equipment and furniture	27,253	13,953
Office supplies	30,422	34,081
Software licenses and maintenance	350,673	250,271
Travel, conferences, education	169,425	203,943
	2,243,325	1,791,564
Depreciation expense	1,122,457	911,893
Total administrative expenses	$21,218,069	$20,257,553

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on page 52.

Schedule of Investment Expenses
for the Year Ended June 30, 2014

	2014
Investment manager fees	$245,952,483
Master custodian fees	
State Street Bank and Trust Company	1,900,000
Consulting services	
Albourne America, L.L.C.	151,190
Callan Associates, Inc.	255,500
LP Capital Advisors, L.L.C.	65,000
RVK, Inc.	485,000
Real Asset Portfolio Management, L.L.C.	55,050
Risk Resources	67,116
Stout Risius Ross, Inc.	265,000
TorreyCove Capital Partners, L.L.C.	966,903
Legal services	
Jackson Walker, L.L.P.	461,456
Tax advisory services	
Ernst & Young, L.L.P.	66,615
KPMG, Ltd.	10,621
Other investment expenses	
Private equity expenses	20,343,738
Foreign tax expense	16,100,190
Dividend expense	3,280,099
Investment activity expenses	5,410,584
Personnel costs	3,729,269
Investment analytical systems	305,129
Auditing costs	182,438
Education, meetings and travel	96,231
Research, subscriptions and memberships	15,061
Other costs	92,597
Total investment expense	$ 300,257,270

Note: Investment manager fee detail is shown on pages 75 to 77.

Schedule of Professional Services for the Years Ended June 30

	2014	2013
Actuarial services		
Buck Consultants, L.L.C.	$569,979	$315,309
External auditors		
Office of the Auditor General	128,282	166,629
Legal services		
Cavanagh & O'Hara	28,895	27,292
Holland & Knight, L.L.P.	385,311	388,842
Howard & Howard Attorneys PC	7,056	65,480
Jackson Walker, L.L.P.	0	3,060
Kopec White & Spooner	3,027	13,759
Loewenstein Hagen & Smith	18,734	25,608
Sorling Northrup	3,219	8,201
	446,242	532,242
Internal audit consulting		
Investment Training & Consulting Institute	0	68,028
Legislative consulting		
Leinenweber Baroni Daffada, L.L.C.	84,000	84,000
Salary review consulting		
The Waters Consulting Group	0	35,721
Information systems consulting		
AT&T Global Services, Inc.	2,700	0
Brent Ozar PLF, L.L.C.	5,500	16,600
CommVault Systems, Inc.	9,800	0
CTG Inc. of Illinois	28,150	0
ISI Telemanagement Solutions	0	650
	46,150	17,250
Operations consulting		
Graham & Hyde	15,094	5,558
Laserfiche Solutions Group	0	178,200
LRWL, Inc.	15,123	0
Management Association	20,112	0
McAfee, Inc.	0	34,750
Securance, Inc.	0	18,500
	50,329	237,008
Other	15,040	4,657
Total professional services	$1,340,022	$1,460,844

Note: See the Investments section for fees paid to investment professionals.

INVESTMENTS

Wilsonville Grade School
Wilsonville, Illinois
1939

Durand High School Track
Durand, Illinois
1959

INTRODUCTION

Global financial markets continued to provide a strong investment environment for the fiscal year ended June 30, 2014. As with the prior year, market volatility remained very low in fiscal year 2014 and accommodative monetary policy, solid corporate fundamentals and a strong rebound in European shares drove investment performance, led by double-digit gains in global equity markets. Once again, all TRS asset classes produced positive returns during the year. Net of fees, the retirement system's U.S. and international equity portfolios returned 25.5 percent and 21.6 percent, respectively. TRS also enjoyed double-digit investment returns within its private equity, real estate and real return portfolios. The TRS investment portfolio posted a positive result, returning 18.1 percent, gross of fees, for the fiscal year ended June 30, 2014.

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 July 1, 2013 through June 30, 2014. A statement of detailed assets, along with their fair market value, is also provided as of June 30, 2014.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust using industry best practices. Additionally, State Street Bank and Trust calculated performance rates of return by portfolio, composite, and for all respective indices used throughout this section. TRS staff, in collaboration with the staff of its custodian, prepared the Investments section.

A complete listing of investment holdings is available on request.

Summary Data as of June 30, 2014	
Total fund fair value	$45.4 billion
1-year return (net of fees)	17.4%
3-year return (net of fees)	10.1%
5-year return (net of fees)	13.2%
10-year return (net of fees)	7.3%
Percent externally managed	100.0%
Number of external managers	140
Custodian	State Street Bank and Trust
General consultant	RVK, Inc.

TRS is ranked 40 out of the top 1,000 U.S. pension funds/plan sponsors according to Pensions & Investments. Rankings are based on market value of total assets at September 30, 2013.

FUND PERFORMANCE VS. BENCHMARKS AND FAIR VALUES

As of June 30, 2014, the fair value of TRS's investments as reported on the Statement of Fiduciary Net Position was $45.4 billion, an increase of $5.8 billion from prior year. The Investment Section provides information regarding assets held by TRS in its investment portfolio at June 30, 2014 and the performance of the portfolio during the fiscal year.

TRS had a total fund annualized return of 18.1 percent, gross of fees, and 17.4 percent, net of fees, for the one-year period ended June 30, 2014. 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 outperformed the policy index by 100 basis points for the year ended June 30, 2014. The policy index represents a weighted average of each asset class benchmark, based on the total fund's interim target asset allocation. The fund's total return also exceeded the 8.0 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 (CPI), by 4.75 percentage points.

Performance Summary (net of fees)

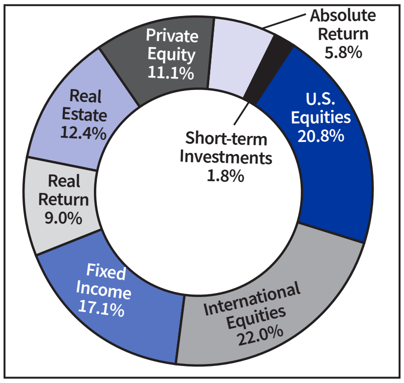
	Years ended June 30					Annualized at 6/30/14		
Asset Class / Index	2014	2013	2012	2011	2010	3 Years	5 Years	10 Years
TRS total fund	**17.4%**	**12.8%**	**0.8%**	**23.6%**	**12.9%**	**10.1%**	**13.2%**	**7.3%**
TRS weighted policy index	16.4	12.5	2.4	21.5	10.9	10.3	12.5	7.4
CPI (inflation)	2.1	1.8	1.7	3.6	1.1	1.8	2.0	2.3
TRS equity - U.S.	**25.5**	**23.3**	**1.0**	**32.9**	**17.0**	**16.0**	**19.4**	**7.8**
Russell 3000 Index	25.2	21.5	3.8	32.4	15.7	16.5	19.3	8.2
TRS equity - international	**21.6**	**13.2**	**(11.7)**	**30.3**	**11.3**	**6.7**	**12.0**	**7.9**
Non-U.S. Equity Index	22.3	13.9	(14.8)	30.3	11.5	5.9	11.5	8.2
TRS global fixed income	**8.2**	**6.5**	**5.7**	**8.9**	**16.8**	**6.8**	**9.2**	**6.8**
Barclays Capital U.S. Aggregate Index	4.4	(0.7)	7.5	3.9	9.5	3.7	4.9	4.9
TRS real return	**10.9**	**0.1**	**2.5**	**23.4**	**13.5**	**4.4**	**9.8**	**-**
CPI (inflation) + 5.0%*	7.2	6.8	6.7	8.7	6.1	6.9	7.1	-
TRS real estate	**13.7**	**12.6**	**9.9**	**17.8**	**(5.6)**	**12.1**	**9.4**	**7.4**
NCREIF Property Index	11.2	10.7	12.0	16.7	(1.5)	11.3	9.7	8.6
TRS private equity	**23.7**	**15.2**	**3.8**	**22.3**	**16.5**	**13.9**	**16.1**	**13.1**
Russell 3000 Index + 3.0%*	28.9	25.1	6.9	36.2	19.2	19.9	22.9	11.5
TRS absolute return	**9.1**	**10.5**	**2.6**	**12.4**	**9.6**	**7.4**	**8.8**	**-**
90-day Treasury Bill +4.0%*	4.1	4.1	4.1	4.2	4.2	4.1	4.1	-

** Index compounded monthly.*
Note: Performance calculations provided by State Street Bank and Trust use net-of-fee time-weighted rates of return.

ASSET ALLOCATION VS. TARGETS

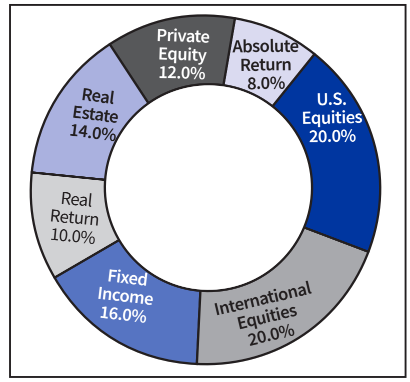
A pension fund's most important investment policy decision is the selection of its asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to manage risk effectively.

FY14 Asset Allocation



Source: TRS

Long-term Target Allocation



Source: TRS

During fiscal year 2014, TRS continued implementation of the asset allocation structure adopted in April 2011. That study focused primarily on controlling the overall volatility of the investment portfolio and to accomplish that goal, the new targets called for continued evolution of the fund's diversification into the absolute return and private equity asset classes, with a gradual reduction in exposure to publicly traded equity securities. In fiscal year 2014, TRS continued reallocating assets according to this plan by recognizing gains within a very strong public equity market environment.

The asset mix is periodically compared to the policy targets to determine when rebalancing of the fund or changes to the interim policy targets is necessary. The following 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, 2014.

Strategic Investment Listing
Allocation Targets vs. Total Assets

	Total Fund 6/30/2014 $ Million	As of June 30, 2014			As of June 30, 2013	
		Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. equities	$9,454	20.8%	23.0%	20.0%	22.8%	20.0%
International equities	9,963	22.0	20.0	20.0	21.1	20.0
Global fixed income	7,741	17.1	16.0	16.0	15.9	16.0
Real return	4,075	9.0	10.0	10.0	8.9	10.0
Real estate	5,639	12.4	13.0	14.0	12.0	14.0
Private equity	5,039	11.1	11.0	12.0	11.9	12.0
Absolute return	2,619	5.8	6.0	8.0	5.3	8.0
Short-term investments	835	1.8	1.0	0.0	2.1	0.0
Pending settlements/expenses*	71	NA	NA	NA	NA	NA
Total fund	**$45,436**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: State Street Bank and Trust and TRS
** This amount is included within the liability section in the Statement of Fiduciary Net Position.*

Late in the fiscal year, the TRS Board of Trustees amended and approved (effective July 1, 2014) the asset allocation structure. The amended structure seeks to continue the focus on the balance between private and public capital, improve diversification, and enhance the overall fund's risk/return profile. The changes include allocation increases to private equity, real estate and diversified inflation strategies, offset by a reduction to global public equities.

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 previous Strategic Investment Listing table. The strategic investment listing represents assets assigned to managers within each asset class, whereas the portfolio securities summary represents specific types of financial instruments. The principal differences can be explained by the types of investments a manager is allowed to hold. For example, cash and currency held within a manager's portfolio is categorized according to the manager's primary assignment on the Strategic Investment Listing. However, in the portfolio securities summary, these investments are categorized as short-term investments and foreign currency.

Portfolio Securities Summary

	2014		2013	
	Fair Value	% of Total	Fair Value	% of Total
U.S. treasuries & agencies	$1,006,399,129	2.2%	$1,266,248,184	3.2%
U.S. government-backed mortgages	321,377,157	0.7	545,611,651	1.4
U.S. government special situations	0	0.0	2,122,118	0.0
Municipals	39,018,468	0.1	58,776,219	0.1
Asset-backed securities	317,429,427	0.7	163,658,569	0.4
Commercial & collateralized mortgages	336,457,416	0.7	349,793,376	0.9
Commingled funds (U.S. & international)	1,530,792,546	3.4	1,357,813,108	3.4
Domestic corporate obligations	2,228,946,669	4.9	1,497,383,563	3.8
Foreign debt/corporate obligations	2,633,164,126	5.8	1,631,025,723	4.1
Total bonds, corporate notes and government obligations	**8,413,584,938**	**18.5**	**6,872,432,511**	**17.3**
U.S. equities	9,069,286,089	19.9	8,754,689,111	22.0
International equities	10,081,847,807	22.2	8,361,383,273	21.1
Total equities	**19,151,133,896**	**42.1**	**17,116,072,384**	**43.1**
Absolute return	2,618,256,628	5.8	2,110,246,003	5.3
Private equity	5,038,446,122	11.1	4,687,146,815	11.8
Real estate	5,638,680,343	12.4	4,680,490,237	11.8
Real return strategies	3,055,818,516	6.7	2,661,472,243	6.7
Derivatives - options, futures and swaps	2,805,648	0.0	(9,415,670)	0.0
Cash and cash equivalents	1,432,002,394	3.2	1,448,944,819	3.7
Foreign currency	84,850,132	0.2	114,363,611	0.3
TRS total portfolio	**$45,435,578,617**	**100.0%**	**$39,681,752,953**	**100.0%**

Source: State Street Bank and Trust and TRS

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.

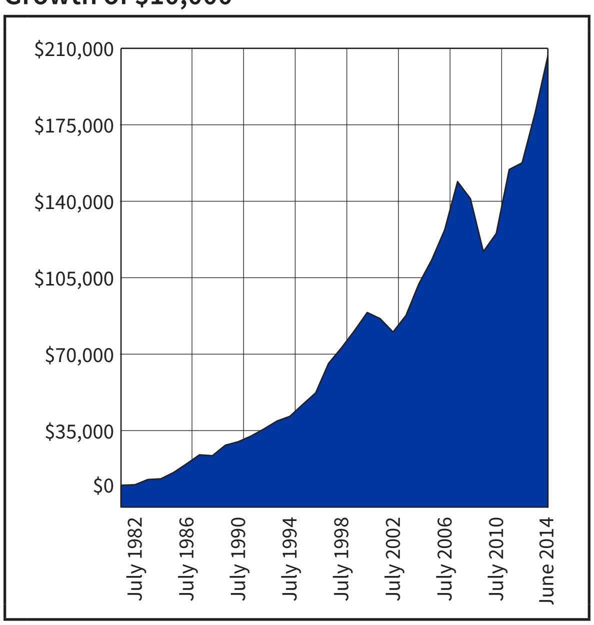
Securities Holdings for the Years Ended June 30

Asset Type	2014	2013	2012	2011	2010
Bonds, corporate notes and government obligations	18.5%	17.3%	18.6%	18.8%	20.8%
Equities - U.S.	19.9	22.0	22.8	26.4	25.8
Equities - international	22.2	21.1	20.0	19.7	20.0
Real return	6.7	6.7	7.0	7.3	7.3
Short-term investments/ currency	3.4	4.0	2.6	3.7	2.4
Absolute return	5.8	5.3	5.4	3.9	3.9
Private equity	11.1	11.8	11.4	9.6	9.5
Real estate	12.4	11.8	12.2	10.6	10.3
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: TRS

TRS's asset allocation has provided consistent overall returns over the years, as represented by the following chart showing the growth of $10,000 since July 1, 1982.

Growth of $10,000



Source: TRS

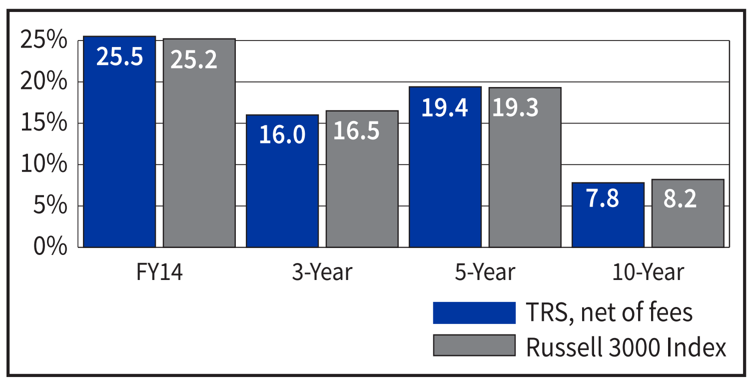
The following sections provide a brief and informative overview of the various asset classes utilized by TRS for the period ended June 30, 2014.

U.S. EQUITY

U.S. equity, or common stock, represents shares or units of ownership in public corporations domiciled within the United States. TRS invests in equities because the asset class offers the opportunity to participate in the success of the U.S. 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 year ended June 30, 2014, the U.S. equity asset class earned 25.5 percent on a net of fee basis compared to the Russell 3000 Index gain of 25.2 percent. One-, three-, five-, and 10-year comparisons to this benchmark are shown in the following chart.

U.S. Equity vs. Benchmark Return



Source: State Street Bank and Trust and TRS

The broad U.S. equity market (Russell 3000 Index) rose 25.2 percent in fiscal year 2014. This followed a strong 21.5 percent gain in fiscal year 2013. Accommodative monetary policy and solid corporate fundamentals continued as contributors to strong equity performance. Market volatility has remained very low over the past two years. The plan's domestic equity portfolio outperformed the Russell 3000 Index benchmark by 0.3 percent in fiscal year 2014. The portfolio has been rewarded for having fundamental characteristics (e.g., stronger earnings growth) which were superior to the benchmark.

The top 10 U.S. equity holdings as of June 30, 2014 follow and represent 13.0 percent of the total U.S. equity holdings. These investments represent sector diversification and include companies that are dominant within their industry.

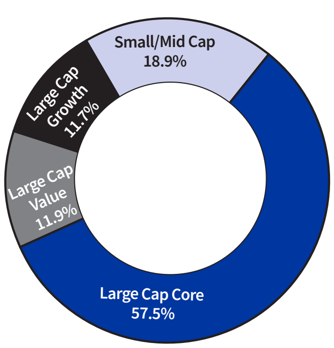
Top 10 U.S. Equity Holdings at June 30, 2014

Firm	Industry	Fair Value (USD)
Apple, Inc.	Technology	$192,285,924
Exxon Mobil Corp.	Energy	153,413,164
Google, Inc.	Technology	139,715,616
Wells Fargo & Co.	Financials	124,202,854
Pfizer, Inc.	Health Care	108,048,319
Microsoft Corp.	Technology	101,041,185
JP Morgan Chase & Co.	Financials	96,794,455
Citigroup, Inc.	Financials	93,453,889
Johnson & Johnson	Health Care	88,681,248
General Electric Co.	Industrial	81,840,072
Total		**$1,179,476,726**

Source: State Street Bank and Trust and TRS

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. The following charts convey the asset allocation mix, sector diversification and fundamental characteristics within the U.S. equity portfolio as of June 30, 2014.

Asset Allocation by Capitalization and Market Style



Source: TRS

U.S. Equity - Diversification by Industry Sector

Sector	TRS U.S. Equity	Russell 3000 Index
Consumer discretionary	14.6%	12.6%
Consumer staples	6.3	8.2
Energy	9.8	9.7
Financials	17.2	17.3
Health Care	14.5	12.9
Industrials	11.4	11.6
Materials	4.1	3.9
Technology	18.2	18.2
Telecommunication	1.6	2.3
Utilities	2.3	3.3
Total	**100.0%**	**100.0%**

Source: TRS

U.S. Equity Fundamental Characteristic	TRS U.S. Equity	Russell 3000 Index
Weighted average market cap ($ billions)	$87.3	$96.7
Price/earnings ratio	21.5x	22.2x
Dividend yield	1.7%	1.8%
Beta	1.09	1.03
5-year EPS growth	16.4%	14.8%
Price/book ratio	4.1x	4.2x

Source: State Street Bank and Trust

The policy target for U.S. equity is 20.0 percent of total fund. As of June 30, 2014, the TRS U.S. equity asset class value was $9.5 billion, or 20.8 percent of total fund. TRS employed the following U.S. equity managers during fiscal year 2014.

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

	Assets
Large-Cap Core	
Herndon Capital Management, L.L.C. (3/11)	$235,154,916
J.P. Morgan Investment Management, Inc. (12/07)	713,690,400
Levin Capital Strategies, L.P. (10/10)	479,132,208
MFS Institutional Advisors, Inc. (10/10)	672,990,353
Oakbrook Investments, L.L.C. (11/09)	343,853,332
Rhumbline Advisors, L.P. (8/06)	2,074,093,310
T. Rowe Price Associates, Inc. (6/05)	522,411,553
Large-Cap Value	
Loomis, Sayles & Company, L.P. (3/10)	311,215,686
Robeco Boston Partners Asset Management, L.P. (3/10)	813,649,185
Large-Cap Growth	
J.P. Morgan Investment Management, Inc. (10/12)	471,279,133
T. Rowe Price Associates, Inc. (11/06)	638,475,608
Small/Mid-Cap	
Boston Company Asset Management, L.L.C. (3/09)	126,984,062
Cortina Asset Management, L.L.C. (6/12)	148,406,903
Cramer Rosenthal McGlynn, L.L.C. (3/09)	375,114,396
Emerald Advisors, Inc. (11/04)	245,333,992
Fiduciary Management Associates, L.L.C. (7/08)	164,387,421
Lombardia Capital Partners, L.L.C. (11/08)	275,743,534
LSV Asset Management (12/02)	341,951,732
Rhumbline Advisors, L.P. (5/07)	32,950,320
Emerging Manager	
Apex-Capital Management (11/13)	29,131,490
Channing Capital Management, L.L.C. (12/11)	46,867,911
RhumbLine Advisors, L.P. (5/06)	391,266,227

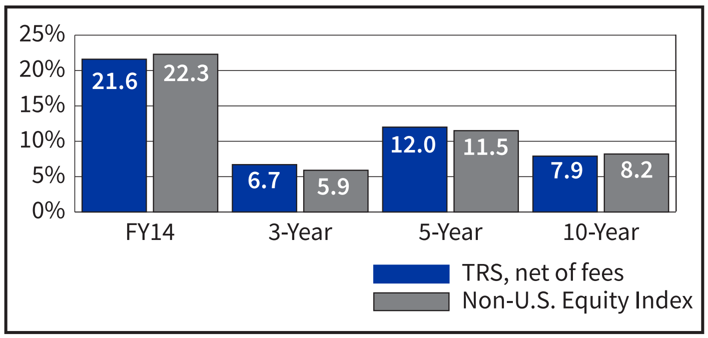
Note: The list does not include managers terminated prior to June 30, 2014 with residual assets in the account.

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 multi-nationally, or companies that are particularly strong in their own markets or industries.

For the year ended June 30, 2014, the international equity asset class earned 21.6 percent on a net of fee basis compared to the Morgan Stanley Capital International (MSCI) All Country Excluding U.S. Investable Market Index (identified as Non-U.S. Equity Index in the following references) gain of 22.3 percent. One-, three-, five-, and 10-year comparisons to this benchmark are shown in the following chart.

International Equity vs. Benchmark Return



Source: State Street Bank and Trust and TRS

International equity markets produced exceptional returns for the year ended June 30, 2014. Markets appreciated strongly during the year, advancing over 22.0 percent, driven by a strong rebound in European shares. After lagging the last couple of years due to sovereign debt concerns, the European Monetary Union region led the rally increasing 33.5 percent, including a sharp rise in Spanish shares, up 57.2 percent. The TRS international equity portfolio modestly underperformed the benchmark return due primarily to the portfolio's modest overweight to emerging market equities. The TRS portfolio is also overweight in the more defensive sectors of telecom, consumer staples and healthcare; however, the managers have increased the portfolio's exposure to more economically sensitive sectors (i.e., materials, energy and industrials) as economic conditions continued to improve across the globe.

The top 10 international equity holdings as of June 30, 2014 follow and represent 8.2 percent of the total international equity holdings. These investments are diversified geographically and include companies that are dominant within their industry and familiar to the U.S. economy.

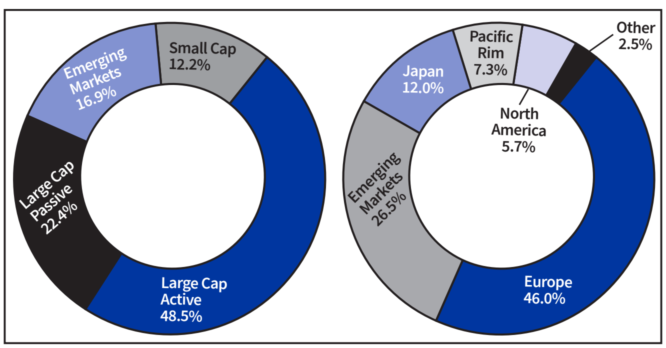
Top 10 International Holdings at June 30, 2014

Firm	Country	Fair Value (USD)
Nestle, S.A.	Switzerland	$110,346,237
Novartis, A.G.	Switzerland	110,221,620
Roche Holding, A.G.	Switzerland	94,575,154
Sanofi	France	78,959,037
Total, S.A.	France	77,682,812
Royal Dutch Shell, P.L.C.	United Kingdom	76,166,318
Taiwan Semiconductor, L.T.D.	Taiwan	71,091,318
Eni, S.p.A.	Italy	69,236,289
HSBC Holdings, P.L.C.	United Kingdom	68,775,587
BP, P.L.C.	United Kingdom	64,783,856
Total		$821,838,228

Source: State Street Bank and Trust and TRS

Investment managers are chosen to diversify the portfolio based on capitalization, geography and style basis. The following chart conveys the asset allocation mix, regional exposure and fundamental characteristics within the international equity portfolio as of June 30, 2014.

Asset Allocation by Capitalization, Market Style and Regional Exposure



Source: TRS

International Equity Fundamental Characteristic	TRS International Equity	Non-U.S. Equity Index
Weighted average market cap ($ billions)	$47.8	$55.8
Price/earnings ratio	15.0x	15.7x
Dividend yield	3.1%	3.0%
Price/book ratio	2.9x	2.9x

Source: State Street Bank and Trust

The policy target for international equity is 20.0 percent of total fund. As of June 30, 2014, the TRS international equity asset class value was $10.0 billion, or 22.0 percent of total fund. TRS employed the following international equity managers during fiscal year 2014.

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

	Assets
Large Cap Active	
Aberdeen Asset Management, Inc. (7/10)	$890,936,891
Jarislowsky, Fraser, Ltd. (8/05)	686,160,448
LSV Asset Management (10/12)	963,523,210
McKinley Capital Management, Inc. (8/05)	972,369,743
Mondrian Investment Partners, Ltd. (4/93)	1,068,528,398
Strategic Global Advisors (3/11)	182,747,387
Large Cap Passive	
Northern Trust Investments, Inc. (8/10)	2,231,384,812
Emerging Markets	
Aberdeen Asset Management, Inc. (3/08)	665,133,630
AQR Capital Management, L.L.C. (7/13)	725,202,120
Northern Trust Investments, Inc. (4/13)	296,796,416
Small Cap	
American Century Global Investment Management, Inc. (6/08)	146,514,410
DFA Investment Dimensions Group, Inc. (6/11)	314,952,548
Dimensional Fund Advisors, L.P. (6/08)	376,046,191
Mondrian Investment Partners, Ltd. (11/12)	381,061,735
Emerging Manager	
Ativo Capital Management (3/13)	29,901,911
Sky Investment Council (12/12)	31,101,119

Note: The list does not include managers terminated prior to June 30, 2014 with residual assets in the account.

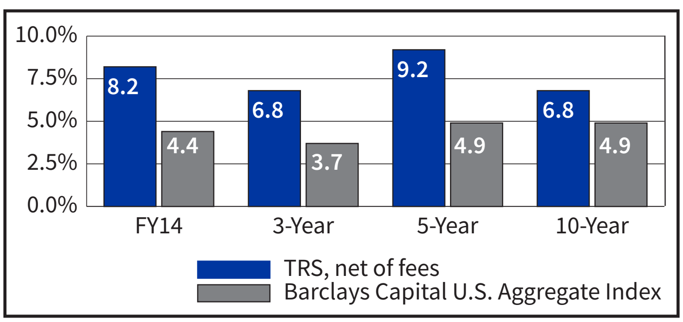
GLOBAL FIXED INCOME

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, while paying specified interest during the term of the issue. A fixed or floating income security represents a contractual obligation of a debt or a loan, with the issuer of debt as the borrower of capital, and the purchaser, or holder of bonds, as the creditor or lender.

Global fixed income is an important asset class in a well-diversified portfolio. Fixed income investments can reduce volatility, offer low or 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, 2014, the TRS global fixed income portfolio earned 8.2 percent on a net of fee basis compared to the Barclays Capital U.S. Aggregate Index gain of 4.4 percent. One-, three-, five-, and 10-year comparisons to this benchmark are shown in the following chart.

Global Fixed Income vs. Benchmark Returns



Source: State Street Bank and Trust and TRS

TRS's global fixed income portfolio significantly outperformed the Barclays Capital U.S. Aggregate Index by 3.8 percent, net of fees, during the fiscal year. The global fixed income portfolio maintained low exposure to global developed market nominal positions. TRS continues the bias away from U.S. and global fixed income indices as benchmark investments tend to reward governments and corporations with the highest debt levels. TRS has increased floating rate exposures and maintained below market weight duration in anticipation of higher interest rates. Further, the System has worked to create structural flexibility within the portfolio to opportunistically address potential market dislocations.

The following table lists the top 10 global fixed income investments or funds held by TRS as of June 30, 2014. A complete listing of investment holdings is available as a separate report.

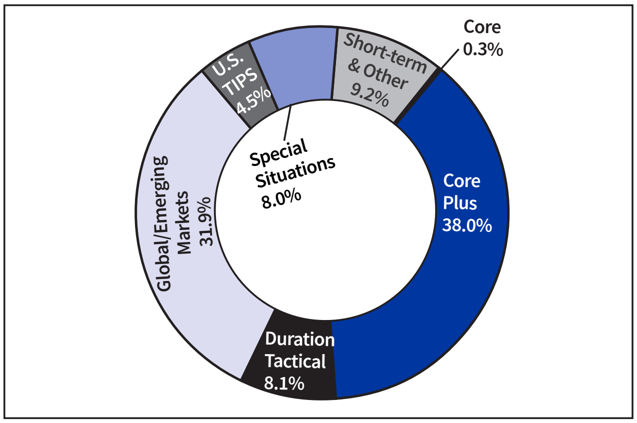
Top 10 Global Fixed Income Holdings at June 30, 2014

Security/Position	Fair Value (USD)
Franklin Templeton Emerging Market Debt Fund	$488,868,642
Pramerica Fixed Income U.S. Liquidity Relative Value Fund I	250,684,128
Oaktree Enhanced Income Fund	134,736,655
PIMCO Short-Term Portfolio	116,434,912
PIMCO Bank Recapitalization and Value Opportunities Fund	105,897,122
U.S. Treasury Inflation Linked Note	100,753,602
PIMCO Distressed Senior Credit Opportunities Fund II	99,113,693
Bundesobligation Inflation Linked Bond	89,613,519
U.S. Treasury Inflation Linked Note	64,829,612
U.S. Treasury Inflation Linked Note	60,450,818
Total	**$1,511,382,703**

Source: State Street Bank and Trust and TRS

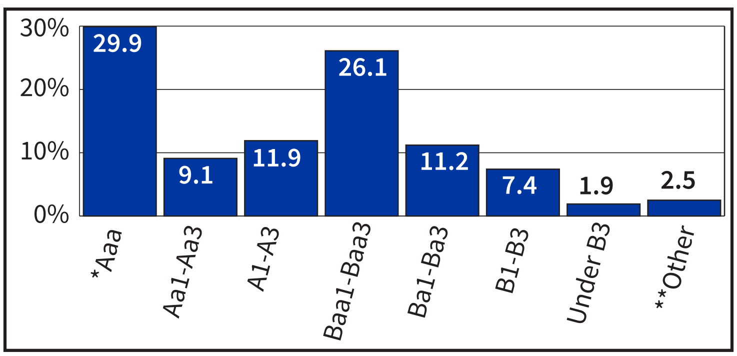
The following charts provide the asset allocation mix and statistical information on TRS's global fixed income portfolio as of June 30, 2014.

Fixed Income Composite Allocation



Source: TRS

Diversification by Quality Rating for Individual Bonds



Source: State Street Bank and Trust and TRS
** U.S. Treasury securities are included*
***Other includes unrated securities*

Global Fixed Income Fundamental Characteristic	TRS Fixed Income Portfolio	Barclays Capital Aggregate Index
Average maturity	5.7 years	7.7 years
Effective duration	3.0 years	5.6 years
Average coupon	3.5%	3.3%
Average quality rating	Baa1	Aa

Source: State Street Bank and Trust and TRS

The policy target for global fixed income is 16.0 percent of total fund. As of June 30, 2014, the TRS global fixed income asset class value was $7.7 billion, or 17.1 percent of total fund. TRS employed the following fixed income managers during fiscal year 2014. This excludes fixed income-type assets overseen by managers in other asset classes containing fixed income securities as a small part of their overall strategies.

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

	Assets
Apollo Lincoln Fixed Income Fund, L.P. (3/14)	$60,512,220
AQR Risk Balanced Reinsurance Fund, Ltd. (12/12)	40,876,875
Dolan McEniry Capital Management, L.L.C. (5/06)	290,787,799
Franklin Advisers, Inc. (2/08)	833,822,462
Franklin Templeton Investment Management, Ltd. (12/10)	488,868,642
Garcia Hamilton & Associates, L.P. (6/10)	61,469,430
Hartford Investment Management Company (3/11)	350,158,985
Loomis Sayles & Company, L.P. (6/08)	623,452,150
MacKay Shields L.L.C. (8/11)	818,267,032
Manulife Asset Management, L.L.C. (8/11)	757,188,325
Maranon Senior Credit Fund II-B, L.P. (6/13)	24,762,957
NXT Capital Senior Loan Fund II, L.P. (8/13)	19,194,996
Oaktree Enhanced Income Fund, L.P. (9/12)	134,736,655
Oaktree Enhanced Income Fund II, L.P. (5/14)	18,240,145
Oaktree Real Estate Debt Fund, L.P. (10/13)	7,391,110
Pacific Investment Management Company, L.L.C. (7/82)	1,152,265,939
Pacific Investment Management Company - Bank Recapitalization and Value Opportunities Bravo Fund, L.P. (1/11)	105,897,122
Pacific Investment Management Company - Bank Recapitalization and Value Opportunities Bravo Fund II, L.P. (3/13)	31,774,666
Pacific Investment Management Company - Distressed Senior Credit Opportunities Fund II, L.P. (11/11)	99,113,693
Pramerica Fixed Income U.S. Liquidity Relative Value Fund I, LTD (6/14)	250,684,128
Prudential Investment Management, Inc. (12/08)	428,426,953
Taplin, Canida & Habacht (4/13)	574,973,769
TCW Asset Management Company (8/13)	392,969,325
Westwood Management Corp. (6/12)	73,622,664

Note: The list does not include managers terminated prior to June 30, 2014 with residual assets in the account.

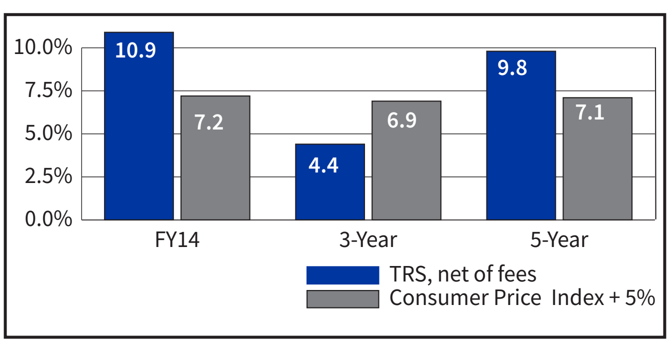
REAL RETURN

The real return asset class was established during 2007 in recognition of the significant impact inflation has on an investment portfolio and its return objectives. Traditional asset classes, such as equities and fixed income, tend to perform well in periods of stable or falling inflation yet face meaningful challenges in periods of rising inflation.

The real return asset class serves as a portfolio diversifier and protects against unanticipated and actual inflation within the total fund. The objective of the real return asset class is to exceed the Consumer Price Index (CPI) by 5.0 percentage points over a five- to 10-year period of time. Real return strategies are generally less correlated with traditional stock and bond portfolios; these strategies provide inflation protection and excess returns during periods of rising inflation while reducing overall risk to the total fund. It should be noted that the CPI is not an investible benchmark, but is utilized as a benchmark given the inflation focus of the asset class.

The policy target for real return remains 10.0 percent of total fund. As of June 30, 2014, the TRS real return asset class value was $4.1 billion, or 9.0 percent of the total fund portfolio. For the fiscal year, TRS's real return portfolio earned 10.9 percent, net of fees, compared to the 7.2 percent return of the benchmark. Real return performance and benchmark comparisons are noted in the following chart.

Real Return vs. Benchmark Returns

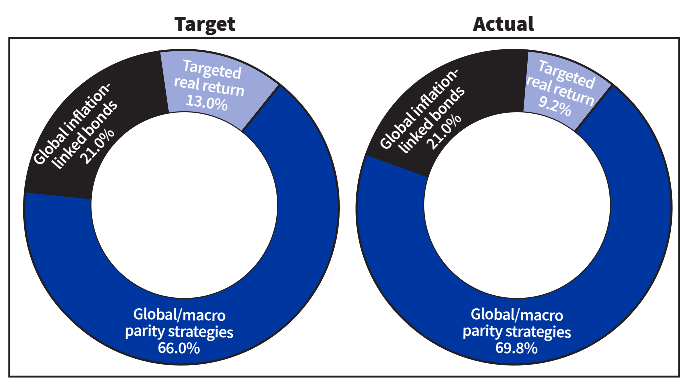


Source: State Street Bank and Trust and TRS

The real return portfolio is expected to maintain a risk/return profile between global equities and fixed income. The global macro/risk parity strategies returned 12.2 percent, inflation linked bonds returned 10.1 percent and targeted real return posted returns of 3.4 percent, all net of fees. During the fiscal year, the balance between growth and inflation, combined with lower volatility, resulted in most inflationary assets experiencing positive returns. The dispersion between asset class returns was the lowest in history with discounted growth and inflation changing very little relative to traditional equity and fixed income asset classes. As a result, TRS maintained a modest, below target weight during the fiscal year. Longer-term returns over the trailing five-year period resulted in TRS achieving its real asset objectives.

The following chart provides allocation percentages of holdings within the subclasses of real return as of June 30, 2014.

Real Return Targets and Actual Allocation as of June 30, 2014



Source: TRS

As of June 30, 2014, 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)

	Assets
Global Inflation-linked Bonds	
New Century Advisors, L.L.C. (2/08)	$268,223,555
Pacific Investment Management Company, L.L.C. (5/07)	585,906,921
Global Macro/Risk Parity Strategies	
AQR Global Risk Premium Tactical Fund II, Ltd. (7/07)	813,916,644
Bridgewater All Weather Portfolio, Ltd. (7/07)	788,199,878
PIMCO Global Multi-Asset Strategy Fund (12/09)	431,295,637
PIMCO Multi-Asset Volatility Fund, L.L.C. (5/13)	60,143,673
Standard Life Investments Global Asset Return Strategies Fund, Ltd. (6/12)	750,674,579
Targeted Real Return	
AQR Real Return Fund, L.P. (6/12)	371,180,29
Black River Agriculture Fund 2, L.P. (6/13)	5,445,629

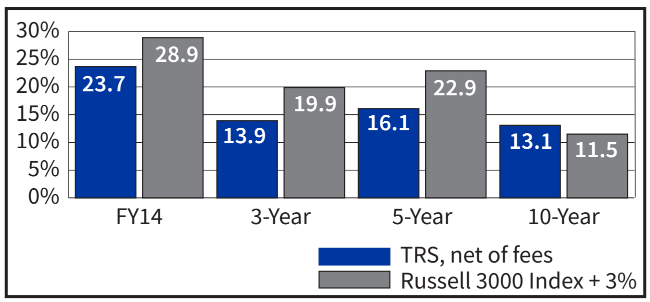
PRIVATE EQUITY

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. Investing in private equity carries additional risk, 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 as well. 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 subsectors within private equity, including buyout, growth equity, venture capital, subordinated debt and distressed debt.

TRS measures private equity performance against the Russell 3000 Index plus 300 basis points or 3 percentage points. This 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 ended June 30, 2014, private equity earned 23.7 percent on a net of fee basis, compared to the benchmark gain of 28.9 percent. TRS investments in private equity maintain a very strong long-term return. The long-term performance strength of the private equity program and the asset class's diversification both benefit the overall portfolio. One-, three-, five-, and 10-year comparisons relative to the benchmark are noted in the following chart.

Private Equity vs. Benchmark Returns

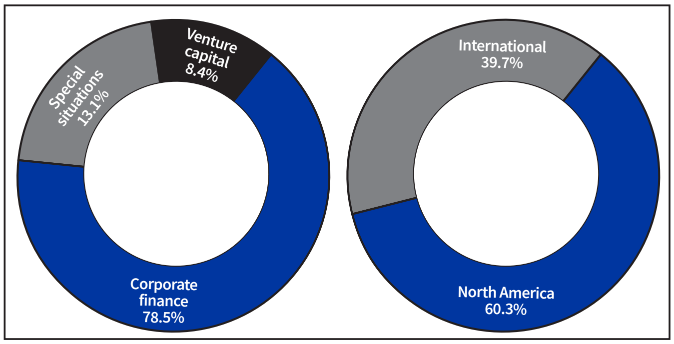


Source: State Street Bank and Trust and TRS

In April 2011, the Board of Trustees adopted a new asset allocation study that increased the private equity allocation target to 12 percent. Successful implementation of this target is subject to many factors, including public market performance and sufficient availability of high quality private equity opportunities in the market. TRS continues to prudently increase its exposure to private equity and as of June 30, 2014, $5.0 billion, or 11.1 percent of the TRS investment portfolio, was assigned to the private equity asset class.

TRS approved new commitments to 15 separate private equity funds totaling approximately $1.1 billion and three co-investments totaling $85 million during the fiscal year. Included in this total were funds designed to broaden the program's geographic diversification in Europe and Asia and specifically target growth opportunities within the technology sector. TRS remains opportunistic with its private equity investment approach and initiated a private equity secondary market program in which 20 private equity funds were sold in the secondary market. The following chart provides exposure percentage by investment type at June 30, 2014.

Exposure % by Investment Type



Source: TorreyCove Capital Partners, L.L.C.

The following table lists the private equity partnerships/funds (and the respective assets under management) that TRS has investments with as of June 30, 2014.

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

	Assets
Corporate Finance	
Advent International GPE VI, L.P. (7/08)	$77,222,877
Advent International GPE VII, L.P. (12/12)	48,796,195
Apollo Investment Fund V, L.P. (5/01)	15,624,949
Apollo Investment Fund VI, L.P. (5/06)	107,358,584
Apollo Investment Fund VII, L.P. (1/08)	208,694,221
Apollo Investment Fund VII Annex A (5/12)	42,370,655
Apollo Investment Fund VIII, L.P. (12/13)	8,188,594
Banc Fund VI, L.P. (6/02)	9,901,774
Banc Fund VII, L.P. (5/05)	40,600,059
Baring Asia Private Equity Fund V, L.P. (3/11)	46,680,386
Black River Capital Partners Fund (Food), L.P. (8/11)	68,044,134

(continued)

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	Assets
Blackstone Capital Partners VI, L.P. (8/11)	$84,767,639
Blackstone Capital Partners VI Annex A (10/11)	29,365,267
Carlyle Partners IV, L.P. (4/05)	29,020,910
Carlyle Partners V, L.P. (7/07)	182,743,658
Carlyle Partners VI, L.P. (6/13)	47,420,377
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	30,156,863
Carlyle/Riverstone Global Energy and Power Fund III, L.P. (4/06)	47,153,318
DLJ Merchant Banking Partners II, L.P. (3/97)	1,059,883
DLJ Merchant Banking Partners III, L.P. (9/00)	11,526,234
Edgewater Growth Capital Partners, L.P. (11/03)	2,269,831
Edgewater Growth Capital Partners II, L.P. (2/06)	12,748,246
Edgewater Growth Capital Partners III, L.P. (9/11)	27,341,628
EIF United States Power Fund IV, L.P. (11/11)	25,198,597
Energy Capital Partners I, L.P. (4/06)	24,364,758
Energy Capital Partners II-A, L.P. (9/09)	56,306,410
Energy Capital Partners II Annex A (10/11)	67,872,375
EnerVest Energy Institutional Fund XII-A, L.P. (12/10)	42,139,872
EQT VI, L.P. (9/11)	51,001,807
Evercore Capital Partners II, L.P. (4/03)	6,787,230
GI Partners Fund III, L.P. (1/09)	34,129,911
Glencoe Capital Partners III, L.P. (1/04)	14,908,476
Glencoe Capital Institutional Partners III, L.P. (6/04)	5,074,625
Great Point Partners II, L.P. (11/13)	8,012,751
Green Equity Investors V, L.P. (8/07)	87,873,136
Green Equity Investors VI, L.P. (11/12)	63,947,469
Green Equity Investors VI, Annex A (6/14)	25,000,000
GTCR Fund VII/VIIA, L.P. (3/00)	185,392
GTCR Fund VIII, L.P. (7/03)	8,546,791
ICV Partners II, L.P. (1/06)	13,918,458
ICV Partners III, L.P. (10/13)	3,963,641
J.C. Flowers II, L.P. (2/07)	15,160,098
Littlejohn Fund IV, L.P. (7/10)	84,427,746
Madison Dearborn V, L.P. (7/06)	87,912,044
Madison Dearborn Partners VI, Annex A (4/13)	47,617,623
MBK Partners Fund II, L.P. (5/09)	28,295,621
MBK Partners Fund III, L.P. (4/13)	33,193,587
MBK Partners Fund III, Annex A (12/13)	41,634,952
Mesirow Capital Partners VII, L.P. (6/97)	7,654
Morgan Creek Partners Asia, L.P. (1/11)	85,072,560
NGP Natural Resources IX, Annex A (11/12)	25,898,849
NGP Natural Resources X, L.P. (5/12)	74,024,610
New Mountain Partners III, L.P. (8/07)	95,705,069
Onex Partners III, L.P. (04/09)	49,893,199
PAI Europe V, L.P. (4/08)	37,402,597

(continued)

(continued)

	Assets
Palladium Equity Partners IV, L.P. (3/14)	$1,915,105
Parthenon Investors IV, L.P. (4/12)	9,014,788
Pine Brook Capital Partners, L.P. (1/08)	43,317,904
Providence Equity Partners VI, L.P. (3/07)	93,823,014
Providence Equity Partners VI Annex A (8/12)	54,965,139
Providence Equity Partners VII, L.P. (6/12)	34,637,981
Rhone Partners IV, L.P. (1/12)	36,758,479
Riverstone/Carlyle Global Energy and Power Fund IV, L.P. (3/08)	67,752,091
Riverstone Global Energy and Power Fund V, L.P. (6/12)	163,591,806
Riverstone Global Energy and Power Fund V, Annex A (11/13)	20,000,471
Silver Lake Partners III, L.P. (8/07)	69,802,573
Silver Lake Partners III Annex A (12/11)	155,540,435
Silver Lake Partners IV, L.P. (10/13)	27,905,243
Siris Partners II, L.P. (1/12)	12,521,561
Stone Point Capital Trident V, L.P. (12/10)	68,581,360
Stone Point Capital Trident V, Annex A (10/11)	46,076,665
TCW/Latin America Private Equity Partners, L.P. (5/97)	10,905
Trilantic Capital Partners III, L.P. (4/05)	2,465,560
Trilantic Capital Partners IV, L.P. (10/07)	35,035,038
Trustbridge Partners IV, L.P. (12/11)	29,115,297
Veritas Capital Fund IV, L.P. (11/10)	85,688,793
Veritas Capital Fund IV Annex A (2/11)	12,590,370
Vicente Capital Partners Growth Equity Fund, L.P. (4/08)	15,200,105
Vista Equity Partners Fund III, L.P. (11/07)	29,589,091
Vista Equity Partners Fund IV, L.P. (10/11)	100,427,231
Vista Equity Partners Fund V, L.P. (5/14)	7,440,677
VS&A Communications Partners II, L.P. (8/95)	104,262
VSS Communications Partners IV, L.P. (3/05)	29,658,628
Warburg Pincus Private Equity IX, L.P. (9/05)	42,699,499
Warburg Pincus Private Equity X, L.P. (10/07)	232,767,251
WPG Corporate Development Associates V, L.P. (11/97)	461,800
Venture Capital	
21st Century Communications T-E Partners, L.P. (2/95)	494,614
Carlyle U.S. Growth Fund III, L.P. (6/07)	30,617,746
Carlyle Venture Partners II, L.P. (10/02)	50,832,212
Granite Ventures II, L.P. (5/05)	20,183,445
HealthPoint Capital Partners, L.P. (6/04)	14,982,329
Hopewell Ventures, L.P. (6/04)	2,651,796
Illinois Emerging Technologies Fund, L.P. (6/04)	1,008,662
JMI Equity Fund VII, L.P. (2/11)	16,408,072
Lightspeed Venture Partners IX, L.P. (3/12)	29,249,886

(continued)

(continued)

	Assets
Lightspeed Venture Partners Select, L.P. (3/14)	$1,962,147
LiveOak Venture Partners I, L.P. (2/13)	3,466,421
Longitude Venture Partners, L.P. (3/08)	21,562,189
Longitude Venture Partners II, L.P. (4/13)	3,184,189
Morgan Creek Partners Venture Access Fund, L.P. (1/12)	65,227,418
SCP Private Equity Partners, L.P. (5/97)	62,560
SCP Private Equity Partners II, L.P. (6/00)	37,714,440
Shasta Ventures, L.P. (1/05)	27,691,458
Sofinnova Venture Partners VIII, L.P. (8/11)	27,552,271
Starvest Partners, L.P. (1/09)	8,641,305
Union Grove Partners Venture Access Fund, L.P. (3/14)	1,575,657
Union Grove Partners Direct Venture Fund, L.P. (4/14)	(75,626)
VantagePoint Venture Partners IV, L.P. (6/00)	21,080,831
VantagePoint Venture Partners 2006 (Q), L.P. (12/06)	33,577,441
WPG Enterprise Fund II, L.P. (8/94)	1,775,407
WPG Enterprise Fund III, L.P. (3/97)	2,910,965
Special Situations	
Blackstone/GSO Capital Solutions Fund, L.P. (9/09)	119,236,641
Carlyle Strategic Partners, L.P. (10/04)	639,892
Clearlake Capital Partners II, L.P. (7/09)	22,952,783
Clearlake Capital Partners III, L.P. (10/12)	28,357,282
Maranon Mezzanine Fund, L.P. (8/09)	10,195,481
Oaktree Annex A (11/10)	55,800,000
Oaktree Opportunities Fund VIII, L.P. (3/10)	85,990,298
Oaktree Opportunities Fund VIIIb, L.P. (8/11)	62,200,463
OCM Opportunities Fund V, L.P. (6/04)	2,317,218
OCM Opportunities Fund VIIb, L.P. (6/08)	23,360,099
Oaktree Opportunities Fund IX, L.P. (3/13)	68,152,079
Oaktree Opportunities Fund IX Annex A (3/13)	33,286,585
OCM European Principal Opportunities Fund II, L.P. (8/08)	44,236,414
Oaktree European Principal Fund III, L.P. (11/11)	38,604,220
Oaktree Real Estate Opportunities Fund VI, L.P. (6/13)	55,406,260
Prism Mezzanine Fund, L.P. (12/04)	7,421,699
SW Pelham Fund II, L.P. (9/03)	60,025
William Blair Mezzanine Capital Fund II, L.P. (5/97)	168,621
William Blair Mezzanine Capital Fund III, L.P. (1/00)	1,728,916

ABSOLUTE RETURN

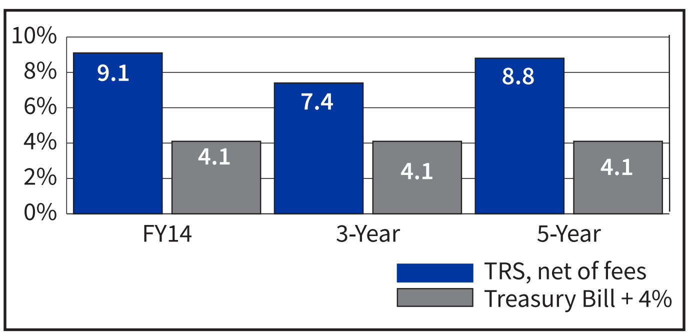
The absolute return asset class includes mandates designed to provide attractive return and risk attributes while exhibiting low correlation to traditional public equity and fixed income investments. The absolute return class was established as a result of an asset allocation study adopted in fiscal year 2007.

The asset class is measured against a relative risk-free index of 90-Day Treasury Bills + 4.0 percent. While this is not an investible index, the benchmark represents the intended risk reduction characteristic of the asset class. Structurally, TRS continues to migrate away from fund of funds investments in order to lower the program's total expense ratio while increasing return expectations. Consistent with objectives, the asset class provides beneficial diversification for the total plan while producing relatively stable returns.

The policy target for absolute return is 8.0 percent of total fund. As of June 30, 2014, the TRS absolute return asset class value was $2.6 billion, or 5.8 percent of the total fund portfolio.

For the fiscal year, TRS's absolute return portfolio earned 9.1 percent, net of fees, compared to the 4.1 percent return of the benchmark. Absolute return performance and benchmark comparisons are noted in the following chart.

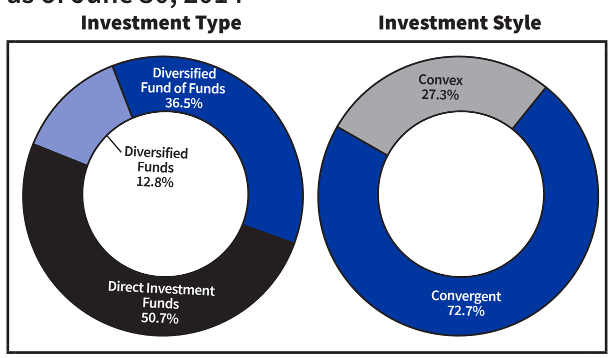
Absolute Return vs. Benchmark Returns



Source: State Street Bank and Trust and TRS

Investments in absolute return are administered via both direct investment manager relationships and diversified fund of funds. The following chart provides a further breakdown of TRS's actual allocation as of June 30, 2014.

Absolute Return Actual Allocation as of June 30, 2014



Source: TRS

As of June 30, 2014, TRS employed the following managers and/or funds, including their respective assets under management.

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

	Assets
Diversified Funds	
Bridgewater Pure Alpha Fund I (1/09)	$335,780,503
Diversified Fund of Funds	
Bluegill Liquidating Fund, L.L.C. (1/14)	532,474,184
Grosvenor Monarch Fund, L.L.C. (6/07)	422,782,459
Direct Investment Funds	
Alphadyne Global Rates Fund II, LTD. (6/14)	153,409,754
Bluegill Liquidating Fund, L.L.C. (Class B) (1/14)	492,209,405
Grosvenor Monarch Fund, L.L.C. (Series B) (3/11)	632,305,225
Varadero International, L.P. (6/14)	50,399,056

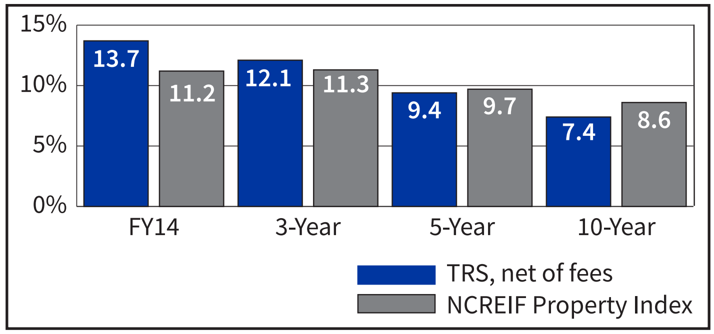
REAL ESTATE

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. 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. Investment in real estate is intended to increase the TRS total portfolio long-term rate of return and reduce year-to-year volatility. Additionally, real estate offers a strong income component to pay TRS benefits.

During FY14, the TRS real estate managers remained active in the transactional market with a continued focus on upgrading the existing portfolio through asset acquisitions and dispositions. The market continues to exhibit strength through strong commercial property income returns and continued increases in property values. The TRS investment portfolio maintains a long-term target allocation of 14.0 percent to real estate.

As of June 30, 2014, TRS held $5.6 billion in real estate assets, or 12.4 percent of the total fund portfolio. For the fiscal year, TRS's real estate portfolio earned 13.7 percent, net of fees, outpacing the National Council of Real Estate Investment Fiduciaries (NCREIF) Index by 250 basis points. TRS's portfolio outperformed the NCREIF Index by 80 basis points for three years, while lagging 30 basis points and 120 basis points for the respective five- and 10-year periods. Real estate performance and benchmark comparisons are noted in the following chart.

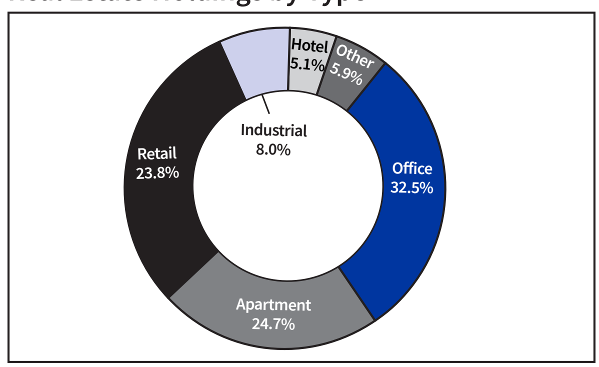
Real Estate vs. Benchmark Returns



Source: State Street Bank and Trust and TRS

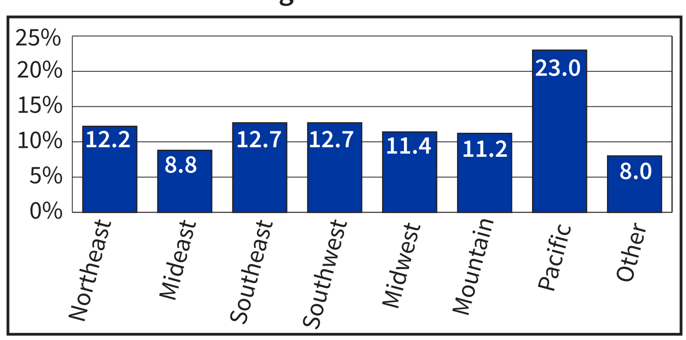
To enhance returns and reduce risk, TRS acquires high quality properties, diversified geographically and by property type. TRS's real estate holdings by type and geography as of June 30, 2014 are exhibited in the following charts.

Real Estate Holdings by Type



Source: Callan Associates, Inc.

Geographic Diversification of Real Estate Holdings



Source: Callan Associates, Inc.

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, 2014, TRS employed the following managers including their respective assets under management.

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

	Assets
Separate Accounts	
Capri/Capital Advisors, L.L.C. (12/91)	$882,718,728
Cornerstone Real Estate Advisors, L.L.C. (7/08)	363,068,457
Cornerstone II S/A (7/09)	12,960,073
Cornerstone III S/A (8/09)	92,064,731
Heitman Capital Management, L.L.C. (7/09)	1,253,628,510
Invesco Institutional (N.A.), Inc. (7/08)	671,264,065
LPC Realty Advisors I, Ltd. (7/92)	723,534,620
LPC Realty Advisors Core, Ltd. (4/07)	153,741,194
Principal Real Estate Investors (10/13)	38,866,960
Closed-End Accounts	
Beacon Capital Strategic Partners V, L.P. (8/07)	29,242,050
Blackstone Real Estate Partners VI, L.P. (9/07)	75,352,687
Blackstone Real Estate Partners VII, L.P. (1/12)	179,068,567
Capri Capital Advisors Apartment Fund III, L.P. (11/02)	115,869,015
Capri Select Income Fund II, L.L.C. (12/05)	4,168,540
Carlyle Realty Partners IV, L.P. (6/05)	62,028,989
Cornerstone Hotel Income & Equity Fund II, L.P. (7/08)	26,006,434
JBC Opportunity Fund II, L.P. (5/03)	391,375
JER Real Estate Qualified Partners III, L.P. (1/05)	4,001,109
Lone Star Real Estate Fund III (U.S.), L.P. (5/14)	12,687,223
SCG Retail Management II, L.P. (11/13)	23,986,214
Southwest Multifamily Partners, L.P. (8/12)	17,885,184
Starwood Distressed Opportunity Fund IX, L.P. (3/13)	124,462,905
Thayer Hotel Investors IV, L.P. (5/04)	6,474,706
Walton Street Real Estate Fund IV, L.P. (7/03)	43,467,979
Walton Street Real Estate Fund VI, L.P. (4/09)	98,786,804
Walton Street Real Estate Fund VII, L.P. (6/13)	39,531,309
Open-End Accounts	
Hines U.S. Core Office Fund, L.P. (12/05)	120,607,136
Lion Industrial Trust (4/05)	229,716,346
International Real Estate Accounts	
Blackstone Real Estate Partners Asia, L.P. (12/13)	23,807,673
Carlyle Europe Real Estate Partners III, L.P. (9/07)	47,520,194
CB Richard Ellis Strategic Partners Europe Fund III, L.P. (4/07)	23,437,779
CB Richard Ellis Strategic Partners UK Fund III, L.P. (5/07)	7,753,282
Gateway Real Estate Fund IV, L.P. (7/13)	20,965,097
LaSalle Asia Opportunity Fund III, L.P. (11/07)	22,601,590
LaSalle Asia Opportunity Fund IV, L.P. (7/13)	12,217,284
MGPA Asia Fund III, L.P. (12/07)	60,907,342
Niam Nordic V, L.P. (4/12)	13,888,194

SECURITIES LENDING

As of June 30, 2014, Citibank, N.A. served as the third-party securities lending agent for the fixed income, domestic equity and international equity lending programs. The lending agent is responsible for making loans, acquiring collateral, marking loans and collateral to market on a daily basis, and investing cash collateral based on lending agreement terms. The Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions, which are loans of securities to broker-dealers or other entities. Additional information regarding securities lending activity is included in the Notes to Financial Statements under "D. Investments".

The borrower of a security must post collateral in excess of the fair value of the security. TRS receives both cash and non-cash (i.e., securities) collateral. The following table represents the fair market values of the securities lending activity based on type of collateral as of June 30, 2014.

Collateral Type	Cash	Non-Cash	Total
Securities on loan	$2,649,225,726	$3,533,746	$2,652,759,472
Collateral received	2,731,006,197	4,105,855	2,735,112,052
Collateralized percentage	103.1%	116.2%	103.1%
Reinvested collateral	$2,731,092,336		

Sources: State Street Bank and Trust and Citibank, N.A.

TRS earns income from fees paid by the borrowers and interest earned from investing the cash collateral. For the year ended June 30, 2014, TRS earned net income of $13.5 million through its securities lending program. The following table summarizes fiscal year net income from securities lending activity and the fiscal year averages regarding securities available to loan.

Lending Income for FY14	
Securities lending income	$7,541,948
Lending agent fees	(863,807)
Borrower rebates	6,851,147
Securities lending net income	$13,529,288
Loan Averages during FY14	
Available to loan	$19,799,169,775
Securities on loan	2,599,957,903
Percentage on loan	13.1%

Sources: State Street Bank and Trust and Citibank, N.A.

BROKERAGE ACTIVITY

The following table shows the top 50 listed brokers used by TRS external equity managers for the year ended June 30, 2014. TRS also manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2014, TRS recaptured $0.2 million in cash that was reinvested in the fund. In addition, TRS uses commission recapture refunds to pay for Investment Department expenses. During fiscal year 2014, TRS used $0.4 million of recaptured funds to offset expenses.

Top 50 Brokers Used by TRS Managers

Broker	FY14 Commission
Merrill Lynch & Co., Inc. and all subsidiaries (worldwide)	$1,715,381
Citigroup, Inc. and all subsidiaries (worldwide)	791,659
J.P. Morgan Securities, Inc. (worldwide)	679,457
Credit Suisse (worldwide)	443,543
Instinet, L.L.C. (worldwide)	428,998
Goldman Sachs & Co. (worldwide)	413,081
Morgan Stanley & Co., Inc. and subsidiaries (worldwide)	354,128
Loop Capital Markets, L.L.C.	353,887
Barclays (worldwide)	292,159
G-Trade Services, L.L.C.	282,817
UBS Warburg Securities and all subsidiaries (worldwide)	281,586
State Street Brokerage Services (worldwide)	280,439
Cabrera Capital Markets, Inc.	227,514
Macquarie Bank & Securities, Ltd. (worldwide)	220,293
Deutsche Bank & Securities (worldwide)	191,126
Jefferies & Company	155,361
Sanford Bernstein (worldwide)	136,399
Williams Capital Group, L.P.	132,819
Castle Oak	116,107
Telsey Advisory Group	113,637
CLSA Securities	112,024
Bloomberg Tradebook, L.L.C.	109,289
Investment Technology Group, Inc. (worldwide)	105,145
Raymond James (worldwide)	103,253
Citation Group	101,023
Stifel Nicolaus & Company (worldwide)	95,755
Guzman & Company	94,743
Abel Noser Corporation (worldwide)	88,707
Baird, Robert W., & Company, Inc.	87,845
Piper Jaffray, Inc.	85,364
RBC Dain Rauscher (worldwide)	83,733
Liquidnet, Inc.	79,808
CL King & Associates, Inc.	78,359
SG Cowen & Company (worldwide)	76,257
M. Ramsey King Securities	74,923
Cantor Fitzgerald	72,744
Cheevers & Co., Inc.	65,315
Bank of New York Mellon (worldwide)	61,455
Jones Trading Institutional Services, L.L.C.	59,477
Exane, Inc.	$55,749
Nomura International (worldwide)	51,127
Wedbush Morgan Securities, Inc.	50,133
ISI Group, Inc.	49,967
Concordia S.A. CVMCC	48,812
Keefe Bruyette and Wood,Ltd.	48,158
Daiwa Securities Capital Markets	46,683
Mischler Financial Group	44,842
Capital Institutional Services	44,416
Drexel Hamilton, L.L.C.	44,181
Carnegie, A .S.	44,151
All others (227 brokers)	2,329,606
Total	**$12,103,435**

(continued)

Source: State Street Bank and Trust and TRS

INVESTMENT MANAGER AND CUSTODIAN FEES

For the year ended June 30, 2014, fee payments to external investment managers and the master custodian totaled $248.2 million.

Schedule of Fees

Investment Manager/Account	FY14
Aberdeen Asset Management, Inc.	$7,259,678
Advent International GPE VI, L.P.	688,506
Advent International GPE VII-C, L.P.	1,350,000
Alphadyne Global Rates Fund II, Ltd.	250,000
American Century Global Investment Management, Inc.	1,981,033
Apex Capital Management, Inc.	126,337
Apollo Investment Fund VIII, L.P.	2,301,630
Apollo Lincoln Fixed Income Fund, L.P.	75,000
AQR Capital Management, L.L.C.	7,247,286
AQR Real Return Offshore Fund, L.P.	2,363,109
AQR Risk Balanced Reinsurance Fund LTD.	410,553
Ativo Capital Management	137,284
Banc Fund VI, L.P.	250,000
Banc Fund VII, L.P.	901,200
Baring Asia Private Equity Fund V	1,600,000
Beacon Capital Strategic Partners V, L.P.	265,268
Black River Agriculture Fund 2, L.P.	1,237,500
Black River Asset Management L.L.C.	1,325,900
BlackRock Asia Property Fund III, L.P.	587,347
Blackstone Capital Partners VI, L.P.	1,521,231
Blackstone Real Estate Partners Asia, L.P.	1,583,333
Blackstone Real Estate Partners VI, L.P.	604,535
Blackstone Real Estate Partners VII, L.P.	2,982,054
Blackstone/GSO Capital Solutions Fund, L.P.	1,365,053
BlueMountain Capital Management, L.L.C.	7,214,004
Boston Company Asset Management, L.L.C.	1,074,711
Bridgewater All Weather Portfolio Offshore, Ltd.	2,203,806
Bridgewater Pure Alpha Fund I	9,283,302
Capri Capital Advisors Apartment Fund III, L.P.	1,046,344
Capri Select Income II, L.L.C.	31,864
Capri/Capital Advisors, L.L.C.	2,807,334
Carlson Capital, L.P.	6,560,097
Carlyle Europe Real Estate Partners III, L.P.	884,016
Carlyle Partners IV, L.P.	221,128
Carlyle Partners V, L.P.	165,489
Carlyle Partners VI, L.P.	2,893,921
Carlyle Realty Partners IV, L.P.	890,346
Carlyle Realty Partners VII, L.P.	82,192
Carlyle U.S. Growth Fund III, L.P.	471,216
Carlyle/Riverstone Global Energy Fund II, L.P.	531,450
Carlyle/Riverstone Global Energy Fund III, L.P.	451,137

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Investment Manager/Account	FY14
CB Richard Ellis Strategic Partners Europe Fund III, L.P.	$220,490
CB Richard Ellis Strategic Partners UK Fund III, L.P.	169,248
Channing Capital Management, L.L.C.	304,418
Claren Road Credit Partners, L.P.	7,095,044
Clearlake Capital Partners II, L.P.	86,521
Clearlake Capital Partners III, L.P.	547,517
Cornerstone Hotel Income & Equity Fund II, L.P.	358,170
Cornerstone Real Estate Advisors, L.L.C.	1,992,701
Cortina Asset Management, L.L.C.	649,423
Cramer Rosenthal McGlynn, L.L.C.	1,696,685
Dimensional Fund Advisors, L.P.	3,651,052
DLJ Merchant Banking Partners III, L.P.	91,311
Dolan McEniry Capital Management, L.L.C.	654,563
Edgewater Growth Capital Partners II, L.P.	198,367
Edgewater Growth Capital Partners III, L.P.	519,855
Edgewater Growth Capital Partners, L.P.	114,298
EIF United States Power Fund IV, L.P.	1,123,308
Elevation Partners, L.P.	32,896
Emerald Advisers, Inc.	1,564,117
Energy Capital Partners Fund II-A, L.P.	549,578
Energy Capital Partners I, L.P.	392,062
Energy Capital Partners II, L.P.	37,914
Enervest Energy Institutional Fund XII-A, L.P.	676,764
EQT VI	1,343,564
Fiduciary Management Associates, L.L.C.	1,019,806
Franklin Advisers, Inc.	2,235,341
Franklin Templeton Investment Management, Ltd.	1,782,980
Garcia Hamilton & Associates, L.P.	99,399
Gateway Real Estate Fund IV, L.P.	882,192
GI Partners Fund III, L.P.	370,939
GI Partners Fund IV, L.P.	942,694
Glencoe Capital Partners III, L.P.	83,147
Granite Ventures II, L.P.	261,996
Great Point Partners II, L.P.	1,247,826
Green Equity Investors VI, L.P.	2,311,382
Grosvenor Monarch Fund, L.L.C.	3,248,007
Hartford Investment Management Co.	316,341
HealthPoint Partners, L.P.	194,252
Heitman Capital Management, L.L.C.	4,986,262

(continued)

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Investment Manager/Account	FY14
Herndon Capital Management, L.L.C.	$544,321
Hines U.S. Core Office Fund, L.P.	776,828
Hopewell Ventures, L.P.	147,881
ICV Partners III, L.P.	601,194
Illinois Emerging Technologies Fund, L.P.	6,855
Invesco Institutional (N.A.), Inc.	2,220,729
J.C. Flowers II, L.P.	304,061
Jarislowsky, Fraser, Ltd.	1,019,900
JER Real Estate Qualified Partners III, L.P.	23,199
JMI Equity Fund VII, L.P.	413,228
JP Morgan Investment Management, Inc.	157,431
JP Morgan Management Associates, L.L.C.	7,440,524
K2 Bluegill Fund, L.L.C.	2,265,049
LaSalle Asia Opportunity Fund III, L.P.	404,074
LaSalle Asia Opportunity Fund IV, L.P.	109,765
Levin Capital Strategies, L.P.	934,396
Lightspeed Venture Partners IX, L.P.	546,696
Lion Industrial Trust	1,994,026
Littlejohn Fund IV, L.P.	963,020
LiveOak Venture Partners I, L.P.	506,250
LM Capital Group, L.L.C.	19,858
Lombardia Capital Partners, L.L.C.	1,388,436
Lone Star Real Estate Partners III, L.P.	387,937
Longitude Ventures Partners, L.P.	520,925
Longitude Ventures Partners II, L.P.	426,844
Loomis, Sayles & Company, L.P.	2,892,674
LPC Realty Advisors I, Ltd.	7,836,390
LSV Asset Management	4,985,576
MacKay Shields, L.L.C.	1,866,875
Madison Dearborn V, L.P.	371,101
Magnetar Constellation Fund IV, L.L.C.	397,303
Manulife Asset Management, L.L.C.	1,427,512
Maranon Credit Fund II-B, L.P.	165,248
Maranon Mezzanine Fund, L.P.	289,316
MBK Partners Fund II, L.P.	93,196
MBK Partners Fund III, L.P.	2,140,244
McKinley Capital Management, Inc.	3,152,787
Merit Mezzanine Fund IV, L.P.	69,484
MFS Institutional Advisors, Inc.	1,075,569
Mondrian Investment Partners, Ltd.	5,129,631
Morgan Creek Partners Asia, L.P.	976,435
Morgan Creek Partners Venture Access Fund, L.P.	1,000,000
New Century Advisors, L.L.C.	479,544
New Mountain Investments III, L.P.	348,623
NGP Natural Resources X, L.P.	1,387,425

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Investment Manager/Account	FY14
Niam Nordic V, L.P.	$401,860
Northern Trust Investments, N.A.	766,795
NXT Capital Senior Loan Fund II, L.P.	203,333
OakBrook Investments, L.L.C.	505,453
Oaktree Enhanced Income Fund, L.P.	2,001,810
Oaktree Opportunities Fund VIIIb, L.P.	726,272
Oaktree Real Estate Debt Fund, L.P.	59,415
Oaktree Real Estate Opportunities Fund VI, L.P.	1,117,135
OCM European Principal Fund III, L.P.	1,011,131
OCM European Principal Opportunities Fund II, L.P.	778,808
OCM Opportunities Fund V, L.P.	55,371
OCM Opportunities Fund VIIb, L.P.	330,331
OCM Opportunities Fund VIII, L.P.	830,441
OCM Opportunities Fund IX	942,841
Onex Partners III, L.P.	528,045
Pacific Investment Management Company, L.L.C.	8,198,448
PAI Europe V, L.P.	228,257
Palladium Equity Partners IV, L.P.	589,592
Parthenon Investors IV, L.P.	498,243
PIMCO BRAVO Fund, L.P.	1,269,137
PIMCO BRAVO Fund II, L.P.	137,119
PIMCO Distressed Senior Credit Opportunities Fund II, L.P.	3,104,877
Pine Brook Capital Partners, L.P.	608,237
Pine River Capital Management, L.P.	5,455,327
Principal Real Estate Investors, L.L.C.	49,648
Prism Mezzanine Fund, L.P.	202,824
Providence Equity Partners VI, L.P.	617,223
Providence Equity Partners VII, L.P.	2,164,823
Prudential Investment Management, Inc.	756,838
Rhone Partners IV, L.P.	286,194
RhumbLine Advisers, L.P.	199,760
Riverstone/Carlyle Global Energy and Power Fund IV, L.P.	361,712
Riverstone/Carlyle Global Energy and Power Fund V, L.P.	2,198,340
Robeco Boston Partners Asset Management, L.P.	1,330,680
SCP Private Equity Partners II, L.P.	418,920
Shasta Ventures, L.P.	406,250
Silver Lake Partners III, L.P.	178,793
Silver Lake Partners VI, L.P.	2,303,240
Sky Investment Council	141,594
Sofinnova Ventures Partners VIII, L.P.	783,859
Southwest Multifamily Partners, L.P.	312,500

(continued)

(continued)

Investment Manager/Account	FY14
Standard Life Investment Global Absolute Return Strategies Master Fund, Ltd.	$4,517,900
StarVest Partners, L.P.	272,847
Starwood Distressed Opportunity Fund IX Global, L.P.	1,961,958
Starwood Annex A	174,017
State Street Bank and Trust Company (Custody)	1,900,000
Stone Point Capital Trident V, L.P.	1,114,555
Strategic Global Advisors	559,311
SW Pelham Fund II, L.P.	240
T. Rowe Price Associates, Inc.	3,782,820
Taplin, Canida & Habacht	344,162
TCW Asset Management Company	1,155,317
Technology Crossover Ventures VII, L.P.	187,704
Thayer Hotel Investors IV, L.P.	97,457
TPG Partners VI, L.P.	620,144
Trilantic Capital Partners III, L.P.	15,585
Trilantic Capital Partners IV, L.P.	179,320
Trustbridge Partners IV, L.P.	600,000
Union Grove Partners Venture Access Fund, L.P.	182,575
Union Grove Partners Direct Venture Fund, L.P.	32,219
Varadero International, Ltd.	62,500
Veritas Capital Fund IV, L.P.	559,734
Vicente Capital Partners Growth Equity Fund, L.P.	249,398
Vista Equity Partners Fund IV, L.P.	801,836
Vista Equity Partners Fund V, L.P.	803,867
Vista Equity Partners III, L.P.	378,300
VSS Communications Partners IV, L.P.	340,280
Walton Street Real Estate Fund IV, L.P.	417,644
Walton Street Real Estate Fund VI, L.P.	1,261,124
Walton Street Real Estate Fund VII, L.P.	370,996
Warburg Pincus Private Equity IX, L.P.	62,679
Warburg Pincus Private Equity X, L.P.	2,200,133
Westwood Management Corp.	452,117
WPG Corporate Development Associates V, L.P.	5,046
Total fees paid by TRS	**$248,212,245**

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

ACTUARIAL

Phelps Schools
Fairbury, Illinois
1939
photo courtesy of *Illinois State Magazine*

Arcola Musical Group
Arcola Jr. & Sr. High Schools
Arcola, Illinois
2012

TRS ILLINOIS

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December 15, 2014

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

Subject: Actuarial Accrued Liability (AAL) as of June 30, 2014

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the actuarial accrued liability (AAL) of the System to be $103,740,377,267 as of June 30, 2014. The valuation was performed using the projected unit-credit actuarial cost method.

The Teachers' Retirement System of the State of Illinois is funded by Employer and Member Contributions in accordance with the funding policy specified under the Illinois Pension Code (40 ILCS 5/16). The funding objective under the Illinois Pension Code is to Achieve 90% funding by 2045. The 2045 objective was set in 1994 as a 50 year objective. While TRS members have always contributed their share, the State funding has been less than adequate to make progress in the funding of the plan.

The actuarial valuation was based on a census of active, inactive and retired members as of June 30, 2013, which was 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. As part of the valuation procedure, liabilities were adjusted by projecting results based on the valuation assumptions.

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 Schedule of Changes in the Net Pension Liability, the Schedule of the Net Pension Liability, and the Schedule of Investment Returns that appears 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.

At June 30, 2014 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. Note that GASB 25 has been superseded by GASB 67 and additional information has been provided in the actuarial report to provide that financial disclosure information. GASB 25 has been provided for historical comparison purposes.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2014. 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 from market value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year in equal amounts over the ensuing five-year period. The System incurred a gain of $3,625,986,948 in FY 2014. Per statutory requirement, 20% is recognized in the actuarial value of assets as of June 30, 2014, and recognition of the remaining 80%, or $2,900,789,558, will be deferred and recognized in equal amounts over the next four valuations. Depending on 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, 2014 valuation the total net deferral is a $3,673,617,253 gain, resulting in a contribution that is higher 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. 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
Principal, Consulting Actuary

Paul R. Wilkinson
Director, Consulting Actuary

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7228/C8365RET01-2014-AAL.docx

The Actuarial Section of this report discusses the System's funded status and measures changes in its financial condition over time. The actuarial accrued liability, actuarial value of assets and unfunded liability, as presented in this section, do not conform with GASB Statement No. 67 and will differ from amounts reported as total pension liability, plan fiduciary net position and net pension liability presented in the Financial Section of this report. To see measurements of the System's liabilities under new financial disclosure requirements issued by GASB in Statement No. 67, please see Note A, part 6, following the financial statements. Neither the Actuarial Section nor the notes reflect any of the changes of Public Act 98-0599 for reasons explained in the Legislative Section in the notes to the Financial Section.

Data in the tables on pages 82-88 and 90-91 were provided by the System's actuary, Buck Consultants.

ACTUARIAL ASSUMPTIONS AND METHODS

Each year the actuary reconciles the differences between major actuarial assumptions and experience to explain 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 assets that are available to cover the liability. All assumptions were adopted in the FY12 valuation unless otherwise noted.

Investment return: 7.5 percent per annum, compounded annually. Components: inflation 3.0 and real return 4.5 percent adopted in the FY14 valuation.

Salary Increases: Components of salary increase assumption, other than for real wage growth, were adopted in 2014 valuation. Total averages 5.75 percent per year and includes:

- inflation: 3.0 percent,
- real wage growth (productivity): 0.75 percent, and
- merit or seniority (including employment status changes of 0.25 percent): average of 2.00 percent; ranges from 6.15 percent at age 20 to 1.00 percent at age 50 and above.

Assumed increase in payroll and account balances to account for one-year data lag for reporting to actuary: 4.0 percent.

Sample annual percentage salary increases (including all components of increase):

Age	Male and Female
20	9.90%
30	7.20
40	6.00
50 and above	4.75

Inflation: 3.0 percent per annum. Implicit in investment and earnings progression assumptions.

Retirement age: Graduated rates based on age and service of active members.

Sample annual retirement rates per 100 participants:

a) For those entering service before January 1, 2011 (includes ERO retirees):

	Years of Service				
Age	5-18	19-30	31	32-33	34+
54	-	6	12	38	40
55	-	10	20	38	40
60	14	27	45	45	31
65	23	33	45	45	31
70	100	100	100	100	100

b) Tier II, for those entering service on or after January 1, 2011:

	Years of Service				
Age	9-18	19-30	31	32-33	34+
62	13	15	20	25	25
65	8	10	15	20	20
67	20	40	70	70	70
70	100	100	100	100	100

Utilization of ERO among Tier I members retiring from active service:

Years of Service on June 30 prior to Retirement	Age					
	54	55	56	57	58	59
19 – 30	68%	75%	66%	63%	64%	23%
31	90	79	75	71	69	27
32	49	53	45	48	46	28
33	22	25	17	15	14	13

Mortality: For active members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and three-year age setback for women. Rates for women are further adjusted, multiplying all rates by 70 percent.

Age	Male	Female
25	0.029	0.011
30	0.035	0.013
40	0.061	0.031
50	0.122	0.069
55	0.183	0.116
60	0.303	0.219
65	0.531	0.395

For retirees and inactive members, the RP-2000 White Collar Table projected nine years using scale AA, with a two-year age setback for men and no age setback for women. Rates for women are further adjusted for ages 63-77 by 65 percent and ages 78-87 by 85 percent.

For beneficiaries, the RP-2000 blended table, projected nine years using scale AA, with a one-year age setback for both men and women.

For the period after disability retirement, the RP-2000 Disabled Table, projected nine years using scale AA, with a one-year age setback for both men and women.

Disability: Sample annual disability rates:

Age	Male	Female
25	0.029	0.045
30	0.026	0.117
40	0.051	0.162
50	0.094	0.172
55	0.111	0.197
60	0.170	0.144
65	0.510	0.287

Termination from active service: Sample annual termination rates per 100 participants:

	Nonvested Members		Vested Members	
Age	Male	Female	Male	Female
25	7.0	7.8	6.0	9.0
30	8.6	10.6	3.7	6.0
40	11.1	10.0	1.5	2.2
50	12.0	10.0	1.4	1.4
55	16.0	15.0	4.0	3.1
60	21.0	14.0	4.0	4.0
65	21.0	40.0	4.0	4.0

Severance pay: The percent of retirees from active service assumed to receive severance pay and the amount of such severance payments are assumed to be as follows and are not applicable to Tier II.

Percent Retiring with Severance Pay	Severance Pay as a Percent of Other Pensionable Earnings in Last Year of Service
20%	6%

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.

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.473 years
20	0.835 years
25	1.360 years
30	1.040 years
34 or more	None

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

Sample amounts of sick leave at retirement:

Years of Service at Retirement	Sick Leave Service Credit
20	1.035 years
25	1.847 years
30	1.454 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 as required by Public Act 96-0043.

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 assets on the valuation date.

The funded ratio shows the percentage of the accrued liability covered by assets. The following tables show the funded ratio based on the actuarial value of assets and the fair value of assets.

Actuarial Valuation ($ thousands)

	Year ended June 30, 2014
Based on actuarial value of assets	
Total actuarial accrued liability	**$103,740,377**
Less actuarial value of assets*	42,150,765
Unfunded liability	**$61,589,612**
Funded ratio*	40.6%
Based on fair value of assets	
Total actuarial accrued liability	$103,740,377
Less assets at fair value	45,824,383
Unfunded liability	**$57,915,994**
Funded ratio	44.2%

** Five-year prospective smoothing began in FY09.*

ANALYSIS OF FINANCIAL EXPERIENCE: RECONCILIATION OF UNFUNDED LIABILITY

The net increase in the 2014 unfunded liability of $5.9 billion was caused by a combination of factors.

The first factor shown in the table is the difference between actual employer/state contributions and the amount that would cover the cost of benefits earned during the year and keep the prior year's unfunded liability from growing. That shortfall was $1.6 billion.

The most significant factor increasing the unfunded liability was the $6.4 billion due to changes in actuarial assumptions, primarily the investment return. The assumed rate of investment return was lowered from 8.0 percent to 7.5 percent. The real rate of return component of the investment return assumption was lowered from 4.75 percent to 4.5 percent, and the inflation component was lowered from 3.25 percent to 3.0 percent. The reduction in the inflation assumption resulted in lower assumptions for salary increases and Tier II salary cap and cost of living increases.

Actuarial gains occurred under most of the other actuarial assumptions, meaning that experience was more favorable (less costly) than assumed. The most significant gain was due to investment returns. Net gains on investments from 2014 and prior years are recognized over a five-year period to reduce the volatility that can occur when funding requirements are based on the fair value of assets. (The losses from the 2009 financial crisis were recognized over the five-year period that ended in 2013.) Other actuarial gains were due to salary increases lower than assumed and more deaths than expected. Gains were somewhat offset by more teachers retiring than expected and former teachers coming back into service. The net experience gain in 2014 was $2.2 billion.

Reconciliation of Unfunded Liability

Item	Year Ended June 30, 2014
Unfunded liability at beginning of year	$55,731,797,288
Additions	
Employer cost in excess of contributions	1,648,042,240
Change in actuarial assumptions and methods	6,403,256,969
Net additions	**8,051,299,209**
Actuarial losses (gains) compared to assumptions	
Salary increases for continuing active members	(474,190,195)
Asset gains on actuarial value of assets[1]	(1,791,604,611)
New entrant gain	(315,731)
Mortality other than expected	(74,308,199)
Retirements other than expected	119,675,346
Disabilities other than expected	(3,237,170)
Terminations other than expected	(4,442,984)
Rehires	37,754,909
Other[2]	(2,815,856)
Net actuarial losses (gain)	**(2,193,484,491)**
Unfunded liability at end of year	**$61,589,612,006**

1. *Assets were expected to earn 8.0 percent. This item is the difference between the expected and the actual return on an actuarial basis. For example, in fiscal year 2014, the expected actuarial returns of $3.020 billion was less than the $4.812 billion actual return on assets, resulting in an actuarial gain which reduced the unfunded pension benefit obligation by $1.792 billion.*
2. *Other includes items such as:*
   a. *Retroactive benefit payments for individuals who delayed applying for retirement;*
   b. *Differences between actual cost of benefits earned during the year and projected cost;*
   c. *Retirements with reciprocal service credits;*
   d. *Delayed reporting of retirements (effect on AAL).*

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. 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, provided State funds are available.

Public Act 93-0002, the pension obligation bond legislation, was enacted in 2003 and first affected State contributions in FY05. The law requires a multi-step process that ensures that State contributions do not exceed certain maximums.

STATE FUNDING AMOUNTS

The FY14 actuarial valuation was used to determine the required FY16 State contributions and the FY16 employer's normal cost.

The FY16 amount is the proposed certification submitted to the state actuary, governor, and General Assembly pursuant to Public Act 97-0694. The act requires the state actuary to review the assumptions used to calculate the State contribution under the statutory funding plan. The final certification is due January 15, 2015.

State Funding Requirements Under Current Statutory Funding Plan

	FY16
Benefit Trust Reserve (excludes federal and school district contributions)	$3,741,802,194
Minimum benefit reserve	900,000
Total State funding amount	**$3,742,702,194**
Employer's normal cost as a percentage of active member payroll	9.36%

In 2012, the TRS Board of Trustees resolved to certify State funding requirements under generally accepted actuarial principles and standards. The FY16 amounts below are additional proposed certifications submitted to the state actuary, governor, and general assembly. They were calculated under the same actuarial assumptions as the amount under the current statutory funding plan. The Board may consider more stringent funding standards that the actuarial profession is now studying. Final certifications will be submitted on or before the January 15, 2015 deadline.

Additional FY16 State Funding Certifications Under Actuarial Standards

	Employer's Normal Cost Plus 30 Year Level Percent Amortization	Employer's Normal Cost Plus Interest on the Unfunded Liability
Benefit Trust Reserve (excludes federal and school district contributions)	$4,364,357,249	$5,337,380,276
Minimum benefit reserve	900,000	900,000
Total State funding amount	**$4,365,257,249**	**$5,338,280,276**

TESTS OF FINANCIAL CONDITION

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

Funded Ratio Test ($ thousands)

		Assets		Unfunded Liability using Assets based on		Funded Ratio using Assets based on	
As of June 30	Actuarial Accrued Liability	Actuarial Value (Smoothed)[1]	Fair Value[2]	Actuarial Value (Smoothed)[1]	Fair Value[2]	Actuarial Value (Smoothed)[1]	Fair Value[2]
2005	$56,075,029	$34,085,218	$34,085,218	$21,989,811	$21,989,811	60.8%	60.8%
2006	58,996,913	36,584,889	36,584,889	22,412,024	22,412,024	62.0	62.0
2007	65,648,395	41,909,318	41,909,318	23,739,077	23,739,077	63.8	63.8
2008	68,632,367	38,430,723	38,430,723	30,201,644	30,201,644	56.0	56.0
2009	73,027,198	38,026,044	28,497,729[3]	35,001,154	44,529,469	52.1	39.0
2010	77,293,198	37,439,092	31,323,784	39,854,106	45,969,414	48.4	40.5
2011	81,299,745	37,769,753	37,471,267	43,529,992	43,828,478	46.5	46.1
2012	90,024,945	37,945,397	36,516,825	52,079,548	53,508,120	42.1	40.6
2013	93,886,988	38,155,191	39,858,768	55,731,797	54,028,220	40.6	42.5
2014	**103,740,377**	**42,150,765**	**45,824,383**	**61,589,612**	**57,915,994**	**40.6**	**44.2**

1. *The actuarial value of assets was the same as the fair value of assets through FY08. Five-year prospective smoothing began in FY09.*
2. *The fair value of assets was used as the actuarial value of assets through FY08. Beginning in FY09, the fair value of assets is no longer used for determining State funding requirements but is shown here for comparative purposes.*
3. *The 2009 fair value of assets is the final, actual figure. The actuary's report shows a slightly higher funded ratio of 39.1 percent for 2009 because the fair value of assets was lowered after the actuarial results were certified.*

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 Based on Actuarial Value of Assets ($ thousands)

Year Ended June 30	Approximate Member Payroll*	Unfunded Liability**	Percentage of Payroll
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
2010	9,251,139	39,854,106	430.8
2011	9,205,603	43,529,992	472.9
2012	9,321,098	52,079,548	558.7
2013	9,394,741	55,731,797	593.2
2014	**9,512,810**	**61,589,612**	**647.4**

** Payroll supplied by TRS*
*** Unfunded liability supplied by Buck Consultants. Fair value through FY08. Five-year prospective smoothing began 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 participants currently receiving benefits 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.

Solvency Test ($ 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)
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	-
2010	7,715,984	47,475,906	22,101,308	37,439,092	100	63	-
2011	8,048,689	50,567,881	22,683,175	37,769,753	100	59	-
2012	8,270,073	58,734,636	23,020,236	37,945,397	100	51	-
2013	8,569,939	61,254,334	24,062,715	38,155,191	100	48	-
2014	**8,890,558**	**65,614,627**	**29,235,192**	**42,150,765**	**100**	**51**	**-**

** Fair value through FY08. Five-year prospective smoothing began in FY09.*

OTHER INFORMATION

Schedule of Contributions from Employers and Other Contributing Entities[1] ($ in thousands)

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
2005	$903,928	$83,434	$987,362	$1,683,212	58.7%	$986,269	100.1%
2006	531,828	69,645	601,473	1,679,524	35.8	601,555	100.0
2007	735,515	81,155	816,670	2,052,396	39.8	822,890	99.2
2008	1,039,195	130,578	1,169,773	1,949,463	60.0	1,135,127	103.1
2009	1,449,889	151,716	1,601,605	2,109,480	75.9	1,556,737	102.9
2010	2,079,129	170,653	2,249,782	2,481,914	90.6	2,217,053	101.5
2011	2,169,518	154,150	2,323,668	2,743,221	84.7	2,293,321	101.3
2012	2,405,172	153,409	2,558,581	3,429,945	74.6	2,547,803	100.4
2013	2,702,278	155,787	2,858,065	3,582,033	79.8	2,843,463	100.5
2014	**3,437,478**	**157,228**	**3,594,706**	**4,091,978**	**87.8**	**3,592,578**	**100.1**

1. *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.*
2. *Excludes minimum retirement contributions. Excludes employer ERO contributions through FY07. Beginning in FY08, employer ERO contributions are included because the costs of the ERO program are included in the actuarial accrued liability. 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.*

The Schedule of Contributions from Employers and Other Contributing Entities on the preceding page is very similar to the Schedule of the Employers' Contributions shown in the Required Supplementary Information in the Financial Section. Both tables are based on an Annual Required Contribution (ARC) that would cover the employer's normal cost and amortize the System's unfunded liability over a 30-year open period, with the amortization component based on a level percent of pay. Disclosure in the format used in this section is no longer required but is presented for historical comparisons.

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		Average Annual Allowance	
					Amount	Increase	Amount	Increase
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
2010	94,424	5,711	2,381	97,754	4,109,018,971	7.7	42,034	4.0
2011	97,754	6,377	2,843	101,288	4,418,500,521	7.5	43,623	3.8
2012	101,288	6,943	2,784	105,447	4,781,692,373	8.2	45,347	4.0
2013	105,447	6,404	3,068	108,783	5,100,219,925	6.7	46,884	3.4
2014	**108,783**	**6,433**	**2,883**	**112,333**	**5,430,104,782**	**6.5**	48,339	**3.1**

Source: TRS

Year Ended June 30	Amount Added to Rolls*		Amount Removed from Rolls
	Annual Benefit Increases	New Benefit Recipients	
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
2010	114,879,927	247,234,501	68,388,326
2011	125,124,423	263,213,399	78,856,272
2012	135,604,876	311,161,467	83,574,491
2013	145,282,975	268,124,075	94,879,498
2014	**153,329,242**	**273,690,582**	**97,134,967**

Source: TRS

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

The schedule of Retirees and Beneficiaries Added and Removed from the Rolls shows the overall trends in the number of benefit recipients and the amounts they receive.

FUNDING ANALYSIS BY TIER

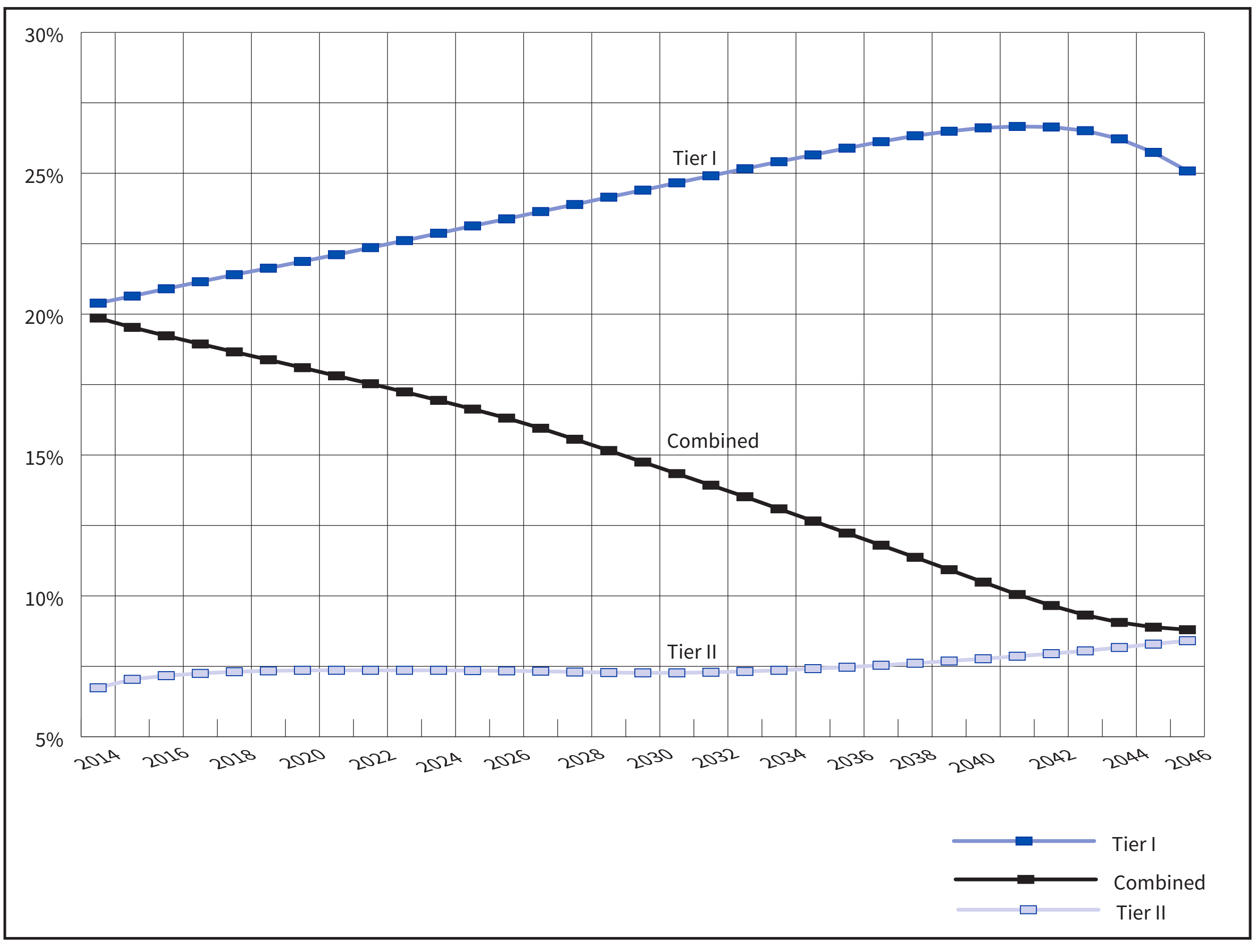
Public Act 96-0889 established a new tier of benefits for teachers who first contribute to TRS on or after January 1, 2011. Tier II teachers have later retirement dates, longer vesting requirements, salary caps for pensions lower than the Social Security wage base, and lower cost of living increases after retirement that are not compounded. Both tiers pay 9.4 percent of pay towards the cost of their benefits.

The total normal cost rate measures the total cost of the benefits being earned by active teachers during the year. It includes the teacher's contribution and the employer/state share of the cost of current service. It does not include any contributions towards the unfunded liability. The chart below shows that while the combined cost of both tiers in 2014 is just under 20 percent of pay, the cost of Tier II is much lower at just under 7 percent of pay.

As more Tier II members enter TRS, the combined total normal cost continues to fall. By 2045, the combined total normal cost is just under 9 percent. In the meantime, the cost of Tier I continues to increase as Tier I members age and accrue more service. The increases in total normal cost for both tiers is a function of the projected unit credit actuarial cost method required by the Illinois pension code.

Since Tier II members pay more than the total normal cost of their benefits, they subsidize the cost of Tier I. They pay for all of their own benefits and some of Tier I's benefits.

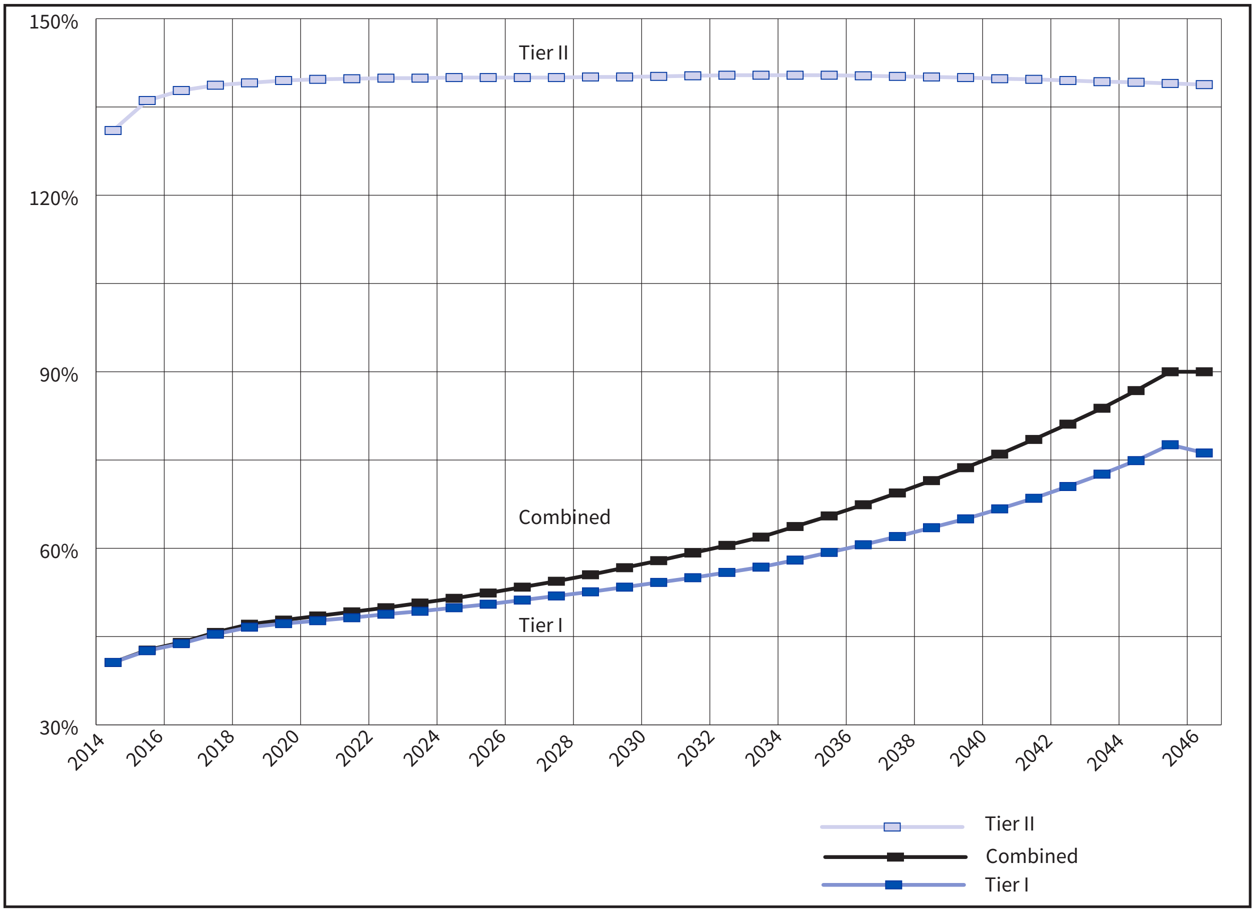
Total Normal Cost by Tier



Under the 50-year funding plan, TRS will attain a funded ratio of 90 percent by 2045. The chart below illustrates how the tiers would be funded if they were operated as separate retirement plans. Tier II would be overfunded because member contributions are higher than the cost of Tier II benefits. The surplus Tier II assets lower the employer/state contributions required for Tier I.

By 2045, Tier I would be 76 percent funded and Tier II would be 139 percent funded, with the combined plan attaining the 90 percent target funded ratio. In practice, the two tiers are combined for administrative and funding purposes and their assets are commingled.

Funded Ratio by Tier



Average Annual Salary for Active Members by Years of Service

Years of Service*		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Under 5	Members	**25,191**	**24,812**	**25,733**	**27,960**	**33,487**	**37,293**	**42,725**	**41,244**	**40,930**	**39,728**
	Salary	$46,845	$46,058	$46,222	$47,292	$46,324	$45,464	$44,916	$43,446	$42,404	$41,444
5-9	Members	**33,028**	**34,682**	**35,071**	**34,626**	**34,529**	**33,494**	**31,959**	**30,520**	**28,847**	**26,557**
	Salary	$58,540	$58,027	$57,741	$57,416	$57,105	$55,945	$55,436	$53,062	$51,314	$49,536
10-14	Members	**28,747**	**28,503**	**28,105**	**26,865**	**25,051**	**23,133**	**21,395**	**20,469**	**20,222**	**20,295**
	Salary	$70,233	$69,686	$68,751	$67,691	$66,788	$65,168	$64,705	$62,447	$60,476	$58,195
15-19	Members	**19,917**	**19,406**	**18,610**	**17,935**	**17,790**	**17,417**	**14,753**	**14,422**	**14,086**	**13,429**
	Salary	$79,921	$79,295	$78,328	$77,268	$76,001	$73,770	$71,802	$69,368	$67,343	$65,276
20-24	Members	**13,562**	**12,280**	**11,834**	**11,682**	**11,391**	**11,084**	**10,447**	**9,814**	**9,619**	**9,431**
	Salary	$88,037	$86,235	$84,904	$83,563	$82,184	$79,805	$78,080	$74,894	$72,531	$70,278
25-29	Members	**7,827**	**7,913**	**7,940**	**7,834**	**7,786**	**7,790**	**8,654**	**9,484**	**10,349**	**10,667**
	Salary	$93,016	$91,735	$89,986	$88,416	$86,566	$84,282	$82,013	$78,831	$76,616	$74,127
30-34	Members	**3,941**	**4,247**	**4,826**	**5,839**	**6,554**	**6,858**	**5,763**	**5,301**	**6,134**	**5,900**
	Salary	$98,807	$96,966	$94,665	$93,299	$91,077	$87,973	$85,738	$82,508	$83,165	$79,236
35 +	Members	**809**	**889**	**994**	**1,179**	**1,251**	**1,265**	**790**	**694**	**785**	**744**
	Salary	$103,533	$101,293	$98,140	$98,678	$95,486	$90,698	$88,478	$84,065	$84,524	$81,497
	Total Members	**133,022**	**132,732**	**133,113**	**133,920**	**137,839**	**138,334**	**136,486**	**131,948**	**130,972**	**126,751**
	Salary	$68,556	$67,558	$66,696	$66,044	$64,385	$62,319	$60,254	$58,116	$56,916	$55,237
	% Change salary	1.5%	1.3%	1.0%	2.6%	3.3%	3.4%	3.7%	2.1%	3.0%	5.9%
	Total payroll full & part-time	$9,119,456,232	$8,967,108,456	$8,878,104,648	$8,844,612,480	$8,874,727,268	$8,620,836,546	$8,223,827,444	$7,668,289,968	$7,454,402,352	$7,001,344,987

Source: TRS
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 FY05-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.

Average Annual Salary and Age for Active Members by Years of Service as of June 30, 2014

Age		Subs	Years of Service Under 5	5-9	10-14	15-19	20-24	Years of Service 25-29	30-34	35-39	40-44	45-49	50+	Full and Part-time Member Totals
20-24	Members	**2,546**	**3,269**	-	-	-	-	-	-	-	-	-	-	**3,269**
	Salary	$5,195	$40,064											$40,064
25-29	Members	**3,753**	**11,264**	**5,416**	-	-	-	-	-	-	-	-	-	**16,680**
	Salary	$5,324	$45,275	$53,587										$47,974
30-34	Members	**2,495**	**4,222**	**13,622**	**4,907**	-	-	-	-	-	-	-	-	**22,751**
	Salary	$4,711	$48,716	$58,341	$66,795									$58,378
35-39	Members	**2,359**	**2,099**	**5,058**	**10,648**	**3,289**	-	-	-	-	-	-	-	**21,094**
	Salary	$4,640	$50,482	$60,635	$70,525	$78,788								$67,447
0-44	Members	**3,488**	**1,784**	**3,282**	**4,758**	**7,573**	**2,475**	-	-	-	-	-	-	**19,872**
	Salary	$4,900	$50,374	$60,483	$71,856	$81,226	$86,788							$73,480
45-49	Members	**3,249**	**1,172**	**2,320**	**2,912**	**3,324**	**5,138**	**1,448**	-	-	-	-	-	**16,314**
	Salary	$5,093	$50,768	$59,669	$71,492	$81,165	$89,640	$92,055						$77,834
50-54	Members	**2,984**	**762**	**1,763**	**2,484**	**2,299**	**2,551**	**3,689**	**1,291**	-	-	-	-	**14,839**
	Salary	$5,097	$52,915	$60,609	$69,486	$77,333	$87,397	$93,179	$97,327					$80,188
55-59	Members	**2,625**	**404**	**1,030**	**1,973**	**2,072**	**2,059**	**1,803**	**2,126**	**351**	-	-	-	**11,818**
	Salary	$5,358	$59,647	$61,438	$70,975	$78,192	$85,540	$93,692	$99,471	$99,152				$82,988
60-64	Members	**1,943**	**177**	**423**	**889**	**1,133**	**1,109**	**732**	**439**	**285**	**66**	-	-	**5,253**
	Salary	$5,198	$63,939	$64,736	$71,986	$78,874	$89,701	$92,607	$100,671	$107,265	$101,624			$83,914
65-69	Members	**925**	**24**	**106**	**158**	**208**	**213**	**143**	**73**	**36**	**41**	**9**	-	**1,011**
	Salary	$4,801	$65,728	$66,147	$76,630	$81,977	$87,690	$92,523	$94,521	$119,603	$107,489	$105,951		$85,285
70-74	Members	**284**	**6**	**7**	**17**	**17**	**13**	**11**	**12**	**6**	**3**	**4**	**3**	**99**
	Salary	$4,674	$48,252	$43,707	$81,387	$81,097	$83,047	$90,039	$98,288	$108,736	$110,733	$89,660	$99,143	$83,312
Over 74	Members	**165**	**8**	**1**	**1**	**2**	**4**	**1**	-	**2**	-	**1**	**2**	**22**
	Salary	$4,343	$63,998	$45,116	$78,244	$68,447	$69,516	$61,689	-	$76,963	-	$119,904	$89,758	$71,152
Total	**Members**	**26,816**	**25,191**	**33,028**	**28,747**	**19,917**	**13,562**	**7,827**	**3,941**	**680**	**110**	**14**	**5**	**133,022**
	Salary	$5,049	$46,845	$58,540	$70,233	$79,921	$88,037	$93,016	$98,807	$103,654	$104,058	$102,293	$95,389	$68,556

Source: TRS

	Average Age	Average Years of Service	Members
Full and part-time members	42	13	133,022
Substitutes	43	4	26,816
All	42	10	159,838

Sunnyside School
Berkley, Illinois
1967

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

BENEFITS

Public Act 96-0889 established a second, lower tier of benefits for teachers who first contribute to TRS or one of the Illinois reciprocal retirement systems on or after January 1, 2011. Tier I benefits were not affected by PA 96-0889.

Tier I benefits were changed by Public Act 98-0599, but those changes have not gone into effect because the law is being challenged in the courts. Benefit provisions described in this report do not reflect PA 98-0599.

See the table on the following pages for a summary of Tier I and Tier II benefits.

OTHER PROVISIONS

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 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 the material in this summary and that of the law, the law takes precedence.

SUMMARY OF TIER I AND TIER II BENEFIT PROVISIONS

	Tier I
Tier I Defined	Members who first contributed to TRS or one of the other Illinois reciprocal retirement systems before January 1, 2011 are covered by Tier I. Tier I membership is retained even if a member takes a refund and does not repay it.
Retirement Eligibility (Vesting)	Tier I members who meet the following age and service requirements are eligible to retire: • Age 55 with 20 years of service (reduced 6% for every year that the member's age at retirement is under 60) - See ERO, below • Age 55 with 35 years of service (no reduction) • Age 60 and 10 years of service (no reduction) • Age 62 with 5 years of service (no reduction) A member with fewer than five years of service can receive a single sum retirement benefit at age 65.
Early Retirement Option (ERO)	Tier I members who are at least age 55 but under age 60 may qualify for the Early Retirement Option. Employers may limit participation. The member's contribution is 14.4% for each year that his/her age is under 60 or for each year his/her service is under 35, whichever is less. The employer's contribution is 29.3% for each year the member's age is under 60. Continuation of the ERO program beyond June 30, 2016 will depend on legislative action.
Retirement Formula	Retirement benefits for most Tier I members are based on a formula of 2.2% times years of creditable service times final average salary. The maximum benefit is 75% of final average salary. Some Tier I members with service before July 1, 1998 will have benefits based on the graduated formula that was in effect before that date. The maximum benefit is also 75% under the graduated formula. Public Act 90-0582 changed the benefit accrual rate beginning July 1, 1998. Members could upgrade their service under the graduated formula by making a contribution to TRS. The law provides that each three full years worked after the effective date reduces the number of years to be upgraded by one. Subsequently, Public Act 91-0017 reduced the 2.2 formula upgrade cost for members with more than 34 years of service. The final average salary is based on the member's highest four consecutive years of service out of the last 10. Tier I members hired before July 1, 2005 may receive a money-purchase style "actuarial" benefit. By law, the higher of the formula benefit or the actuarial benefit is paid.
Post-Retirement Increases	Annual increases are 3% of the current retiree benefit. The first increase is the later of the January 1 following attainment of age 61 or the first anniversary of retirement.
Disability Benefits	Nonoccupational disability benefits are payable as disability benefits or disability retirement benefits to members who have a minimum of three years of creditable service. No minimum service requirement applies to occupational benefits for duty-related accidents or illnesses. Members continue to accrue service credit while they are receiving disability benefits but not while receiving disability retirement benefits. Generally, nonoccupational disability benefits are 40% of pay; occupational disability benefits are 60% of pay, reduced by payments received under workers' compensation; and disability retirement benefits are 35% of pay or a higher amount based on service credit and age. On the January 1 following the fourth anniversary of the granting of the disability benefit, the monthly benefit is increased by 7%. Thereafter, the benefit increases by 3% of the current benefit. Public Act 94-0539 allows individuals who have received disability benefits for at least one year to return to teaching on a limited basis if their conditions improve. Disability benefits can continue so long as the combined earnings from teaching and disability benefits do not exceed 100% of the salary rate upon which the disability is based.
Survivor Benefits	In most cases, survivor benefits for Tier I members' dependent beneficiaries are 50% of the retired member's benefit. The annual increase is 3% of the current survivor benefit. A dependent beneficiary can elect a lump sum payment instead of a monthly annuity. Nondependent beneficiaries are only eligible for lump sum payments. Refunds of member contributions not already received in retirement benefits are also payable as death benefits.
Post-Retirement Employment	Tier I retirees can teach up to 100 days or 500 hours per year without having their retirement benefits suspended.
Contributions to TRS	During FY14, Tier I members contributed 9.4% of pay. Of this rate, 7.5% is for retirement benefits, 1.0% is for survivor benefits, 0.5% is for the annual increase, and 0.4% is for the Early Retirement Option. TRS members do not contribute to TRS for their TRS-covered employment; however, members who were hired or changed employers after March 31, 1986 do contribute to Medicare.
Contributions for Retiree Health Insurance	During FY14, members contributed 0.97% of pay to the Teachers' Health Insurance Security Fund.
Refunds	After a four-month waiting period from the date last taught, a member ceasing TRS-covered employment may withdraw all contributions but the 1% survivor benefit contribution. Credit can be re-established if the member returns to 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.
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 or involuntary layoff; 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 to service credit at retirement.

	Tier II
Tier II Defined	Members who first contributed to TRS on or after January 1, 2011 and do not have any previous service with one of the other Illinois reciprocal retirement systems are covered by Tier II.
Retirement Eligibility (vesting)	Tier II members who meet the following age and service requirements are eligible to retire: • Age 67 with 10 years of service (no reduction) • Age 62 with 10 years of penalty (reduced 6% for every year the member's age at retirement is under age 67) A member with fewer than five years of service can receive a single sum retirement benefit at age 65.
Early Retirement Option	ERO does not apply to Tier II.
Retirement Formula	Retirement benefits for Tier II members are based on a formula of 2.2% times years of creditable service times final average salary. The maximum benefit is 75% of final average salary. Tier II creditable earnings for pension purposes are limited by an amount that is tied to the 2010 Social Security Wage Base (SSWB). The Tier II limit increases by 3% or half the increase in the Consumer Price Index, whichever is less. The FY14 Tier II limit was $110,631.26. The final average salary is based on the member's highest eight consecutive years of service out of the last 10. Tier II does not provide a money-purchase style "actuarial" benefit.
Post-Retirement Increases	Annual increases will be the lesser of 3% or one-half of the increase in the Consumer Price Index times the original retiree benefit. The first increase is the later of the January 1 following attainment of age 67 or the first anniversary of retirement.
Disability Benefits	Same as Tier I, including increases.
Survivor Benefits	In most cases, survivor benefits for Tier II members' dependent beneficiaries will be 66 2/3% of the retired member's benefit. The annual increase is the lesser of 3% or one-half of the increase in the Consumer Price Index times the original survivor benefit. A dependent beneficiary can elect a lump sum payment instead of a monthly annuity. Nondependent beneficiaries are only eligible for lump sum payments. Refunds of member contributions not already received in retirement benefits are also payable as death benefits.
Post-Retirement Employment	The law suspends a Tier II member's retirement benefits if the member accepts full-time employment in a position covered by one of the Illinois reciprocal retirement systems.
Contributions to TRS	During FY14, Tier II members also contributed 9.4% of pay, with components designated for the same purposes. However, Tier II members are not eligible for the Early Retirement Option. Tier II members do not contribute to Social Security for their TRS-covered employment but do contribute to Medicare.
Contributions for Retiree Health Insurance	Same as Tier I.
Refunds	Same as Tier I.
Service Credit	Same as Tier I. The purchase of optional service earned before January 1, 2011 does not change a Tier II member's status to Tier I.

STATISTICAL

Carl Sandburg School
Springfield, Illinois
1981

Arcola Jr & Sr High School Musical Group
Arcola, Illinois
2014

TRS Staff
Springfield, Illinois
2014

TRS Staff
Lisle, Illinois
2014

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

RETIRED MEMBERS BY YEARS OF SERVICE AND YEARS IN RETIREMENT – PAGE 102

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.

10-YEAR FINANCIAL TRENDS – PAGES 103-104

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

EMPLOYEE AND EMPLOYER CONTRIBUTION RATES – PAGE 105

This schedule offers information on the contribution rates for employees, the State, and employers to the System over a 10-year period.

DEMOGRAPHICS OF BENEFIT RECIPIENTS – PAGE 106

These schedules help the reader understand characteristics of the specific groups of benefit recipients and active members of the TRS.

AVERAGE BENEFIT PAYMENTS TO CURRENT RECIPIENTS – PAGE 1075

This schedule shows the average retirement, disability, and survivor benefits by benefit range. It also breaks down the retirement and disability benefits by type.

AVERAGE BENEFIT PAYMENTS TO NEW RETIREES – PAGE 108

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

PARTICIPATING EMPLOYERS – PAGE 109

This schedule allows the reader to view the 10 largest participating employers of the TRS. The reader can also view the percentages of total membership covered by the largest employers in the current year and nine years ago.

Retired Members by Years of Service and Years in Retirement as of June 30, 2014*

Years Retired		Years of Service: Under 5	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40 – 44	45 – 49	50+	Weighted Average	Average Age
Under 1	**Retirees**	**173**	**313**	**348**	**403**	**693**	**572**	**774**	**1,035**	**115**	**16**	**2**	**4,444**	**61**
	Average current benefit	$273	$775	$1,461	$2,271	$3,219	$4,357	$5,619	$6,119	$6,762	$8,380	$11,423	$4,062	
	Average original benefit	$273	$775	$1,461	$2,267	$3,217	$4,349	$5,602	$6,119	$6,762	$8,380	$11,423	$4,058	
1 – 4	**Retirees**	**895**	**1,672**	**1,662**	**1,657**	**2,615**	**2,648**	**3,688**	**5,475**	**481**	**80**	**10**	**20,883**	**63**
	Average current benefit	$301	$765	$1,435	$2,338	$3,218	$4,343	$5,579	$6,087	$6,994	$7,840	$12,913	$4,106	
	Average original benefit	$283	$717	$1,348	$2,206	$3,075	$4,148	$5,335	$5,907	$6,618	$7,429	$12,445	$3,941	
5 – 9	**Retirees**	**938**	**1,545**	**1,455**	**1,434**	**2,554**	**2,696**	**8,246**	**5,368**	**349**	**52**	**6**	**24,643**	**66**
	Average current benefit	$296	$717	$1,377	$2,303	$3,238	$4,455	$6,025	$6,421	$6,876	$7,395	$11,250	$4,625	
	Average original benefit	$243	$590	$1,129	$1,898	$2,678	$3,661	$4,910	$5,367	$5,610	$6,050	$9,512	$3,808	
10 – 14	**Retirees**	**832**	**930**	**911**	**859**	**1,994**	**2,329**	**9,613**	**3,906**	**265**	**38**	**6**	**21,683**	**70**
	Average current benefit	$286	$701	$1,326	$2,188	$3,111	$4,384	$6,077	$6,579	$6,504	$6,755	$7,527	$4,913	
	Average original benefit	$201	$496	$943	$1,557	$2,221	$3,134	$4,375	$4,695	$4,632	$4,867	$5,382	$3,523	
15 – 19	**Retirees**	**503**	**542**	**416**	**331**	**769**	**890**	**1,451**	**1,741**	**803**	**15**	**-**	**7,461**	**75**
	Average current benefit	$322	$737	$1,084	$1,789	$2,611	$3,901	$5,345	$6,154	$6,462	$6,777	-	$4,134	
	Average original benefit	$198	$449	$664	$1,103	$1,631	$2,453	$3,406	$3,795	$3,739	$4,244	-	$2,552	
20 – 24	**Retirees**	**277**	**363**	**449**	**417**	**986**	**1,477**	**2,229**	**3,589**	**4,439**	**9**	**3**	**14,238**	**79**
	Average current benefit	$246	$636	$1,092	$1,484	$2,219	$2,809	$3,735	$4,786	$5,294	$5,114	$4,351	$3,990	
	Average original benefit	$130	$328	$568	$774	$1,152	$1,492	$2,000	$2,598	$2,938	$2,717	$2,313	$2,172	
25 – 29	**Retirees**	**117**	**226**	**335**	**374**	**982**	**891**	**1,072**	**819**	**35**	**7**	**-**	**4,858**	**86**
	Average current benefit	$230	$538	$925	$1,500	$2,052	$2,840	$4,029	$4,956	$4,673	$4,577	-	$2,910	
	Average original benefit	$104	$231	$412	$677	$942	$1,305	$1,860	$2,272	$2,154	$2,144	-	$1,336	
30 – 34	**Retirees**	**34**	**55**	**164**	**201**	**557**	**439**	**490**	**293**	**25**	**-**	**-**	**2,258**	**90**
	Average current benefit	$225	$420	$786	$1,206	$1,689	$2,248	$3,285	$4,037	$3,696	-	-	$2,309	
	Average original benefit	$89	$141	$297	$468	$673	904	$1,329	$1,653	$1,481	-	-	$929	
35 – 39	**Retirees**	**8**	**8**	**42**	**57**	**164**	**136**	**87**	**95**	**10**	**2**	**-**	**609**	**95**
	Average current benefit	$199	$361	$654	$1,036	$1,217	$1,674	$2,125	$2,758	$2,882	$2,868	-	$1,642	
	Average original benefit	$69	$91	$197	$349	$407	$582	$755	$974	$1,004	$988	-	$567	
40 – 44	**Retirees**	**1**	**-**	**3**	**7**	**30**	**23**	**16**	**16**	**1**	**1**	**-**	**98**	**99**
	Average current benefit	$44	-	$695	844	$1,087	$1,270	$1,542	$2,513	$1,596	$2,297	-	$1,415	
	Average original benefit	-	-	$161	$215	$291	$349	$449	$797	$468	$718	-	$407	
45 – 49	**Retirees**	**-**	**-**	**-**	**-**	**3**	**2**	**3**	**-**	**-**	**-**	**-**	**8**	**102**
	Average current benefit	-	-	-	-	$980	$1,222	$1,324	-	-	-	-	$1,170	
	Average original benefit	-	-	-	-	$151	$169	$309	-	-	-	-	$215	
Over 50	**Retirees**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**107**
	Average current benefit	-	-	-	-	-	$1,227	-	-	-	-	-	$1,227	
	Average original benefit	-	-	-	-	-	$174	-	-	-	-	-	$174	
	Total Retirees	**3,778**	**5,654**	**5,785**	**5,740**	**11,347**	**12,104**	**27,669**	**22,337**	**6,523**	**220**	**27**	**101,184**	
	Average current benefit	**$291**	**$718**	**$1,299**	**$2,099**	**$2,865**	**$3,934**	**$5,611**	**$5,966**	**$5,709**	**$7,229**	**$10,285**	**$4,274**	
	Average original benefit	**$224**	**$573**	**$1,033**	**$1,687**	**$2,230**	**$3,030**	**$4,289**	**$4,665**	**$3,574**	**$6,063**	**$9,022**	**$3,256**	

* *Represents monthly benefit*

Changes in Net Position Restricted for Pensions, Last 10 Fiscal Years ($ thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Additions										
Member contributions*	$928,746	$921,423	$917,661	$909,577	$899,401	$876,182	$865,400	$826,249	$799,034	$761,790
State of Illinois	3,438,383	2,703,312	2,406,364	2,170,918	2,080,729	1,451,592	1,041,115	737,671	534,305	906,749
Employer contributions**	158,335	157,179	154,895	155,111	171,421	152,329	130,673	115,915	123,543	148,813
Investment income (loss) net of expenses	6,782,031	4,561,768	224,107	7,234,539	3,679,643	(8,688,286)	(2,014,902)	6,831,324	3,993,290	3,330,040
Total additions to/ reductions from plan net position	11,307,495	8,343,682	3,703,027	10,470,145	6,831,194	(6,208,183)	22,286	8,511,159	5,450,172	5,147,392
Deductions										
Benefit payments	5,225,207	4,893,084	4,553,822	4,228,283	3,927,838	3,653,714	3,423,982	3,111,753	2,877,231	2,533,103
Refunds	95,456	88,398	84,635	76,587	60,350	53,709	60,286	59,732	57,967	59,396
Administrative expenses	21,218	20,257	19,012	17,792	16,951	17,388	16,613	15,245	15,303	14,404
Total deductions from plan net position	**5,341,881**	**5,001,739**	**4,657,469**	**4,322,662**	**4,005,139**	**3,724,811**	**3,500,881**	**3,186,730**	**2,950,501**	**2,606,903**
Changes in net position restricted for pensions										
Beginning of year	39,858,768	36,516,825	37,471,267	31,323,784	28,497,729	38,430,723	41,909,318	36,584,889	34,085,218	31,544,729
Net increase (decrease)	5,965,614	3,341,943	(954,442)	6,147,483	2,826,055	(9,932,994)	(3,478,595)	5,324,429	2,499,671	2,540,489
End of year	**$45,824,382**	**$39,858,768**	**$36,516,825**	**$37,471,267**	**$31,323,784**	**$28,497,729**	**$38,430,723**	**$41,909,318**	**$36,584,889**	**$34,085,218**

** 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 Position by Type, Last 10 Fiscal Years ($ thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Type of benefit										
Retirement	$4,986,156	$4,670,385	$4,347,173	$4,036,147	$3,749,666	$3,486,697	$3,268,108	$2,965,356	$2,741,164	$2,407,652
Survivor	208,424	192,390	177,422	163,910	151,074	140,695	130,369	121,822	112,902	103,991
Disability	30,627	30,309	29,227	28,226	27,098	26,322	25,505	24,575	23,165	21,460
Total benefits	**5,225,207**	**4,893,084**	**4,553,822**	**4,228,283**	**3,927,838**	**3,653,714**	**3,423,982**	**3,111,753**	**2,877,231**	**2,533,103**
Type of refund										
Withdrawals	33,128	30,194	25,563	22,528	17,149	17,357	17,280	17,147	17,155	15,526
Death benefits and excess contribution refunds paid to survivors	20,633	16,764	18,415	16,404	15,161	15,076	17,182	17,081	16,747	16,541
2.2 and optional service	19,331	20,053	20,988	19,861	15,050	11,013	14,082	14,145	12,666	15,181
Survivor contributions refunded to retirees	10,990	10,780	10,358	10,252	7,967	6,916	8,522	8,808	10,198	10,354
ERO and other	11,374	10,607	9,311	7,542	5,023	3,347	3,220	2,551	1,201	1,794
Total refunds	**$95,456**	**$88,398**	**$84,635**	**$76,587**	**$60,350**	**$53,709**	**$60,286**	**$59,732**	**$57,967**	**$59,396**

Employee and Employer Contribution Rates, Last 10 Fiscal Years

		Employer Rate (%)[2]			
Fiscal Year	Employee Rate (%)[1]	State[3]	School Districts for 2.2 Formula	School Districts from Federal Sources[4]	Total[5]
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
2010	9.40	22.56	0.58	0.82	23.96
2011	9.40	22.38	0.58	0.72	23.68
2012	9.40	24.06	0.58	0.85	25.49
2013	9.40	27.21	0.58	0.84	28.63
2014	**9.40**	**34.44**	**0.58**	**0.97**	**35.99**

1. *Rate increase in FY06 was for the Early Retirement Option.*
2. *Employer contributions exclude contributions for Early Retirement Option.*
3. *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 through FY10 rates are based on statutory ramp schedule. FY11 rate is based on recertification requirements of Pubic Act 96-1511. FY12 – FY14 were based on the statutory formula.*
4. *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, 17.08 percent in FY09, 23.38 percent in FY10, 23.10 percent in FY11, 24.91 percent in FY12, 28.05 percent in FY13, and 35.41 percent in FY14.*
5. *Totals shown are rates certified by the TRS Board of Trustees 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.*

Demographics of Benefit Recipients and Active Members as of June 30, 2014 (excludes inactive members)

	Retirees			Disability Benefit Recipients			Survivors			Actives			Total Retirees, Disabled, Survivors, and Active Members			Percent Distribution of Retirees, Disabled, Survivors, and Active Members		
Age	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 20	-	-	-	-	-	-	34	24	58	-	-	-	34	24	58	59%	41%	100%
20-24	-	-	-	-	-	-	8	4	12	1,261	4,554	5,815	1,269	4,558	5,827	22	78	100
25-30	-	-	-	-	1	1	3	4	7	4,731	15,702	20,433	4,734	15,707	20,441	23	77	100
30-34	-	-	-	-	14	14	3	3	6	6,122	19,124	25,246	6,125	19,141	25,266	24	76	100
35-39	-	-	-	-	24	24	2	18	20	5,940	17,513	23,453	5,942	17,555	23,497	25	75	100
40-44	-	-	-	9	45	54	12	19	31	5,830	17,530	23,360	5,851	17,594	23,445	25	75	100
45-49	-	-	-	16	78	94	13	27	40	4,578	14,985	19,563	4,607	15,090	19,697	23	77	100
50-54	8	14	22	33	103	136	43	77	120	3,764	14,059	17,823	3,848	14,253	18,101	21	79	100
55-59	1,436	4,030	5,466	29	185	214	96	165	261	2,710	11,733	14,443	4,271	16,113	20,384	21	79	100
60-64	5,516	17,589	23,105	37	184	221	230	412	642	1,530	5,666	7,196	7,313	23,851	31,164	23	77	100
65-69	8,751	19,175	27,926	28	110	138	384	744	1,128	599	1,337	1,936	9,762	21,366	31,128	31	69	100
70-74	6,373	11,829	18,202	17	48	65	439	1,074	1,513	170	253	423	6,999	13,204	20,203	35	65	100
75-79	4,177	6,983	11,160	8	39	47	421	1,215	1,636	58	51	109	4,664	8,288	12,952	36	64	100
80-84	2,871	4,604	7,475	4	23	27	509	1,344	1,853	15	9	24	3,399	5,980	9,379	36	64	100
85-89	1,594	3,220	4,814	5	13	18	373	1,170	1,543	1	1	2	1,973	4,404	6,377	31	69	100
90+	582	2,432	3,014	-	8	8	313	905	1,218	3	9	12	898	3,354	4,252	21	79	100
Total:	31,308	69,876	101,184	186	875	1,061	2,883	7,205	10,088	37,312	122,526	159,838	71,689	200,482	272,171	26%	74%	100%

Benefit Recipients by Type as of June 30, 2014

Monthly Benefit Range	Number of Recipients (all)	Type of Monthly Benefit: Retirement	Disability Retirement	Non-occupational Disability	Occupational Disability	Survivor Monthly Benefits	Subtypes of Age Retirement Benefit: Regular 2.2 Flat Form.	Grad. Form.	Actuarial Benefit Style	ERO (2.2 & Grad. Form.)	ERI (State or TRS)	Other	Retirement Total
Under $500	6,574	5,472	4	2	-	1,096	1,132	1,569	2,764	3	1	3	5,472
$500 - $999	7,560	5,497	55	1	-	2,007	901	1,505	2,995	32	50	14	5,497
$1,000 - $1,499	6,905	5,061	180	11	-	1,653	990	1,508	2,175	186	175	27	5,061
$1,500 - $1,999	7,202	5,262	221	77	-	1,642	1,295	1,216	1,691	692	342	26	5,262
$2,000 - $2,499	7,295	5,750	110	92	-	1,343	1,629	1,071	1,197	1,232	595	26	5,750
$2,500 - $2,999	7,062	5,964	71	50	3	974	1,774	914	887	1,528	824	37	5,964
$3,000 - $3,499	7,271	6,607	37	24	-	603	2,265	763	576	1,915	1,057	31	6,607
$3,500 - $3,999	8,031	7,596	26	18	-	391	2,819	807	482	2,263	1,163	62	7,596
$4,000 - $4,499	8,340	8,124	24	6	-	186	3,217	842	386	2,539	1,063	77	8,124
$4,500 - $4,999	8,333	8,246	10	-	-	77	3,238	847	351	2,611	1,087	112	8,246
$5,000 - $5,499	7,818	7,758	13	-	-	47	3,139	793	294	2,565	860	107	7,758
$5,500 - $5,999	6,478	6,437	9	-	-	32	2,569	768	195	2,234	577	94	6,437
$6,000 - $6,499	5,101	5,076	9	-	-	16	2,074	669	142	1,600	495	96	5,076
$6,500 - $6,999	4,388	4,374	5	-	-	9	1,850	556	108	1,345	439	76	4,374
$7,000 - $7,499	3,461	3,455	1	-	1	4	1,400	435	89	1,120	342	69	3,455
$7,500 - $7,999	2,958	2,954	-	-	-	4	1,180	394	43	1,056	227	54	2,954
$8,000 or more	7,556	7,551	1	-	-	4	2,960	1,184	154	2,603	463	187	7,551
Total benefit recipients:	**112,333**	**101,184**	**776**	**281**	**4**	**10,088**	**34,432**	**15,841**	**14,529**	**25,524**	**9,760**	**1,098**	**101,184**

Summary Statistics, all Benefit Recipients, as of June 30, 2014

	Age Retirement	Disability Benefits (3 types)	Survivor Benefits
Average Monthly Benefit	$4,274	$2,241	$1,752
Average Age	70	59	77
Average Service Credit*	28	16	10

Percentage of Retirement Benefits by Subtype: Regular 2.2 Flat Form.	Grad. Form.	Actuarial Benefit Style	ERO (2.2 & Grad. Form.)	ERI (State or TRS)	Other	Retirement Total
34%	16%	14%	25%	10%	1%	100%

** For survivor, average years receiving benefit*

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	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
Period July 1, 2013 through June 30, 2014	**Average monthly benefit**	**$273**	**$775**	**$1,461**	**$2,267**	**$3,214**	**$4,349**	**$5,602**	**$6,118**	**$7,027**	**$4,058**	**age 61**	**26 years**
	Average final average salary	$54,810	$46,277	$52,702	$67,862	$78,513	$88,108	$94,508	$97,649	$102,670	$81,542		
	Number of retired members	173	313	348	403	695	574	774	1,037	133	4,450		
Period July 1, 2012 through June 30, 2013	**Average monthly benefit**	**$279**	**$771**	**$1,424**	**$2,237**	**$3,179**	**$4,232**	**$5,396**	**$6,066**	**$7,369**	**$4,070**	**age 61**	**26 years**
	Average final average salary	$59,313	$42,291	$49,881	$66,108	$76,095	$83,918	$90,517	$96,245	$101,109	$79,689		
	Number of retired members	149	298	353	391	673	664	750	1,115	142	4,535		
Period July 1, 2011 through June 30, 2012	**Average monthly benefit**	**$271**	**$787**	**$1,426**	**$2,354**	**$3,159**	**$4,310**	**$5,568**	**$6,214**	**$7,273**	**$4,292**	**age 60**	**27 years**
	Average final average salary	$63,513	$49,970	$53,199	$68,176	$76,104	$85,929	$92,839	$98,975	$103,131	$83,346		
	Number of retired members	215	358	375	380	620	702	923	1,516	177	5,266		
Period July 1, 2010 through June 30, 2011	**Average monthly benefit**	**$281**	**$712**	**$1,317**	**$2,171**	**$2,989**	**$4,097**	**$5,190**	**$5,708**	**$6,527**	**$3,984**	**age 60**	**27 years**
	Average final average salary	$59,267	$40,317	$48,191	$62,212	$71,841	$81,416	$86,636	$91,033	$92,605	$76,805		
	Number of retired members	160	328	349	357	599	562	905	1,359	134	4,753		
Period July 1, 2009 through June 30, 2010	**Average monthly benefit**	**$280**	**$670**	**$1,228**	**$2,121**	**$2,947**	**$3,891**	**$5,063**	**$5,621**	**$5,819**	**$3,960**	**age 60**	**27 years**
	Average final average salary	$61,557	$38,116	$44,679	$62,156	$71,152	$77,352	$84,466	$89,648	$82,289	$75,507		
	Number of retired members	144	312	304	335	495	536	887	1,410	118	4,541		
Period July 1, 2008 through June 30, 2009	**Average monthly benefit**	**$247**	**$642**	**$1,181**	**$2,012**	**$2,920**	**$3,941**	**$4,940**	**$5,411**	**$6,457**	**$3,840**	**age 59**	**27 years**
	Average final average salary	$55,946	$39,118	$42,853	$57,824	$70,216	$78,684	$82,544	$86,467	$92,170	$73,725		
	Number of retired members	155	295	240	297	472	425	779	1,301	65	4,029		
Period July 1, 2007 through June 30, 2008	**Average monthly benefit**	**$228**	**$623**	**$1,077**	**$1,836**	**$2,713**	**$3,505**	**$4,737**	**$5,098**	**$5,413**	**$3,536**	**age 59**	**26 years**
	Average final average salary	$54,905	$41,044	$40,557	$52,692	$66,593	$71,223	$80,631	$81,570	$79,227	$69,412		
	Number of retired members	112	197	256	251	400	398	695	884	67	3,260		
Period July 1, 2006 through June 30, 2007	**Average monthly benefit**	**$208**	**$595**	**$1,118**	**$1,932**	**$2,716**	**$3,744**	**$5,080**	**$5,598**	**$5,887**	**$4,260**	**age 58**	**29 years**
	Average final average salary	$55,395	$40,331	$46,226	$56,872	$66,645	$75,511	$83,693	$89,451	$89,442	$77,499		
	Number of retired members	132	212	233	286	492	575	1,858	1,506	139	5,433		
Period July 1, 2005 through June 30, 2006	**Average monthly benefit**	**$210**	**$515**	**$1,139**	**$1,744**	**$2,509**	**$3,372**	**$4,728**	**$5,161**	**$5,600**	**$3,789**	**age 59**	**28 years**
	Average final average salary	$55,558	$36,036	$44,715	$53,349	$62,206	$68,902	$77,920	$82,558	$85,399	$70,764		
	Number of retired members	114	202	202	199	376	404	1,205	1,005	84	3,791		
Period July 1, 2004 through June 30, 2005	**Average monthly benefit**	**$228**	**$544**	**$1,074**	**$1,715**	**$2,475**	**$3,467**	**$4,700**	**$5,264**	**$5,270**	**$4,070**	**age 58**	**30 years**
	Average final average salary	$59,538	$39,038	$44,000	$52,488	$61,882	$70,637	$76,980	$84,774	$81,371	$73,078		
	Number of retired members	170	198	233	251	567	737	2,992	1,637	123	6,908		

Principal Participating Employers

Participating Employer	City	Year ended June 30, 2014 Rank	Covered Employees	Percentage of Total TRS Membership	Year ended June 30, 2005 Rank	Covered Employees	Percentage of Total TRS Membership
School District U46	Elgin	1	2,939	1.8%	1	2,742	1.8%
Indian Prairie CUSD 204	Naperville	2	2,482	1.6	2	2,566	1.6
Rockford SD 205	Rockford	3	2,398	1.5	3	2,001	1.3
Plainfield SD 202	Plainfield	4	2,306	1.4	4	1,820	1.2
Naperville CUSD 203	Naperville	5	1,748	1.1	5	1,687	1.1
Community USD 300	Carpentersville	6	1,697	1.1	8	1,374	0.9
Valley View CUSD 365	Romeoville	7	1,655	1.0	10	1,320	0.8
Schaumburg CCSD 54	Schaumburg	8	1,511	1.0	9	1,363	0.9
Waukegan CUSD 60	Waukegan	9	1,496	0.9	-	-	-
Springfield SD 186	Springfield	10	1,485	0.9	7	1,434	0.9
Peoria SD 150	Peoria	-	-	-	6	1,518	1.0
Total, Largest 10 employers			**19,717**	**12.3%**		**17,825**	**11.4%**
All other (1,003 employers in 2014* 1,032 employers in 2005)			140,121	87.7%		138,025	88.6%
Grand Total			**159,838**	**100.0%**		**155,850**	**100.0%**

*Other Employers by Type as of June 30, 2014	Number of Other Employers	Other Covered Employees
Local school districts	849	132,840
Special districts	136	6,619
State agencies	18	662
Total, all employers other than largest 10	**1,003**	**140,121**

Total Employers by Type as of June 30, 2014	Total Number of Employers	Total Covered Employees
Local school districts	859	152,557
Special districts	136	6,619
State agencies	18	662
Total, all employers	**1,013**	**159,838**

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Printed by the Authority of the State of Illinois.
electronic - Pub1 - 1/15