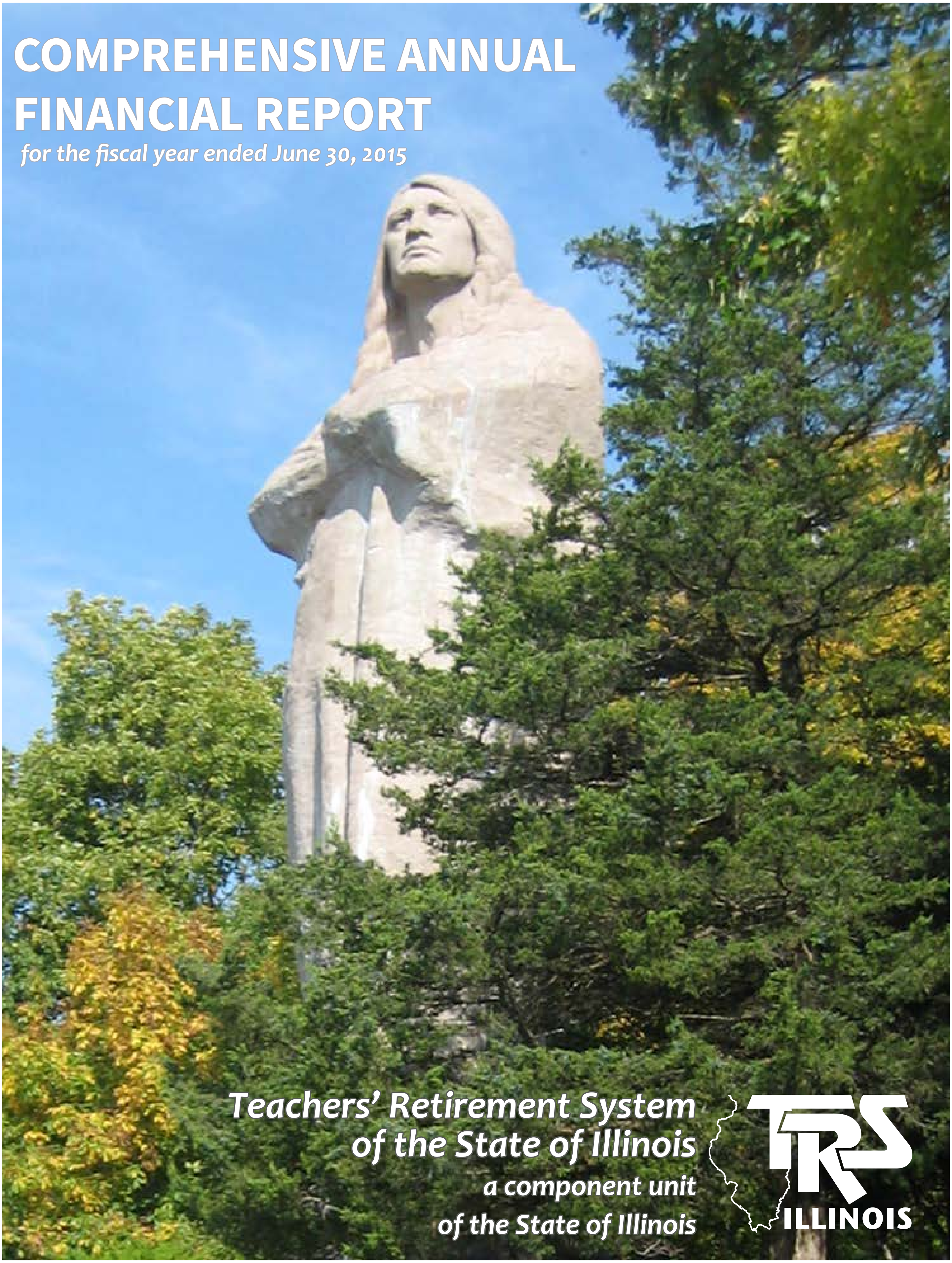
COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2015



Teachers' Retirement System of the State of Illinois

a component unit of the State of Illinois

TRS ILLINOIS

MISSION STATEMENT

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

FISCAL YEAR HIGHLIGHTS

	As of June 30, 2015
Active contributing members	159,707
Inactive noncontributing members	125,969
Benefit recipients*	114,922
Total membership	400,598
INVESTMENT RETURN	
Total fund investment return, net of fees	4.0%
FOR FUNDING PURPOSES	
Actuarial accrued liability (AAL)	$108,121,825,171
Less actuarial value of assets (smoothed assets)	45,435,192,645
Unfunded actuarial accrued liability (UAAL)	$62,686,632,526
Funded ratio (% of AAL covered by assets, based on smoothed assets)	42.0%
FOR FINANCIAL DISCLOSURE	
Total pension liability (TPL)	$111,916,989,345
Less fiduciary net position (FNP)	46,406,915,593
Net pension liability (NPL)	$65,510,073,752
FNP as a percentage of TPL	41.5%
INCOME	
Member contributions	$935,451,049
Employer contributions	145,591,585
State of Illinois contributions	3,377,664,945
Total investment income	1,770,549,533
Total income	$6,229,257,112
EXPENSES	
Benefits paid	$5,536,399,447
Refunds paid	88,637,726
Administrative expenses	21,686,860
Total expenses	$5,646,724,033

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

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2015

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

PREFACE

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

TABLE OF CONTENTS

INTRODUCTION

Lincoln-Douglas Debate in Freeport

This pair of statues in **Freeport** commemorates the second of the seven famous debates between Abraham Lincoln and William Douglas during the 1858 campaign for the U.S. Senate. In this debate, Douglas outlined his famous “Freeport Doctrine,” an important statement regarding slavery and states’ rights.

Douglas would go on to win the Senate seat in 1858, but when he ran for president against Lincoln in 1860, the Freeport Doctrine would cost Douglas support in the southern states, split the Democratic Party and help Lincoln win the White House. Sculpted by Lily Tolpo of Stockton, Ill.

Lincoln-Douglas Debate in Ottawa

These statues of Abraham Lincoln and William Douglas are surrounded by a reflecting pool in **Ottawa’s Washington Park** and stand close to the spot where the two candidates, before an estimated 12,000 people, held the first of their 1858 debates. Washington Park is listed on the National Register of Historic Places.


2012
2013
2014
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

PPCC

Public Pension Coordinating Council

Recognition Award for Administration 2015

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

Alan H. Winkle
Program Administrator

The Statues of Illinois

The legacy and diversity of Illinois are reflected in its public statues and monuments. Since 1818, Illinoisans have commemorated their history, culture and famous citizens for future generations in works of art. The statues of Illinois not only keep alive important memories of the past, but help ignite and inspire imaginations that are vital for accomplishment and success.

The statues of Illinois also reflect the pride communities throughout the state have for our shared heritage – native daughters and sons, as well as important events, both good and bad.

The stories and lessons behind these monuments are retold again and again in Illinois schools by Teachers' Retirement System members. Teachers are charged with opening the minds of our students to the past, present and the future. These statues help students of all ages connect with our shared heritage and our promising future.

In the pages of this fiscal year 2015 *Comprehensive Annual Financial Report*, Teachers' Retirement System is proud to showcase the citizens and history of Illinois honored by the diverse statuary and sculpture found throughout the Prairie State.

On the Cover

"The Eternal Indian" is a majestic 50-foot-tall monument to the heritage of Illinois that stands on a bluff in **Lowden State Park near Oregon, Ill**. Dedicated in 1911, the sculpture stands 125 feet above the Rock River and represents "the unconquered spirit" of the native people inspired by the cultures of the Fox, Sauk, Sioux and Mohawk who lived in the area. Sculptor Lorado Taft, a native of Elmwood, said the statue was inspired by the Sauk leader Black Hawk, although it is not a likeness of the chief.

Preceding Pages

The "Alma Mater" is one of the most beloved and recognizable symbols of the **University of Illinois at Urbana-Champaign**. From its central location on campus outside Altgeld Hall, the Alma Mater depicts a mother figure wearing academic robes welcoming home generations of students with the inscription, "To thy happy children of the future, those of the past send greetings." Flanking the Alma Mater are two figures that bring to life the university's motto, "Learning" and "Labor." Sculpted by Lorado Taft, the Alma Mater was dedicated in 1929.

The "Shakespeare Monument" was sculpted by William Ordway Partridge. Partridge, at age 28, won the commission through an international competition. Partridge graduated from Columbia University in New York and was a professional actor, published poet, and sculptor. This project, however, he considered the project of his life. The sculpture was first displayed at the World's Columbian Exposition in 1893. It can be found in **Chicago's Lincoln Park**.

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

December 17, 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, 2015. This report illustrates the effective and efficient administration of one of the 30 largest public pension systems in the United States despite a large unfunded liability caused by seven decades of insufficient government funding, the on-going fiscal problems faced by the State of Illinois and increasing volatility in the world economy.

TRS continues to be a strong asset for Illinois and a positive influence on the state's economy.

During FY15, TRS trustees and staff worked diligently to keep the promises made by the State of Illinois to its 400,598 members and to maintain a reputation for excellence with the people of Illinois:

- TRS distributed $5.5 billion in retirement, disability and survivor benefits on time every month to approximately 115,000 beneficiaries.
- TRS benefit payments created economic activity in Illinois that helped support more than 41,000 jobs in every corner of Illinois. These jobs have an estimated payroll of $1.6 billion. In all, economic models show that TRS benefits had a positive $5.6 billion economic impact on the State of Illinois.
- TRS investments continued to post steady growth. The performance of the investment portfolio ended the year ranked among the 25th percentile among comparable retirement systems.
- TRS successfully dealt with more than 479,000 telephone calls, emails and pieces of correspondence with members and employers concerning benefits, service time, contributions and other issues affecting TRS activities – an average of more than 1,916 communications every working day.

The long-term funded status of TRS continues to be the worst in the nation among large public pension systems. At the end of FY15, for funding purposes the System's funded ratio stood at 42.0 percent, on an actuarial basis, with a long-term unfunded liability of $62.7 billion. The unfunded obligations owed members have increased by 450 percent since 2000. For purposes of financial disclosure, the plan fiduciary net position as a percentage of the total pension liability was 41.5 percent with a net pension liability of $65.5 billion. With a net position of $46.4 billion at the end of FY15, TRS ranks as the 87th largest pension fund in the world. However, if TRS was fully funded, the System would rank within the top 25 pension systems worldwide and among the top 10 U.S. funds.

Since its founding in 1939, the State of Illinois has never funded TRS at a level that standard actuarial practice would define as sufficient to pay its full share of the System's funding requirement. In the last decade, for example, actual contributions from the state to TRS lagged below the actuarial full-funding standard by an average of $700 million per year. Total state contributions between fiscal years 2006 and 2015 were 33 percent below the actuarial target.

The large TRS unfunded liability also inflates the deep financial problems faced by Illinois state government. State officials continually question the size of the state's annual contribution to TRS, which in FY15 was $3.4 billion, or 10.3 percent of the state's general funds budget. However, this problem is self-inflicted. Approximately three-fourths of the state's $3.4 billion annual contribution to TRS in FY15 was dedicated to paying off a portion of the System's unfunded liability. Had the state funded TRS on a sound, actuarial basis over the years, the state would have owed just $775.4 million for TRS pension costs in FY15, leaving $2.6 billion available for other spending priorities.

Throughout most of calendar year 2015, state officials engaged in a dispute over spending, revenue and public policy issues along partisan lines that delayed enactment of a state budget for FY16. This dispute only intensified the systemic imbalance between state government revenue and spending that some estimates put as high as $8.5 billion.

The fiscal problems of Illinois state government festered at a time when the global economy became increasingly volatile and unpredictable, which dramatically lowered earnings for large institutional investors. At TRS, the uncharacteristically high 17.4 percent, net of fees, in FY14 declined to 4.0 percent, net of fees, in FY15.

In every measurement, TRS investment performance landed in the top 25 percent of comparable public pension systems across the country. Yet while TRS remains a respected entity in institutional investing, over time its growing unfunded liability will increasingly hamper its effectiveness for all members. A large unfunded liability threatens the System's ability to continue the investment returns that are vital to the security of TRS.

In FY15, all 190 TRS staff remained committed to the goal of unparalleled customer service for its 400,598 members and 1,006 employers. The retirement system's Member Services Department processed approximately 5,800 benefit applications for members, held close to 13,000 individual member counseling sessions and calculated more than 40,500 initial benefit estimates upon request. The TRS Employer Services Department processed annual reports from 1,006 employers covering nearly 160,000 active members and conducted audits of 100 school districts to ensure that all laws, rules and standards are followed. Together Member Services and Employer Services initiated or received 303,963 letters, 162,592 telephone calls and 12,692 emails from employers and members or their families.

TRS remained dedicated in FY15 to the prudent use of the System's assets to perform required duties and activities on behalf of its members. Administrative expenses for all of TRS increased by just 2.2 percent during FY15 to $21.7 million, or 0.04 percent of all TRS assets. Total expenses to manage the investment portfolio increased by 9.6 percent to $329 million, or 0.6 percent of all TRS assets.

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 employers. TRS expenses include payments of benefits, refunds and administrative expenses. Negative amounts are shown in parentheses () throughout this report.

Revenues ($ millions)

			Increase/(Decrease)	
Source	**2015**	**2014**	**Amount**	**% Change**
Member contributions	$935	$929	$6	0.6%
State of Illinois	3,378	3,438	(60)	(1.7)
Employer contributions	145	159	(14)	(8.8)
Total investment income	1,771	6,782	(5,011)	(73.9)
Total	**$6,229**	**$11,308**	**($5,079)**	**(44.9%)**

Expenses ($ millions)

			Increase/(Decrease)	
	2015	**2014**	**Amount**	**% Change**
Benefits payments	$5,536	$5,225	$311	6.0%
Refunds	89	96	(7)	(7.3)
Administrative/other	22	21	1	4.8
Total	**$5,647**	**$5,342**	**$305**	**5.7%**

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 4.6 percent, gross of fees, for the fiscal year ended June 30, 2015. Total investment assets increased approximately $664 million 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 77 to 80 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, 2015, the funded ratio based on the actuarial value of assets of the Teachers' Retirement System increased to 42.0 percent from its June 30, 2014 level of 40.6 percent. The actuarial value of assets at year end was $45.4 billion and the actuarial accrued liability was $108.1 billion. An actuarial experience analysis was conducted in 2015, and new actuarial assumptions were adopted in the 2015 actuarial valuation that caused a net increase in the accrued liability of $586 million. 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 Section of this report contains the actuary's letter and further information on TRS funding.

MAJOR INITIATIVES

In FY15, TRS initiated and continued several programs and projects designed to benefit its members, enhance system operations and increase effectiveness and efficiency:

- TRS strengthened its existing commitment to diversity within the management of its $46 billion investment portfolio. The TRS Board of Trustees through the years has made a strong commitment to improving access to the investment program for qualified firms owned by minorities, women and those with disabilities. TRS established a stand-alone trustee committee to monitor and lead the System's diversity activities. It strengthened its engagement with the activities and programs of The Toigo Foundation of Oakland, California. The goal of the foundation is to increase diversity within the investment world. In addition, TRS continued to host an annual Opportunity Forum that serves as an introductory platform to TRS investment activities for minority and women-owned firms. Through the end of June 2015, 17.2 percent of the overall TRS investment portfolio was overseen by 32 Women and Minority Business Enterprise (WMBE) investment managers, with assets totaling $7.9 billion. The participation goal for FY15 was 15 percent and TRS exceeded its goal for assets under WMBE management by more than $1 billion.

- TRS began preparing for the future effects of a new state law that requires TRS and the state's other public pension systems to divest assets from any companies that "boycott" the State of Israel. Under the law, a new Illinois Investment Policy Board will develop and administer a list of companies that engage "in actions that are politically motivated and are intended to penalize, inflict economic harm on, or otherwise limit commercial relations with the state of Israel or companies based in the state of Israel or in territories controlled by the state of Israel." This legislation is the first of its kind in the United States to be enacted at a state level.

- The System's massive document imaging project that began in February 2013 is expected to reach its halfway point by early 2016. Approximately 11 million images are being scanned from about 398,000 hard copy records. During FY15, TRS began scanning incoming mail from members upon receipt and the images, rather than hard copies, are routed to the appropriate departments for processing. The Investment Department has been testing an electronic repository for its documents and will begin converting its electronic documents beginning in FY16 .

- In the Member Services Department's Call Center, TRS adapted existing technological tools to further reduce abandoned telephone calls, minimize voicemails and cut caller wait times. Working as a team with the System's member services representatives, reports were compiled that illustrated Call Center productivity. Calls also were routinely monitored for accuracy, service and time management. Since implementing these Call Center practices, the results measured during a 10-month comparison from the previous year indicated a reduction in abandoned calls of 62 percent, a reduction of voicemails by 64 percent, and a reduction in member wait time of 56 percent.

- A comprehensive organizational and operational review of the System was initiated in FY15 with the goal of establishing an on-going library of benchmarks for customer service, member communications and other activities that form the foundation of the System's responsibilities to all members. Focus groups met and provided input to a consultant on various issues. Staff recommendations were shared with management. The implementation of recommended operational, organizational and cultural changes then was initiated on a department-by-department basis. TRS wants to quantify the strengths of existing practices and develop improvements, if needed, in all TRS interaction with members, stakeholders, business partners, government officials, and member employers.

All of these initiatives are pursued with one goal in mind: to better serve our members, whether they are 25 years old or 100 years old. We are committed to earning not only the trust of our members, but the trust of all taxpayers, stakeholders and government officials at all levels. We understand that TRS members look to the System to keep the retirement promises made to them by the State of Illinois. We are committed to being a source of clarity and truth in a world filled with uncertainty. All of us at TRS 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, 2014. This was the 26th 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

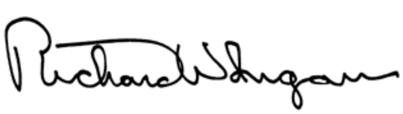
TRS received the Recognition Award for Administration in 2015 in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards of the PPCC. The award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (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 of Illinois.

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
Chief Financial Officer

BOARD OF TRUSTEES
AS OF DECEMBER 1, 2015

Dr. Tony Smith
President by statute
Springfield

Cinda Klickna
Vice President
Elected
Rochester

Mark Bailey
Elected
Palos Park

Michael Busby
Appointed
Kenilworth

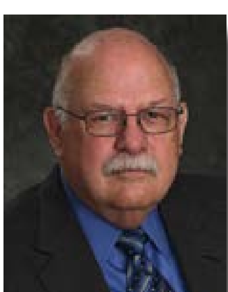
Andrew Hirshman
Elected
Oak Park

Rainy Kaplan
Elected
Schaumburg

Bob Lyons
Elected
Hoffman Estates

Alexander Stuart
Appointed
Lake Forest

Sonia Walwyn
Appointed
Naperville



Daniel Winter
Elected
Decatur

ORGANIZATIONAL STRUCTURE

EXECUTIVE CABINET AS OF DECEMBER 1, 2015

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

EXECUTIVE DIRECTOR
Dick Ingram

CHIEF INVESTMENT OFFICER
Stan Rupnik, CFA

CHIEF BENEFITS OFFICER
Sally Soderberg

CHIEF TECHNOLOGY OFFICER
Tom Smith

CHIEF HUMAN RESOURCES OFFICER
Gina Larkin

CHIEF FINANCIAL OFFICER
Jana Bergschneider, CPA

CHIEF LEGAL COUNSEL
Tom Gray

Left to right:
Chief Investment Officer Stan Rupnik, Chief Financial Officer Jana Bergschneider, Executive Director Dick Ingram, Chief Technology Officer Tom Smith, Chief Benefits Officer Sally Soderberg, Chief Human Resources Officer Gina Larkin
Not pictured: *Chief Legal Counsel Tom Gray*

OFFICE OF THE EXECUTIVE DIRECTOR
AS OF DECEMBER 1, 2015

Sitting, left to right:
Chief Financial Officer Jana Bergschneider, CPA; Chief Human Resources Officer Gina Larkin; Chief Benefits Officer Sally Soderberg; Executive Director Dick Ingram; Director of Research Kathleen Farney, CEBS; Director of Internal Audit Stacy Smith, CPA, CIDA; and Senior Legal Counsel Cynthia Fain

Standing, left to right:
Director of Communications Dave Urbanek; Chief Investment Officer Stan Rupnik, CFA; Chief Technology Officer Tom Smith; Risk Officer Bob Jiroutek; Director of Investment Accounting Deron Bertolo; Director of Outreach Rich Frankenfeld
Not pictured: *Chief Legal Counsel Tom Gray, Director of Investments Greg Turk*

CONSULTING AND PROFESSIONAL SERVICES

ACTUARY

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

EXTERNAL AUDITORS

(Special assistants to the Office of the Auditor General)

RSM US LLP
Schaumburg, Illinois

INFORMATION SYSTEMS

CTG, Inc. of Illinois d.b.a. Novanis
Springfield, Illinois

SunGard Availability Services
Chicago, Illinois

Sentinel Technologies
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

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

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, ended 12/31/2014)
San Francisco, California

Courtland Partners, Ltd.
(Real estate, effective 1/1/2015)
Cleveland, Ohio

RVK, Inc.
(General investment)
Portland, Oregon

Risk Resources
(Real estate insurance)
Elmhurst, Illinois

TorreyCove Capital Partners, L.L.C.
(Private equity)
San Diego, 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

SECONDARY MARKET ADVISORS

Cogent Partners
Dallas, Texas

Park Hill Group L.L.C.
Chicago, Illinois

UBS Securities L.L.C.
New York, New York

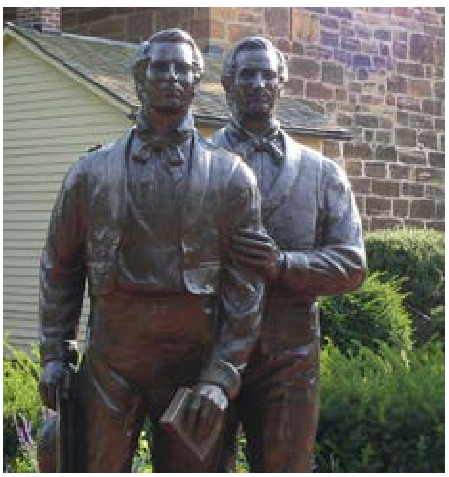
“Mother” Bickerdyke

Mary Ann Bickerdyke, a resident of Galesburg, is a heroine of the Civil War and the U.S. Army. “Mother” Bickerdyke was a field nurse during the war and eventually rose to become chief of nursing under Union commander U.S. Grant. She established 300 field hospitals and employed escaped and former slaves. After the war, she became an attorney and helped veterans get the pensions owed to them. This 1906 statue by Theo Alice Ruggles Kitson of Boston sits on the lawn of the **Knox County Courthouse in Galesburg**.

Madonna of the Trail

This statue sits on the lawn of the **Old State Capitol in Vandalia** and is one of a series of “Madonna of the Trail” monuments erected in 1928 and 1929 in 12 states along the route of the former National Old Trails Highway. This highway stretched from Maryland to California and western portions of the road became part of Route 66. The Madonnas represent “a symbol of the courage and faith of the women whose strength and love aided so greatly in conquering the wilderness and establishing permanent homes.” Funded by the Daughters of the American Revolution, the statues were sculpted by August Leimbach of St. Louis.

FINANCIAL



Joseph and Hyrum Smith

In June of 1844, Joseph Smith, the founding prophet of the Church of Jesus Christ of Latter-day Saints, and his brother Hyrum were incarcerated in a second story room of the Carthage jail house, awaiting trial on charges of "causing a riot." The jail house was stormed by a mob and Joseph and Hyrum were shot to death. The deaths of the Smiths and continued hostilities precipitated the Mormon exodus west in 1846. The jail house is now a historic site owned by the Church of Latter-day Saints, and the statues of Joseph and Hyrum by sculptor Dee Jay Bawden of Provo, Utah stand outside the **Carthage jail**.

Woman and Her Talents

One of 13 statues that are part of the 2-acre **Nauvoo Monument to Women Memorial Garden**, this sculpture by Dennis V. Smith of Utah depicts woman as an artist creating her masterpiece – herself. Dedicated in 1978, the Memorial Garden is part of the historical sites associated with the Church of Latter-day Saints in Nauvoo.

RSM

Independent Auditor's Report

RSM US LLP

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, 2015, 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 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, 2015, 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

The actuarially determined pension liability, calculated as required by GASB Statement No. 67, 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 pages 30 and 31. Our opinion is not modified with respect to this matter.

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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 24 and the schedule of changes in the net pension liability, the schedule of the net pension liability, the schedule of investment returns and the schedule of contributions from employers and other contributing entities on pages 52 and 53 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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, 2015 was conducted for the purpose of forming an opinion on the System's financial statements. The other supplementary information in the financial section on pages 54 through 56, and the accompanying introduction, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information for the year ended June 30, 2015 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 other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2015 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 other supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole for the year ended June 30, 2015. 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, 2014 (not presented herein), and have issued our report thereon dated January 6, 2015, which contained an unmodified opinion on those financial statements. The accompanying other supplementary information which consists of supporting schedules for the year ended June 30, 2014 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 2014 financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the 2014 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 other 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.

RSM US LLP

Schaumburg, Illinois
December 17, 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, 2015. 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, 2015 was $46.4 billion.
- During FY15, the net position of TRS increased $583 million.
- Contributions from members, employers, and the State were $4.5 billion, a decrease of $67 million or 1.5 percent for FY15.
- Total net investment income was $1.8 billion, compared to $6.8 billion in FY14, a decrease of $5.0 billion.
- Benefits and refunds paid to members and annuitants were $5.6 billion, an increase of $304 million or 5.7 percent.
- The total actuarial accrued liability was $108.1 billion at June 30, 2015.
- The unfunded actuarial accrued liability was $62.7 billion at June 30, 2015. The funded ratio was 42.0 percent at June 30, 2015. 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 $111.9 billion at June 30, 2015.
- The net pension liability was $65.5 billion at June 30, 2015. The Plan Fiduciary Net Position, as a percentage of total pension liability, was 41.5 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, 2015.

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.

Required Supplementary Information and Other Supplementary Information. The required supplementary information and other financial information 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

	2015	Percentage Change	2014
Cash	$45,709,535	(24.9%)	$60,859,067
Receivables and prepaid expenses	5,747,410,436	5.8	5,430,213,496
Investments	46,099,664,885	1.5	45,435,578,617
Invested securities lending collateral	2,943,517,231	5.2	2,798,549,336
Capital assets	3,947,730	(4.0)	4,114,038
Total assets	**54,840,249,817**	**2.1**	**53,729,314,554**
Total liabilities	**8,433,334,224**	**6.7**	**7,904,932,040**
Net position restricted for pensions	**$ 46,406,915,593**	**1.3%**	**$45,824,382,514**

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

	2015	Percentage Change	2014
Contributions	$4,458,707,579	(1.5%)	$4,525,463,343
Net investment income	1,770,549,533	(73.9)	6,782,031,720
Total additions	6,229,257,112	(44.9)	11,307,495,063
Benefits and refunds	5,625,037,173	5.7	5,320,662,979
Administrative expenses	21,686,860	2.2	21,218,069
Total deductions	5,646,724,033	5.7	5,341,881,048
Net increase in net position	**582,533,079**		**5,965,614,015**
Net position restricted for pensions - beginning of year	**45,824,382,514**	**15.0**	**39,858,768,499**
Net position restricted for pensions - end of year	**$46,406,915,593**	**1.3%**	**$45,824,382,514**

FINANCIAL ANALYSIS

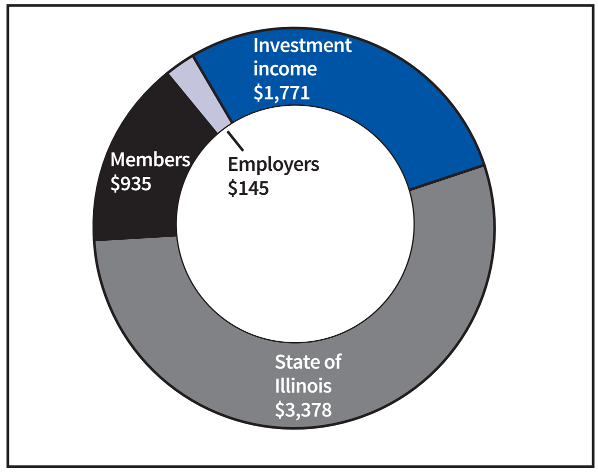
TRS was created to provide retirement, survivor, and disability benefits to qualified members. Increases or decreases in the plan's net position serve as useful indicators of TRS's financial position. The net position available to pay benefits was $46.4 billion at June 30, 2015.

CONTRIBUTIONS

Contributions decreased $67 million during FY15. During FY15, member contributions increased $6.7 million and employer contributions from school districts decreased $12.7 million. The net decrease in employer contributions from school districts in FY15 is attributable to a decrease in federal funds contributions and employer early retirement option contributions.

The State of Illinois makes appropriations to TRS. Receipts from the State of Illinois decreased $61 million in FY15. The decrease in FY15 was mainly due to the phased-in recognition of FY10, FY11 and FY13 actuarial gains on investments. Gains during those years are being recognized over five-year periods and more than offset the FY12 returns that were lower than expected. The certified amount was further reduced under the provisions of Public Act 98-0674 which increased districts' contributions from federal funds. The act required TRS to reduce its appropriation request from the state comptroller by the estimated increase in federal funds, resulting in a decrease in FY15 state contributions of an additional $35 million. 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, 2015
($ millions)

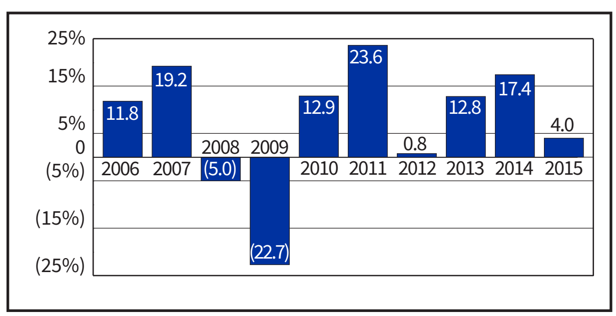


INVESTMENTS

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 4.0 percent, net of fees, for the fiscal year ended June 30, 2015. Total TRS investment assets increased approximately $664 million during the year.

Annual Rate of Return
(net of investment expenses)

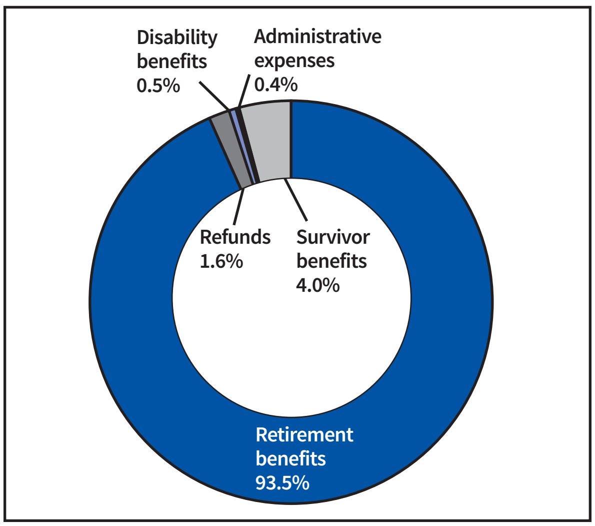


BENEFITS AND REFUNDS

Retirement, survivor, and disability benefit payments increased $311 million during FY15. Benefit payments increased to $5.5 billion with 114,922 recipients in FY15. The overall increase in benefit payments for FY15 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 101,184 as of June 30, 2014 to 103,501 as of June 30, 2015.

Refunds of contributions decreased $6.8 million in FY15. The decrease during FY15 is the result of lower member and retirement refunds.

Expenses by Type
for the Year Ended June 30, 2015



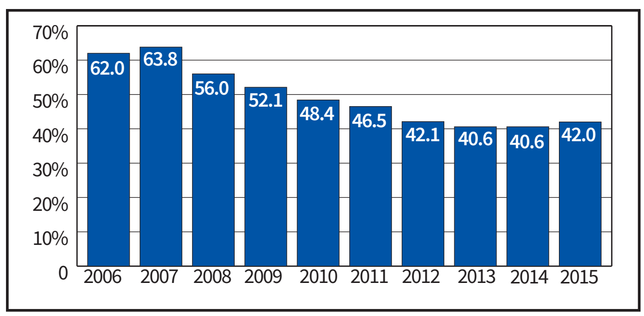
ACTUARIAL

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 $4.4 billion in FY15 to $108.1 billion at June 30, 2015. 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 $1.1 billion during FY15 to $62.7 billion at June 30, 2015. The funded ratio reflects the percentage of the actuarial accrued liability covered by the actuarial value of assets. The funded ratio increased from 40.6 percent on June 30, 2014 to 42.0 percent on June 30, 2015.

In FY15, the actuarial unfunded liability and funded ratio are 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.

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.

During FY14, 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 differ from criteria used to disclose the actuarial accrued liability and actuarial unfunded liability. The total pension liability is $111.9 billion at June 30, 2015, while the net pension liability is $65.5 billion at June 30, 2015.

LEGISLATIVE

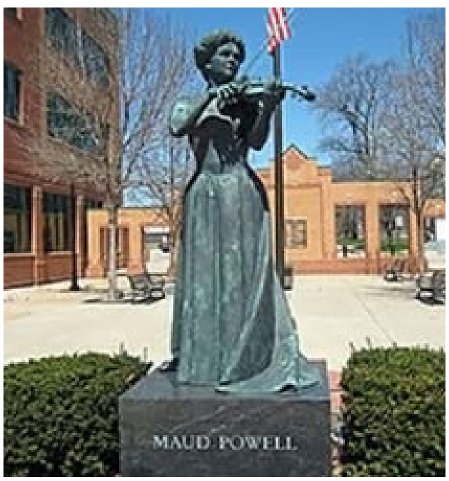
Unlike the last few years, during FY15 there was no major legislative activity in the Illinois General Assembly affecting TRS or the state's other public pension systems.

This absence of legislation was caused by a 16-month constitutional challenge to a state law enacted in 2013, Public Act 98-0599, that reduced existing pension benefits. The benefit reductions were designed to help improve the fiscal health of Illinois' pension systems over the next 40 years.

The Illinois Supreme Court ruled unanimously on May 8, 2015 that Public Act 98-0599 was unconstitutional. The timing of that decision – during the last month of the General Assembly's spring session – precluded any meaningful action by legislators on any other proposals to alter the Illinois Pension Code.

A lengthy policy dispute between the General Assembly and Gov. Bruce Rauner that delayed enactment of a FY16 budget for state government did not greatly affect the operations of TRS or the payment of benefits. Gov. Rauner and the legislature agreed and enacted legislation that allowed the state to pay its statutory contribution for FY16 of $3.7 billion. However, the lack of a comprehensive state budget and lack of sufficient revenue left the state short of available cash at times to pay its obligations. As a result, while the State Comptroller's Office has indicated its intent to fully pay the state's FY16 contribution to TRS, it is not certain whether state government always will be able to remit the authorized contribution on a timely basis during FY16.

Benefits paid to members are funded by TRS assets and are not appropriated by the General Assembly; there was no interruption in the delivery of pensions and benefits.



Violinist Maud Powell

Born in Peru in 1867, Maud Powell was a musical prodigy who became the first American violinist to achieve worldwide acclaim. She made her concert debut at 18 with the Berlin Philharmonic and later played with symphony orchestras across the U.S. In 2014, 94 years after her death, Maud Powell's legacy was so strong that she was awarded a posthumous Grammy Lifetime Achievement Award. Dedicated in 1995, this statue by Rev. Joseph Heyd, a native of Peoria, is the only statue of an American woman musician in the U.S. It stands in **Peru's town center**.

Four Sons of Charlemagne

When the **bridge over the Fox River in downtown St. Charles** was reconstructed in 1927, four bronze foxes cast in France were added to the bridge and quickly became the symbolic "guardians" of the community. In 1970, a fable was written by the town's mayor that gave the foxes their name. The story told of an aging Native American named Charlemagne who called on his four sons to be the protectors of the land surrounding the Fox River for both native people and new settlers from the east. Today, some residents of St. Charles place small statues of foxes to guard their homes.

FINANCIAL STATEMENTS

Teachers' Retirement System of the State of Illinois
Statement of Fiduciary Net Position
June 30, 2015

	2015
Assets	
Cash	$45,709,535
Receivables and prepaid expenses:	
Member contributions	52,436,438
Employer contributions	13,620,835
State of Illinois	344,042,033
Investment income	113,824,855
Pending investment sales	5,219,465,652
Prepaid expenses	4,020,623
Total receivables and prepaid expenses	5,747,410,436
Investments, at fair value:	
Fixed income	8,697,165,058
Equities	18,475,666,319
Real estate	6,255,857,685
Short-term investments	848,587,909
Private equity investments	5,281,073,621
Real return	2,994,366,309
Absolute return	3,471,868,205
Foreign currency	74,142,815
Derivatives	936,964
Total investments	46,099,664,885
Invested securities lending collateral:	
Short-term investments	2,763,060,869
Fixed income	125,008,362
Securities lending collateral with the State Treasurer	55,448,000
Total invested securities lending collateral	2,943,517,231
Capital assets, net of accumulated depreciation	3,947,730
Total assets	54,840,249,817
Liabilities	
Benefits and refunds payable	6,928,533
Administrative and investment expenses payable	55,505,862
Pending investment purchases	5,427,366,418
Securities lending collateral	2,943,533,411
Total liabilities	8,433,334,224
Net position restricted for pensions	$46,406,915,593

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, 2015

	2015
Additions	
Contributions:	
Members	$935,451,049
State of Illinois	3,377,664,945
Employers	
Early retirement	13,930,699
Federal funds	69,764,609
2.2 benefit formula	56,610,761
Excess salary/sick leave	5,285,516
Total contributions	4,458,707,579
Investment income:	
Net increase in fair value of investments	753,800,289
Interest	241,478,494
Real estate operating income, net	295,551,944
Dividends	472,773,697
Private equity income	93,663,968
Other investment income	227,659,217
Securities lending income	10,166,086
Less investment expenses:	
Direct investment expense	(329,133,042)
Securities lending management fees	(941,907)
Securities lending borrower rebates	5,530,787
Net investment income	1,770,549,533
Total additions	6,229,257,112
Deductions	
Retirement benefits	5,281,221,313
Survivor benefits	224,779,380
Disability benefits	30,398,754
Refunds	88,637,726
Administrative expenses	21,686,860
Total deductions	5,646,724,033
Net increase in net position	582,533,079
Net position restricted for pensions	
Beginning of year	45,824,382,514
End of year	$46,406,915,593

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 licensure. Persons employed at certain State agencies and certain non-government entities 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, certain State agencies and certain non-government entities. 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 on behalf of the System's employers. For information about employer contributions made by the State of Illinois, see "Schedule of Contributions from Employers and Other Contributing Entities" on page 53.

Number of Employers (as of June 30)

	2015
Local school districts	855
Special districts	134
State agencies	17
Total	**1,006**

3. MEMBERS

TRS Membership (as of June 30)

	2015
Retirees and beneficiaries	114,922
Inactive members	125,969
Active members	159,707
Total	**400,598**

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 public 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 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 Tier I 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. Tier II annual increases will be the lesser of 3 percent of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member’s first anniversary in retirement, whichever is later.

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 actuarial assumptions adopted in the June 30, 2015 actuarial valuation were used to calculate the June 30, 2015 total pension liability. Different assumptions were used to calculate the June 30, 2014 total pension liability. For both years, the long-term rate of return was 7.5 percent, as adopted by the Board of Trustees. It is based on a 2014 asset allocation study conducted by the TRS investment consultant and additional analyses in 2015 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 and excluding investment expenses.

Expected Arithmetic Real Returns over 30 Years

Asset Class	Allocation	Return
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18	7.88
Aggregate bonds	16	1.57
U.S. TIPS	2	2.82
NCREIF	11	5.11
Opportunistic real estate	4	9.09
ARS	8	2.57
Risk parity	8	4.87
Diversified inflation strategy	1	3.26
Private equity	14	12.33

If the plan's assets are not sufficient to cover all benefit payments to current plan members, 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 fiscal year. Based on projections discussed below, the System is using a blended rate as the discount rate for the year ended June 30, 2015. The long-term expected rate of return is 7.50 percent for the year ended June 30, 2015 but the discount rate for the year ended June 30, 2015 is 7.47 percent.

TRS, with the assistance of the actuary, projected that the Plan's fiduciary net position will not be sufficient to provide for all benefit payments to current plan members. From FY2081 through FY2086, projected plan assets do not cover benefit payments, requiring the utilization of the June 30, 2015 S&P Municipal Bond 20-Year High Grade Rate Index of 3.73 percent for discounting benefit payments due during that six-year period.

For the calculation of the discount rate, projected contributions from members, employers, and the State of Illinois (nonemployer contributing entity) assume that all statutorily required contributions are made for all years in the future.

Estimated contributions from employers and the State of Illinois, of which the majority of the contribution (approximately 95 percent) is provided by the State of Illinois, are projected to be $3.9 billion in 2016 and grow to $9.4 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, 2015, based on a valuation date of June 30, 2014. Assets, referred to as Fiduciary Net Position, are measured at fair value.

Net Pension Liability

	June 30, 2015
Total pension liability	$111,916,989,345
Plan fiduciary net position	46,406,915,593
Net pension liability	$65,510,073,752
Plan fiduciary net position as a percentage of the total pension liability	41.5%

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

	1% Decrease	Current	1% Increase
Discount rate	6.47%	7.47%	8.47%
Net pension liability	$80,954,388,749	$65,510,073,752	$52,845,317,289

Most of the actuarial assumptions are based on the actuarial experience analysis dated August 2015 which covered the period July 1, 2011 through June 30, 2014. Its recommendations were adopted in the June 30, 2015 actuarial valuation and included reductions in the assumptions for salary increases, severance pay, mortality rates, disabilities, Tier II cost-of-living adjustments, salary caps, and the amount of sick leave and optional service used for retirement credit. The 2015 assumptions included increases in the rates of termination and retirement. The investment return and inflation assumptions that were adopted in the June 30, 2014 actuarial valuation were retained in the August 2015 experience analysis.

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

Actuarial Valuation Date	June 30, 2015
Census Date:	June 30, 2014 with Total Pension Liability projected to June 30, 2015
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 as of valuation date
Actuarial Assumptions:	
Investment rate of return (long-term)	7.5%
Real rate of investment return (long-term)	4.5%
Projected salary increases	9.75% with 1 year of service to 3.75% with 20 or more years of service. 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 - 2014 with future mortality improvements on a fully generational basis using projection table MP-2014.

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 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. 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 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 assisted 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 assisted employers in implementing this statement simultaneously with the provisions of GASB Statement No. 68.

GASB Statement No. 72, "Fair Value Measurement and Application," was established to provide guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. TRS is currently evaluating the financial statement impact of GASB Statement No. 72. This statement will be implemented for the year ended June 30, 2016.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68," was established to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement sets standards for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," as well as for assets accumulated for purposes of providing those pensions. It also establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68 and it amends certain provisions of Statement No. 67, "Financial Reporting for Pension Plans," and Statement No. 68 for pension plans. TRS is currently evaluating the financial statement impact of GASB Statement No. 73. If applicable, this statement will be implemented for the year ended June 30, 2016.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," was established to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. TRS is currently evaluating the financial statement impact of GASB Statement No. 74. If applicable, this statement will be implemented for the year ended June 30, 2017.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," was established to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits of OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. TRS is currently evaluating the financial statement impact of GASB Statement No. 75. If applicable, this statement will be implemented for the year ended June 30, 2018.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," was established to identify the hierarchy of generally accepted accounting principles (GAAP). This hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting these principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. TRS is currently evaluating the financial statement impact of GASB Statement No. 76. If applicable, this statement will be implemented for the year ended June 30, 2016.

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, 2015 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	7,451,064	214,367	-	7,665,431
Site improvement	1,088,635	-	-	1,088,635
Equipment and furniture	2,453,455	540,759	335,615	2,658,599
Software	1,482,172	239,844	-	1,722,016
	12,713,503	994,970	335,615	13,372,858
Less accumulated depreciation:				
Office building	5,458,749	393,919	-	5,852,668
Site improvement	533,122	76,654	-	609,776
Equipment and furniture	1,897,959	451,595	335,615	2,013,939
Software	709,635	239,110	-	948,745
	8,599,465	1,161,278	335,615	9,425,128
	$4,114,038	($166,308)	$ -	$3,947,730

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, 2015, the System had a liability of $2,030,085 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, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences payable	$1,881,735	$1,040,069	$891,719	$2,030,085
The estimated amount due within one year is:			$168,000	

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 $45,709,535 at June 30, 2015. Of the bank balance, $45,709,410 was on deposit with the State treasurer at June 30, 2015. 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 $585,399,968 at June 30, 2015. The STIF fund has an average credit quality rating of A1P1 and a weighted average maturity of 32.0 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 $74,142,815 at June 30, 2015.

D. INVESTMENTS

1. INVESTMENT POLICIES

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

LONG-TERM ASSET ALLOCATION

The Board of Trustees 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, 2015.

Long-term Asset Allocation Policy Mix	
Global equity	36%
Global fixed income	16
Real estate	15
Private equity	14
Real return	11
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 five percent of a single issuer within an account. The TRS portfolio has no investments in any one issuer that comprise five 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, 2015, 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	$340,450,285	$239,676,281	$1,622,873,282	$677,188	$ -	$ -	$2,203,677,036
Aa1	34,582,621	473,888,080	16,040,775	4,154,102	-	-	528,665,578
Aa2	29,598,517	28,987,362	-	3,915,564	-	-	62,501,443
Aa3	48,487,394	134,113,388	-	3,746,448	-	-	186,347,230
A1	139,329,352	38,757,869	-	4,816,160	40,127,112	-	223,030,493
A2	160,298,575	92,451,493	-	4,003,765	-	125,008,362	381,762,195
A3	295,517,388	244,355,072	-	1,818,388	-	-	541,690,848
Baa1	257,037,647	67,575,210	-	-	-	-	324,612,857
Baa2	280,435,716	465,435,767	-	-	136,071,976	-	881,943,459
Baa3	345,956,004	256,813,938	-	-	-	-	602,769,942
Ba1	131,188,498	220,608,348	-	-	-	-	351,796,846
Ba2	179,557,562	95,080,035	-	-	28,532,367	-	303,169,964
Ba3	94,940,426	27,525,337	-	-	516,456,646	-	638,922,409
B1	110,031,800	133,200,162	-	-	210,316,988	-	453,548,950
B2	56,954,492	25,778,567	-	-	70,431,432	-	153,164,491
B3	43,808,091	31,594,681	-	-	-	-	75,402,772
Caa1	3,545,743	7,805,793	-	-	-	-	11,351,536
Caa2	12,936,670	2,692,768	-	-	-	-	15,629,438
Caa3	16,665,802	7,217,252	-	-	-	-	23,883,054
Ca	9,227,349	16,313,773	-	-	-	-	25,541,122
C	3,620,646	-	-	-	-	-	3,620,646
Not available	-	1,999,980	-	-	735,130,886	-	737,130,866
Not rated	38,055,383	31,689,698	-	-	-	-	69,745,081
Withdrawn	19,158,636	474	3,106,054	-	-	-	22,265,164
Total bonds, corporate notes & government obligations	**$2,651,384,597**	**$2,643,561,328**	**$1,642,020,111**	**$23,131,615**	**$1,737,067,407**	**$125,008,362**	**$8,822,173,420**

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, 2015 is as follows:

		Maturity in Years					
Type	2015 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	$589,854,674	$29,658,952	$289,367,168	$71,273,564	$6,257,655	$193,297,335	$ -
U.S. federal agencies	60,025,758	-	51,496,928	6,932,386	1,493,024	103,420	-
U.S. government index-linked bonds	697,379,288	87,484,314	178,237,135	213,622,685	144,671,932	73,363,222	-
U.S. government-backed mortgages	294,760,391	(30,308,193)	8,572,067	49,547,782	103,526,566	163,422,169	-
Municipals	23,131,615	146,623	-	-	5,851,382	17,133,610	-
Asset-backed securities	341,421,950	342,582	185,627,932	51,726,494	50,900,489	52,824,453	-
Commercial mortgage-backed securities	74,360,665	-	817,989	2,530,503	16,462,120	54,550,053	-
Collateralized mortgage obligations	172,442,018	2,987	6,471,643	18,624,300	52,200,628	95,142,460	-
Commingled funds (U.S. & International)**	1,737,067,407	83,372,491	297,305,415	637,452,066	-	-	718,937,435
Corporate convertible bonds	37,674,963	8,504,102	12,642,250	9,854,902	1,658,547	5,015,162	-
Domestic credit obligations	2,025,485,001	337,912,064	762,313,650	713,966,644	50,794,681	160,497,962	-
Foreign debt/corporate obligations	2,643,561,328	332,751,145	871,250,139	958,873,763	181,345,162	299,341,119	-
Total bonds, corporate notes and government obligations	**8,697,165,058**	**849,867,067**	**2,664,102,316**	**2,734,405,089**	**615,162,186**	**1,114,690,965**	**718,937,435**
Derivatives	936,964	(3,986,966)	445,787	(189,948)	2,986,088	1,682,003	-
Securities-lending collateral	125,008,362	125,008,362	-	-	-	-	-
Total bonds, corporate notes, government obligations, securities lending collateral and derivatives	**$8,823,110,384**	**$970,888,463**	**$2,664,548,103**	**$2,734,215,141**	**$618,148,274**	**$1,116,372,968**	**$718,937,435**

** 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, fixed income and derivative 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, 2015 is as follows:

Currency	Foreign Currency	Equities	Fixed Income	Derivatives	Total
Australian Dollar	$5,621,395	$252,259,170	$37,423,798	$95,205	$295,399,568
Brazilian Real	1,836,352	116,765,384	90,062,453	(1,161,023)	207,503,166
British Pound	9,857,140	1,430,010,470	334,411,507	201,609	1,774,480,726
Canadian Dollar	1,854,116	468,037,031	35,849,073	-	505,740,220
Chilean Peso	359,898	6,281,269	2,561,957	-	9,203,124
Chinese Yuan Renminbi	22,866	-	-	-	22,866
Columbia Peso	237,208	1,160,646	7,099,309	-	8,497,163
Czech Koruna	6,892	2,511,028	-	-	2,517,920
Danish Krone	34,235	130,338,311	14,347,845	-	144,720,391
Egyptian Pound	81,609	3,162,290	-	-	3,243,899
Emirati Dirham	8,956	7,286,741	-	-	7,295,697
Euro	15,053,472	1,766,371,966	500,864,719	2,287,122	2,284,577,279
Ghana Cedi	148,983	-	14,554,696	-	14,703,679
Hong Kong Dollar	3,760,391	636,567,398	-	-	640,327,789
Hungarian Forint	683,391	7,417,736	26,964,032	-	35,065,159
Indian Rupee	270,856	141,777,790	22,706,345	-	164,754,991
Indonesian Rupiah	434,504	63,463,317	31,213,748	-	95,111,569
Israeli Shekel	4,253,608	29,989,337	-	-	34,242,945
Japanese Yen	11,281,532	1,339,181,759	46,122,897	526,150	1,397,112,338
Malaysian Ringgit	1,013,419	45,840,489	36,647,160	-	83,501,068
Mexican Peso	5,800,226	63,833,786	173,835,119	(555,855)	242,913,276
Moroccan Dirham	509	-	-	-	509
New Taiwan Dollar	1,363,545	205,152,430	-	-	206,515,975
New Zealand Dollar	1,392,953	19,824,153	39,436,686	239,816	60,893,608
Norwegian Krone	622,279	53,639,728	7,984,866	-	62,246,873
Philippine Peso	81,678	33,376,081	10,087,494	-	43,545,253
Polish Zloty	808,623	23,947,191	34,184,478	-	58,940,292
Qatari Rial	4,645	5,016,666	-	-	5,021,311
Russian Ruble	-	8,183,172	4,076,863	-	12,260,035
Serbian Dinar	527,881	-	31,690,717	-	32,218,598
Singapore Dollar	614,595	193,381,107	12,937,667	-	206,933,369
South African Rand	1,676,254	161,803,168	3,644,168	-	167,123,590
South Korean Won	3,439,339	293,791,891	79,537,953	(27,234)	376,741,949
Sri Lanka Rupee	260,700	-	12,522,044	-	12,782,744
Swedish Krona	210,461	164,313,826	11,039,158	-	175,563,445
Swiss Franc	8,074	611,358,027	-	-	611,366,101
Thailand Baht	277,135	65,272,852	6,475,160	-	72,025,147
Turkish Lira	272,894	48,142,267	9,187,458	-	57,602,619
Ukraine Hryvnia	(111,081)	-	112,753	-	1,672
Uruguayo Peso	71,282	-	56,169,377	-	56,240,659
Total subject to foreign currency risk	**74,142,815**	**8,399,458,477**	**1,693,751,500**	**1,605,790**	**10,168,958,582**
Investments in international securities payable in U.S. dollars	-	1,416,523,414	980,346,655	(3,180,525)	2,393,689,544
Total international investment securities (including domestic securities payable in foreign currency)	**74,142,815**	**9,815,981,891**	**2,674,098,155**	**(1,574,735)**	**12,562,648,126**
Domestic investments (excluding securities payable in foreign currency)	-	8,659,684,428	6,023,066,903	2,511,699	14,685,263,030
Total fair value	**$74,142,815**	**$18,475,666,319**	**$8,697,165,058**	**$936,964**	**$27,247,911,156**

In addition to the previous table, the fair value of TRS's investments in foreign currency denominated real estate and private equity funds was $63,946,221 and $444,619,972 at June 30, 2015, respectively. Currencies included euro, British pound, Canadian dollar, Japanese yen 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 in accordance with GASB Statement No. 28.

As of June 30, 2015, 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 33 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. As of June 30, 2015, there was one 95-day term loan with a loan market value of $89,085,520.

The cash collateral received is invested in a separate account managed by the lending agent, with a weighted average maturity of 50 days at June 30, 2015. 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, 2015, TRS had outstanding loaned investment securities with a fair value of $2,896,736,153 against which it had received cash and non-cash collateral with a fair value of $2,990,363,865. The securities on loan remain on TRS's Statement of Fiduciary Net Position in their respective investment categories. As of June 30, 2015, TRS cash collateral received and reported as securities lending obligation on the Statement of Fiduciary Net Position totaled $2,888,085,411; whereas, the fair value of reinvested cash collateral reported as securities lending collateral was $2,888,069,231. 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 obtained by calling the Office of the Illinois State Treasurer at (217) 558-1250 or by visiting **www.treasurer.il.gov**.

Income earned and costs related to securities lending activities are reported on the Statement of Changes in Fiduciary Net Position. For FY15, the system earned net income of $14,754,966 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, 2015, 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, 2015, the TRS investment portfolio held the following derivatives.

Investment Derivatives	Fair Value at June 30, 2015	Change in Fair Value	Shares/Par	Notional
Rights	$798,144	($176,135)	6,879,112	$6,879,112
Warrants	14,292,973	607,035	1,946,560	1,946,560
Currency forwards	59,325,144	182,435,434	-	-
Equity futures long	-	26,981,261	17,929,021	240,677,328
Equity futures short	-	1,383,677	(131,400)	(55,122,541)
Fixed income futures long	-	15,324,282	516,086,518	618,216,803
Fixed income futures short	-	(24,353,096)	(2,373,392,813)	(2,430,408,670)
Commodity futures long	-	(13,810,779)	4,267,011	100,251,263
Commodity futures short	-	13,537,584	(26,342,900)	(66,807,434)
Equity options purchased	1,557,922	(344,650)	338,099	19,438,187
Equity options written	(737,816)	3,000,237	(153,794)	12,271,344
Currency forward options purchased	942,058	2,233,474	119,798,009	22,352,190
Currency forward options written	(1,156,101)	2,118,760	(154,302,155)	31,170,788
Options on futures purchased	56,375	(734,365)	15,398,179	44,419,851
Options on futures written	(345,188)	1,992,703	(42,000,557)	20,971,946
Swaptions purchased	5,450,546	2,618,394	825,585,291	19,963,592
Swaptions written	(5,517,632)	3,677,807	(946,333,326)	103,277,042
Inflation options written	(461,532)	(266,228)	(58,553,719)	4,974,384
Credit default swaps buying protection	-	72,785	-	-
Credit default swaps selling protection	(121,157)	(5,686,999)	378,390,073	378,390,205
Index and variance swaps	68,096	(5,069,319)	30,846,089	31,221,997
Pay fixed interest rate swaps	7,072,123	(9,634,675)	1,508,867,069	1,508,992,077
Receive fixed interest rate swaps	(1,608,798)	(642,764)	541,363,138	540,200,578
Pay fixed inflation swaps	(3,513,126)	(2,710,863)	173,335,916	169,823,164
Receive fixed inflation swaps	(748,806)	(730,620)	89,724,745	89,204,989
Grand totals	**$75,353,225**	**$191,822,940**		**$1,412,304,755**

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, 2015, TRS had currency forward purchase or sale contracts for 34 different currencies with various settlement dates.

Fair Value: As of June 30, 2015, TRS's open currency forward contracts had a net fair value (unrealized gain) of $59,325,144.

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, 2015, TRS had outstanding futures contracts with a notional value, or exposure, of ($1,593,193,251). Notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through September 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 $34,741,278 during FY15.

Type	Number of Contracts	Notional Principal
Commodity Futures		
Commodity futures - long	2,566	$100,251,263
Commodity futures - short	(1,147)	(66,807,434)
Equity Futures		
U.S. stock index futures - long	577	55,518,090
U.S. stock index futures - short	(20)	(362,500)
International equity index futures - long	5,657	185,159,238
International equity index futures - short	(3,257)	(54,760,041)
Fixed Income/Cash Equivalent Futures		
Fixed income index futures – long	3,493	444,662,555
Fixed income index futures – short	(2,820)	(539,202,016)
International fixed income index futures – long	214	34,314,048
International fixed income index futures – short	(226)	(32,724,717)
Cash equivalent (eurodollar) futures – long	561	139,240,200
Cash equivalent (eurodollar) futures – short	(7,521)	(1,858,481,937)
Total futures (net)	**(1,923)**	**($1,593,193,251)**

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, 2015, the TRS investment portfolio held equity options with notional value of $31,709,531, currency forward options with notional value of $53,522,978, inflation options with notional value of $4,974,384, and options on futures with underlying notional value of $65,391,797. Contractual principal/notional values do not represent the actual values in the Statement of Fiduciary Net Position. The contracts have various expiration dates through June 2035.

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, 2015, the fair value of all option contracts, gross of premiums received, was ($144,282). 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, 2015. 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 call options - purchased	5,799	$19,091,519
Equity put options - written	(3,774)	73,557
Equity index call options - purchased	1,104	346,668
Equity index call options - written	(336)	26,206
Equity index put options - written	(1,769)	12,171,581
Currency Forward Options		
Currency forward call options - purchased	13	15,071,024
Currency forward call options - written	35	18,772,488
Currency forward put options - purchased	3	7,281,166
Currency forward put options - written	13	12,398,300
Inflation Options		
Inflation call options - written	7	4,683,617
Inflation put options - written	10	290,767
Options on Futures		
Fixed income call options on futures USD - written	(155)	11,874,895
Fixed income put options on futures USD - purchased	410	39,691,075
Fixed income put options on futures USD - written	(107)	290,368
Fixed income call options on futures (non-dollar) - purchased	129	4,728,776
Fixed income call options on futures (non-dollar) - written	(244)	5,550,275
Fixed income put options on futures (non-dollar) - written	(129)	143,732
Commodity call options on futures USD - written	(17)	2,644,350
Commodity put options on futures USD - written	(8,900)	468,326

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, 2015, TRS had outstanding written call swaption exposure of $15,513,729, written put swaption exposure of $87,763,313, purchased call swaption exposure of $4,058,956, and purchased put swaption exposure of $15,904,636. The contracts have various maturity dates through August 2021. 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, 2015, the fair value of swaption contracts was ($67,086).

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, 2015, TRS had credit default/index swaps in its portfolio with various maturity dates through May 2046. The notional values as of June 30, 2015 included written credit default swaps (selling protection) of $378,390,205 and index swaps of $31,221,997.

Fair Value: The fair value of credit default swaps, including index swaps, held by TRS was ($53,061) as of June 30, 2015. 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, 2015, TRS held interest rate swaps in various currencies with various expiration/maturity dates ranging from 2015 to 2046. 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, 2015.

	As of June 30, 2015
Receive floating/pay fixed	$7,072,123
Receive fixed/pay floating	(1,608,798)

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, 2015, TRS was a party to inflation-linked swaps denominated in various currencies with expiration dates through January 2045. 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 ($4,261,932) as of June 30, 2015.

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, 2015.

Asset Description		Par	Gross Notional	TRS Receives	TRS Pays	Maturity Date	Fair Value 6/30/15
Pay Fixed Interest rate swaps:							
Interest rate swap	USD	274,900,000	$274,900,000	3 month LIBOR	1.30%	5/6/2017	($387,636)
Interest rate swap	USD	92,500,000	92,500,000	3 month LIBOR	1.85	5/18/2017	(610,466)
Interest rate swap	USD	59,200,000	59,200,000	3 month LIBOR	1.50	7/1/2017	(127,748)
Interest rate swap	GBP	11,200,000	17,614,245	6 month LIBOR	1.50	9/16/2017	(96,654)
Interest rate swap	USD	31,600,000	31,600,000	3 month LIBOR	1.50	10/1/2017	(48,241)
Interest rate swap	USD	41,860,000	41,879,574	3 month LIBOR	0.93	10/17/2017	89,015
Interest rate swap	USD	43,300,000	43,300,000	3 month LIBOR	1.50	12/16/2017	(230,359)
Interest rate swap	USD	236,200,000	236,200,000	3 month LIBOR	1.75	12/16/2018	(1,395,578)
Interest rate swap	USD	100,000	100,000	3 month LIBOR	2.00	12/16/2019	(763)
Interest rate swap	USD	5,300,000	5,300,000	3 month LIBOR	2.00	12/16/2020	1,829
Interest rate swap	BRL	9,100,000	2,991,912	3 month Brazilian CDI	11.68	1/4/2021	62,477
Interest rate swap	BRL	500,000	161,249	3 month Brazilian CDI	12.23	1/4/2021	291
Interest rate swap	USD	199,600,000	199,600,000	3 month LIBOR	2.25	12/16/2022	839,152
Interest rate swap	USD	39,970,000	39,970,313	3 month LIBOR	2.79	3/31/2024	(1,400,777)
Interest rate swap	USD	32,860,000	32,878,008	3 month LIBOR	2.73	7/7/2024	(951,181)
Interest rate swap	USD	13,890,000	13,896,920	3 month LIBOR	1.91	1/22/2025	633,486
Interest rate swap	USD	17,360,000	17,368,541	3 month LIBOR	1.97	1/23/2025	707,928
Interest rate swap	USD	10,240,000	10,244,735	3 month LIBOR	1.97	1/27/2025	415,749
Interest rate swap	USD	2,560,000	2,561,250	3 month LIBOR	1.94	1/29/2025	112,165
Interest rate swap	USD	2,170,000	2,171,040	3 month LIBOR	1.94	1/30/2025	94,328
Interest rate swap	USD	3,420,000	3,421,492	3 month LIBOR	1.82	2/3/2025	186,908
Interest rate swap	USD	7,050,000	7,050,110	3 month LIBOR	1.98	3/27/2025	294,950
Interest rate swap	USD	7,050,000	7,050,110	3 month LIBOR	1.99	3/27/2025	290,351
Interest rate swap	USD	16,000,000	16,000,000	3 month LIBOR	3.00	6/17/2025	154,129
Interest rate swap	USD	7,760,000	7,760,000	3 month LIBOR	2.45	7/2/2025	-
Interest rate swap	EUR	56,550,000	63,008,005	6 month EURIBOR	0.75	9/16/2025	2,805,673
Interest rate swap	GBP	9,360,000	14,720,476	6 month LIBOR	2.00	9/16/2025	284,933
Interest rate swap	USD	129,200,000	129,200,000	3 month LIBOR	2.50	12/16/2025	1,026,440
Interest rate swap	USD	19,030,000	19,030,149	3 month LIBOR	3.49	3/31/2044	(2,102,561)
Interest rate swap	GBP	8,720,000	13,713,948	6 month LIBOR	2.00	9/16/2045	1,147,884
Interest rate swap	USD	103,600,000	103,600,000	3 month LIBOR	2.75	12/16/2045	5,276,399
Total pay fixed interest rate swaps:			**$1,508,992,077**				**$7,072,123**
Receive Fixed Interest rate swaps:							
Interest rate swap	NZD	100,000,000	$68,017,629	4.00%	3 month NZD Bank Bill	12/11/2015	$239,816
Interest rate swap	MXN	1,100,000	71,796	5.60	28 day Mexican TIIE	9/6/2016	1,515
Interest rate swap	MXN	239,700,000	15,283,945	4.04	28 day Mexican TIIE	2/3/2017	(13,871)
Interest rate swap	GBP	16,000,000	25,170,199	1.25	6 month LIBOR	6/17/2017	(71,459)
Interest rate swap	BRL	41,300,000	13,047,590	12.18	3 month Brazilian CDI	1/2/2018	(247,542)
Interest rate swap	BRL	137,600,000	43,699,251	12.36	3 month Brazilian CDI	1/2/2018	(596,397)
Interest rate swap	BRL	272,800,000	87,767,147	13.03	3 month Brazilian CDI	1/2/2018	(51,550)

(continued)

(continued)

Asset Description	Par	Gross Notional	TRS Receives	TRS Pays	Maturity Date	Fair Value 6/30/15
Interest rate swap BRL	62,200,000	$20,038,135	13.22%	3 month Brazilian CDI	1/2/2018	$14,958
Interest rate swap MXN	70,000,000	4,602,082	5.70	28 day Mexican TIIE	1/18/2019	126,941
Interest rate swap GBP	7,600,000	11,974,750	2.05	6 month LIBOR	9/23/2019	(219,552)
Interest rate swap EUR	2,000,000	2,228,460	0.43	6 month EURIBOR	12/11/2019	(1,329)
Interest rate swap MXN	228,800,000	14,599,419	5.27	28 day Mexican TIIE	2/5/2020	17,486
Interest rate swap MXN	201,200,000	12,787,967	5.15	28 day Mexican TIIE	4/2/2020	(84,436)
Interest rate swap MXN	96,000,000	6,149,254	5.43	28 day Mexican TIIE	6/12/2020	19,887
Interest rate swap USD	2,300,000	2,298,099	2.00	3 month LIBOR	12/16/2020	(1,900)
Interest rate swap BRL	16,000,000	4,943,348	11.16	3 month Brazilian CDI	1/4/2021	(207,309)
Interest rate swap BRL	5,000,000	1,575,253	11.68	3 month Brazilian CDI	1/4/2021	(34,327)
Interest rate swap BRL	41,800,000	13,347,406	12.06	3 month Brazilian CDI	1/4/2021	(108,685)
Interest rate swap BRL	166,300,000	53,437,955	12.23	3 month Brazilian CDI	1/4/2021	(96,684)
Interest rate swap BRL	17,700,000	5,678,342	12.33	3 month Brazilian CDI	1/4/2021	(19,572)
Interest rate swap BRL	17,100,000	5,628,082	12.85	3 month Brazilian CDI	1/4/2021	123,318
Interest rate swap MXN	99,100,000	6,354,840	5.84	28 day Mexican TIIE	9/14/2021	37,952
Interest rate swap MXN	50,900,000	3,223,864	5.63	28 day Mexican TIIE	10/11/2021	(21,121)
Interest rate swap MXN	188,400,000	11,936,916	5.66	28 day Mexican TIIE	11/9/2021	(72,124)
Interest rate swap MXN	2,900,000	183,475	5.56	28 day Mexican TIIE	11/11/2021	(2,174)
Interest rate swap MXN	128,200,000	8,037,828	5.43	28 day Mexican TIIE	11/17/2021	(158,522)
Interest rate swap MXN	51,500,000	3,276,787	5.75	28 day Mexican TIIE	12/6/2021	(6,471)
Interest rate swap GBP	8,300,000	13,079,066	2.00	6 month LIBOR	3/18/2022	(66,136)
Interest rate swap MXN	600,000	37,455	5.75	28 day Mexican TIIE	6/5/2023	(882)
Interest rate swap JPY	1,270,000,000	10,823,373	1.00	6 month JPY LIBOR	9/18/2023	414,975
Interest rate swap JPY	360,000,000	3,065,707	1.00	6 month JPY LIBOR	3/20/2024	115,450
Interest rate swap MXN	30,000,000	1,931,625	7.74	28 day Mexican TIIE	5/29/2024	19,658
Interest rate swap MXN	78,000,000	4,952,246	7.41	28 day Mexican TIIE	8/2/2024	(18,868)
Interest rate swap MXN	17,000,000	1,062,839	5.98	28 day Mexican TIIE	8/26/2024	(23,591)
Interest rate swap GBP	1,300,000	2,045,592	2.08	6 month LIBOR	12/4/2024	9,683
Interest rate swap EUR	19,600,000	21,838,794	1.00	6 month EURIBOR	12/15/2024	217,157
Interest rate swap EUR	4,400,000	4,902,573	1.00	6 month EURIBOR	12/17/2024	48,893
Interest rate swap EUR	1,400,000	1,560,258	0.95	6 month EURIBOR	3/25/2025	27,683
Interest rate swap MXN	60,900,000	3,734,529	5.86	28 day Mexican TIIE	3/25/2025	(147,396)
Interest rate swap MXN	100,000,000	6,145,396	5.89	28 day Mexican TIIE	3/26/2025	(227,826)
Interest rate swap MXN	19,400,000	1,254,766	6.53	28 day Mexican TIIE	6/5/2025	16,530
Interest rate swap MXN	44,900,000	2,864,947	6.36	28 day Mexican TIIE	6/9/2025	(1,180)
Interest rate swap MXN	14,100,000	897,186	7.64	28 day Mexican TIIE	6/9/2025	(1,438)
Interest rate swap MXN	32,300,000	2,080,487	6.50	28 day Mexican TIIE	6/16/2025	21,193
Interest rate swap GBP	1,300,000	2,004,937	2.00	6 month LIBOR	9/16/2025	(39,574)
Interest rate swap USD	4,500,000	4,459,024	2.50	3 month LIBOR	12/16/2025	(40,976)
Interest rate swap MXN	28,000,000	1,793,908	6.77	28 day Mexican TIIE	11/29/2029	345
Interest rate swap MXN	7,200,000	422,555	5.99	28 day Mexican TIIE	1/8/2030	(37,462)

(continued)

(continued)

Asset Description	Par	Gross Notional	TRS Receives	TRS Pays	Maturity Date	Fair Value 6/30/15
Interest rate swap EUR	3,300,000	$3,256,006	1.25%	6 month EURIBOR	9/16/2045	($420,854)
Interest rate swap EUR	600,000	627,490	1.50	6 month EURIBOR	3/16/2046	(41,030)
Total receive fixed interest rate swaps:		**$540,200,578**				**($1,608,798)**
Pay Fixed Inflation-Linked Swaps:						
Inflation swap USD	2,400,000	$2,408,304	U.S. CPI URNSA	0.07%	12/22/2015	$8,304
Inflation swap USD	10,300,000	10,141,133	U.S. CPI URNSA	1.56	11/5/2016	(158,867)
Inflation swap USD	37,200,000	36,694,303	U.S. CPI URNSA	1.49	11/19/2016	(505,697)
Inflation swap USD	9,600,000	9,470,678	U.S. CPI URNSA	1.48	11/20/2016	(129,322)
Inflation swap USD	7,800,000	7,696,283	U.S. CPI URNSA	1.47	11/21/2016	(103,717)
Inflation swap USD	500,000	475,261	U.S. CPI URNSA	2.42	2/12/2017	(24,739)
Inflation swap USD	25,400,000	24,065,527	U.S. CPI URNSA	2.25	7/15/2017	(1,334,847)
Inflation swap USD	3,800,000	3,670,131	U.S. CPI URNSA	2.09	10/11/2017	(129,869)
Inflation swap USD	3,000,000	2,874,387	U.S. CPI URNSA	2.21	10/11/2018	(125,613)
Inflation swap EUR	5,000,000	5,658,916	EMU HICP	0.74	1/26/2020	87,916
Inflation swap EUR	4,900,000	5,554,090	EMU HICP	0.71	1/29/2020	94,511
Inflation swap EUR	11,000,000	12,499,595	EMU HICP	0.66	1/30/2020	243,396
Inflation swap EUR	4,500,000	5,103,252	EMU HICP	0.70	1/30/2020	89,353
Inflation swap EUR	20,200,000	22,700,690	EMU HICP	0.99	3/30/2020	193,851
Inflation swap EUR	2,000,000	2,247,881	EMU HICP	0.99	3/31/2020	19,481
Inflation swap USD	18,200,000	16,641,571	U.S. CPI URNSA	2.50	7/15/2022	(1,558,429)
Inflation swap USD	2,100,000	1,921,162	U.S. CPI URNSA	2.56	5/8/2023	(178,838)
Total Pay Fixed Inflation-Linked Swaps:		**$169,823,164**				**($3,513,126)**
Receive Fixed Inflation-Linked Swaps:						
Inflation swap USD	15,700,000	$15,603,706	2.06%	U.S. CPI URNSA	5/12/2025	($96,294)
Inflation swap EUR	11,900,000	13,272,848	1.68	France CPI ex-Tobacco Index	6/15/2025	13,869
Inflation swap EUR	4,000,000	4,437,239	1.63	France CPI ex-Tobacco Index	6/18/2025	(19,561)
Inflation swap GBP	4,050,000	6,228,295	3.14	UK Retail Price Index	1/14/2030	(141,141)
Inflation swap GBP	3,200,000	4,909,513	3.19	UK Retail Price Index	4/15/2030	(123,128)
Inflation swap GBP	1,600,000	2,498,260	3.32	UK Retail Price Index	5/15/2030	(18,060)
Inflation swap GBP	5,000,000	7,869,778	3.35	UK Retail Price Index	5/15/2030	(15,373)
Inflation swap GBP	8,010,000	12,624,894	3.40	UK Retail Price Index	6/15/2030	27,563
Inflation swap GBP	6,500,000	9,828,596	3.31	UK Retail Price Index	4/8/2035	(393,957)
Inflation swap GBP	500,000	761,604	3.34	UK Retail Price Index	4/15/2035	(24,746)
Inflation swap GBP	1,000,000	1,528,570	3.36	UK Retail Price Index	4/15/2035	(44,130)
Inflation swap GBP	1,900,000	3,056,225	3.50	UK Retail Price Index	10/15/2044	68,094
Inflation swap GBP	2,010,000	3,290,228	3.55	UK Retail Price Index	11/15/2044	16,854
Inflation swap GBP	1,030,000	1,683,297	3.55	UK Retail Price Index	12/11/2044	-
Inflation swap GBP	184,000	288,126	3.45	UK Retail Price Index	12/15/2044	(1,251)
Inflation swap GBP	400,000	646,838	3.53	UK Retail Price Index	12/15/2044	8,182
Inflation swap GBP	360,000	588,337	3.55	UK Retail Price Index	12/19/2044	-
Inflation swap GBP	60,000	88,635	3.33	UK Retail Price Index	1/12/2045	(5,727)
Total Received Fixed Inflation-Linked Swaps:		**$89,204,989**				**($748,806)**

CDI - Cetip Interbank Deposit (interbank lending rate)
CPI - Consumer Price Index
EURIBOR - Euro Interbank Offered Rate
TIIE - Mexico Interbank Equilibrium Interest Rate
CDOR - Canadian Dollar Offered Rate
EMU HICP - European Monetary Union Harmonized Index of Consumer Prices
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, 2015, the aggregate fair value of non-exchange traded derivative instruments in asset positions was $112,571,439. 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, 2015
Aa1	$3,959,495
Aa2	7,624,977
Aa3	8,890,414
A1	39,756,255
A2	16,602,334
A3	35,636,917
Baa1	101,047
Total subject to credit risk	**$112,571,439**

Although the derivative instruments held within the TRS investment portfolio are executed with various counterparties, approximately 95 percent of the net market value exposure to credit risk is for non-exchange traded derivative contracts held with 13 counterparties.

5. INVESTMENT COMMITMENTS

Investments in certain limited partnerships commit TRS to possible future capital contributions. As of June 30, 2015, TRS had remaining unfunded commitments of $5,618,165,936 within the real estate, private equity, global fixed income and real return asset classes.

6. SCHEDULE OF INVESTMENT RETURNS

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 4.0 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

	2015
Balances at June 30	$46,399,230,247

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 $62.7 billion in FY15, based on the actuarial value of assets.

2. MINIMUM RETIREMENT ANNUITY

	2015
Balances at June 30	$7,685,346

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. 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 were refunded during FY15.

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, IL 62706.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014
Total pension liability		
Service cost	$1,948,079,771	$1,894,351,211
Interest	7,864,916,421	7,561,104,814
Changes of benefit terms	-	-
Difference between expected and actual experience	(90,079,446)	39,950,212
Change of assumptions	1,136,454,886	-
Benefit payments, including refund of member contributions	(5,625,037,173)	(5,320,662,979)
Net change in total pension liability	5,234,334,459	4,174,743,258
Total pension liability - beginning	106,682,654,886	102,507,911,628
Total pension liability - ending (a)	$111,916,989,345	$106,682,654,886
Plan fiduciary net position		
Contributions - employer	$145,591,585	$158,334,598
Contributions - nonemployer contributing entity	3,377,664,945	3,438,382,892
Contributions - member	935,451,049	928,745,853
Net investment income	1,770,549,533	6,782,031,720
Benefit payments, including refund of member contributions	(5,625,037,173)	(5,320,662,979)
Administrative expense	(21,686,860)	(21,218,069)
Net change in plan fiduciary net position	582,533,079	5,965,614,015
Plan fiduciary net position - beginning	45,824,382,514	39,858,768,499
Plan fiduciary net position - ending (b)	$46,406,915,593	$45,824,382,514
Employers' net pension liability - ending (a) - (b)	$65,510,073,752	$60,858,272,372

Schedule of the Net Pension Liability for Fiscal Years:

	2015	2014
Total pension liability	$111,916,989,345	$106,682,654,886
Plan fiduciary net position	46,406,915,593	45,824,382,514
Net pension liability	$ 65,510,073,752	$60,858,272,372
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%
Covered-employee payroll	$9,641,170,627	$9,512,809,680
Net pension liability as a percentage of covered-employee payroll	679.5%	639.8%

Schedule of Investment Returns for Fiscal Years:

	2015	2014
Annual money-weighted rate of return, net of investment expense	4.0%	17.4%

Note: Information is not available prior to 2014. Additional years will be added to future reports as schedules are intended to show 10 years of historical data.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially-determined contribution (ADC)	$4,119,526	$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
Contributions in relation to the actuarially-determined contribution:*										
State	3,376,878	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
Federal & Employer Contributions	144,780	157,228	155,787	153,409	154,150	170,653	151,716	130,578	81,155	69,645
Total contributions	3,521,658	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
Contribution deficiency	$597,868	$497,272	$723,968	$871,364	$419,553	$232,132	$507,875	$779,690	$1,235,726	$1,078,051
Covered-employee payroll	$9,641,171	$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
Contributions as a percentage of covered-employee payroll	36.5%	37.8%	30.4%	27.4%	25.2%	24.3%	17.9%	13.7%	10.0%	7.7%

** 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. In all years, employer contributions for excess salary increases are included. However, employer contributions for excess sick leave, which also began in FY06, are not included because there is no assumption for excess sick leave and it is not included in the funding requirements. Beginning in FY17, a different basis for determining the actuarially-determined contribution will be used.*

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 FY15:

	For Funding per State Statute	For Determining the Actuarially-determined Contribution
Valuation Used to Determine Funding Amount:	June 30, 2013	June 30, 2013
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:	30 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

	2015	2014
Personnel services		
Salaries	$10,585,536	$10,015,342
Retirement contributions	2,361,769	2,223,899
Insurance and payroll taxes	3,519,449	3,648,898
	16,466,754	15,888,139
Professional services		
Actuarial services	272,755	569,979
External auditors	256,961	128,282
Legal services	283,973	446,242
Legislative consulting	84,000	84,000
Information systems consulting	52,883	46,150
Operations consulting	240,070	50,329
Other	6,705	15,040
	1,197,347	1,340,022
Communications		
Postage	144,639	192,065
Printing and copying	199,298	171,855
Telephone	215,442	260,206
	559,379	624,126
Other expenses		
Administrative services	176,684	298,852
Building operations and maintenance	509,740	601,630
EDP supplies and equipment	103,562	164,654
Equipment repairs, rental and maintenance	294,509	286,121
Insurance	385,240	385,017
Memberships and subscriptions	67,672	34,854
Office equipment and furniture	15,628	27,253
Office supplies	26,775	30,422
Software licenses and maintenance	554,341	350,673
Travel, conferences, education	167,951	169,425
	2,302,102	2,348,901
Depreciation expense	1,161,278	1,016,881
Total administrative expenses	$21,686,860	$21,218,069

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on page 55.

Schedule of Investment Expenses for the Years Ended June 30

	2015	2014
Investment manager fees	$267,476,920	$245,952,483
Master custodian fees		
State Street Bank and Trust Company	1,900,000	1,900,000
Consulting services		
Albourne America, L.L.C.	420,000	151,190
Callan Associates, Inc.	130,500	255,500
Courtland Partners, Ltd.	130,000	-
LP Capital Advisors, L.L.C.	-	65,000
ORG Portfolio Management, L.L.C.	28,500	-
RVK, Inc.	425,000	485,000
Real Asset Portfolio Management, L.L.C.	57,500	55,050
Risk Resources	55,055	67,116
Stout Risius Ross, Inc.	165,000	265,000
TorreyCove Capital Partners, L.L.C.	1,022,500	966,903
Legal services		
Jackson Walker, L.L.P.	330,377	461,456
Tax advisory services		
Ernst & Young, L.L.P.	90,153	66,615
KPMG Limited	7,263	10,621
Other investment expenses		
Private equity expenses	20,418,989	20,343,738
Foreign tax expense	21,400,903	16,100,190
Dividend expense	4,167,917	3,280,099
Investment activity expenses	5,765,606	5,410,584
Personnel costs	4,105,654	3,729,269
Investment analytical systems	677,194	305,129
Auditing costs	107,728	182,438
Education, meetings and travel	98,486	96,231
Research, subscriptions and memberships	16,837	15,061
Other costs	134,960	92,597
Total investment expense	$329,133,042	$300,257,270

Note: Investment manager fee detail is shown on pages 78 to 80.

Schedule of Professional Services for the Years Ended June 30

	2015	2014
Actuarial services		
Buck Consultants, L.L.C.	$257,812	$569,979
The Segal Company Midwest, Inc	14,943	0
	272,755	569,979
External auditors		
Office of the Auditor General	256,961	128,282
Legal services		
Cavanagh & O'Hara	18,537	28,895
Holland & Knight, L.L.P.	222,765	385,311
Howard & Howard Attorneys PC	7,877	7,056
Kopec White & Spooner	19,213	3,027
Loewenstein Hagen & Smith	15,581	18,734
Sorling Northrup	0	3,219
	283,973	446,242
Legislative consulting		
Leinenweber Baroni Daffada, L.L.C.	84,000	84,000
Information systems consulting		
AT&T Global Services, Inc.	320	2,700
Brent Ozar PLF, L.L.C.	0	5,500
CommVault Systems, Inc.	0	9,800
InMage Systems, Inc.	18,688	0
ISI Telemanagement Solutions	400	0
Novanis	28,675	0
CTG, Inc. of Illinois	0	28,150
The Mirazon Group, LLC	4,800	0
	52,883	46,150
Operations consulting		
CEM Benchmarking, Inc.	45,000	0
Darlington Partners, LTD	77,711	0
Graham & Hyde	284	15,094
LRWL, Inc.	55,414	15,123
Management Association	41,661	20,112
Segal Waters Public Sector	20,000	0
	240,070	50,329
Other	6,705	15,040
Total professional services	$1,197,347	$1,340,022

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

INVESTMENTS

Lt. Gov. Pierre Menard

A living legacy of the French influence on early Illinois history, Pierre Menard was born in Montreal, Canada in 1766 and became a prosperous fur trader in Kaskaskia. He served as the last president before statehood of the Illinois Territorial Council. Because of the cultural divide between French-speaking and English-speaking Illinoisans when the state entered the Union in 1818, Menard was added to the first statewide ballot and was elected the state's first lieutenant governor. Menard died in 1844 and this statue, by sculptor John Mahoney of Indianapolis, was dedicated on the **lawn of the Illinois State Capitol** in 1888.

Air Jordan

Officially known as "The Spirit," this statue of basketball superstar Michael Jordan sits outside of **Chicago's United Center**, current home of the Chicago Bulls. The statue, by sculptors Omri Amrany and Julie Roblatt-Amrany of Highland Park, depicts Jordan soaring over a defender on his way to another dunk. Jordan led Chicago to six NBA championships before retiring. Ironically, Jordan never played for the Bulls in the United Center, which opened in 1994. The statue was dedicated on the same day in 1994 when Jordan's number 23 was retired by the Bulls.

INTRODUCTION

Global financial markets provided a relatively stable investment environment for the fiscal year ended June 30, 2015. While accommodative monetary policy and strong corporate fundamentals continued to provide tailwinds to investment performance, a strong rally in the U.S. dollar challenged international investments relative to domestic assets. The System's U.S. and international equity portfolios highlighted the impact, returning 8.8 percent and (4.7) percent, respectively, net of fees for the fiscal year. TRS's real estate assets led all asset classes with a 14.5 percent net of fees return, with positive net of fee returns also achieved in the private equity, absolute return and fixed income portfolios. Overall, the TRS investment portfolio again posted a positive overall result, returning 4.6 percent, gross of fees, for the fiscal year ended June 30, 2015.

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, 2014 through June 30, 2015. A statement of detailed assets, along with their fair value, was also provided as of June 30, 2015.

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, 2015	
Total fund fair value	$46.1 billion
1-year return (net of fees)	4.0%
3-year return (net of fees)	11.2%
5-year return (net of fees)	11.4%
10-year return (net of fees)	6.6%
Percent externally managed	100.0%
Number of external managers	158
Custodian	State Street Bank and Trust Company
General consultant	RVK, Inc.

TRS is among the 30 largest public pension system in the United States according to *Pensions & Investments*.

FUND PERFORMANCE VS. BENCHMARKS AND FAIR VALUES

As of June 30, 2015, the fair value of TRS's investments as reported on the Statement of Fiduciary Net Position was $46.1 billion, an increase of $664 million from prior year. The Investment Section provides information regarding assets held by TRS in its investment portfolio at June 30, 2015 and the performance of the portfolio during the fiscal year.

TRS had a total fund annualized return of 4.6 percent, gross of fees, and 4.0 percent, net of fees, for the one-year period ended June 30, 2015. 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 lagged the policy index by 60 basis points for the year ended June 30, 2015. 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 lagged the 7.5 percent actuarial return assumption and the real rate of return expectation, which is to exceed the rate of inflation, as measured by the Consumer Price Index, by 4.5 percentage points.

Performance Summary (net of fees)

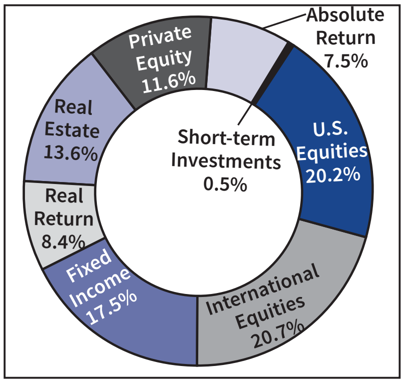
	Years ended June 30					Annualized at 6/30/15		
Asset Class / Index	2015	2014	2013	2012	2011	3 Years	5 Years	10 Years
TRS total fund	**4.0%**	**17.4%**	**12.8%**	**0.8%**	**23.6%**	**11.2%**	**11.4%**	**6.6%**
TRS weighted policy index	4.6	16.4	12.5	2.4	21.5	11.0	11.2	6.8
CPI (inflation)	0.1	2.1	1.8	1.7	3.6	1.3	1.8	2.1
TRS equity - U.S.	**8.8**	**25.5**	**23.3**	**1.0**	**32.9**	**19.0**	**17.7**	**7.9**
Russell 3000 Index	7.3	25.2	21.5	3.8	32.4	17.7	17.5	8.2
TRS equity - international	**(4.7)**	**21.6**	**13.2**	**(11.7)**	**30.3**	**9.5**	**8.6**	**5.7**
Non-U.S. Equity Index	(5.0)	22.3	13.9	(14.8)	30.3	9.8	8.0	6.0
TRS global fixed income	**3.2**	**8.2**	**6.5**	**5.7**	**8.9**	**6.0**	**6.5**	**6.5**
Barclays Capital Aggregate Index	1.9	4.4	(0.7)	7.5	3.9	1.8	3.3	4.5
TRS real return	**(2.6)**	**10.9**	**0.1**	**2.5**	**23.4**	**2.6**	**6.5**	**-**
CPI (inflation) + 5.0%*	5.1	7.2	6.8	6.7	8.7	6.4	6.9	-
TRS real estate	**14.5**	**13.7**	**12.6**	**9.9**	**17.8**	**13.6**	**13.7**	**6.9**
NCREIF Property Index	13.0	11.2	10.7	12.0	16.7	11.6	12.7	8.2
TRS private equity	**8.0**	**23.7**	**15.2**	**3.8**	**22.3**	**15.5**	**14.3**	**11.9**
Russell 3000 Index + 3.0%*	10.5	28.9	25.1	6.9	36.2	21.2	21.0	11.4
TRS absolute return	**3.9**	**9.1**	**10.5**	**2.6**	**12.4**	**7.8**	**7.6**	**-**
90-day Treasury Bill +4.0%*	4.0	4.1	4.1	4.1	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

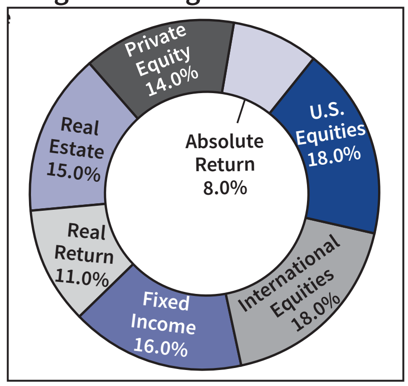
A pension fund's most important investment policy decision is the selection of its asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to manage risk effectively.

FY15 Asset Allocation



Source: TRS

Long-term Target Allocation



Source: TRS

During FY15, TRS continued implementation of the asset allocation structure adopted in June 2014. That structure focused on better controlling the overall volatility of the investment portfolio through the gradual reduction in exposure to publicly-traded equity securities. In FY15, TRS reallocated assets according to this plan by again recognizing gains and rebalancing from the public equity markets.

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, 2015.

Strategic Investment Listing
Allocation Targets vs. Total Assets

	Total Fund 6/30/2015 $ Million	As of June 30, 2015 Actual Percent	As of June 30, 2015 Interim Target	As of June 30, 2015 Long-term Policy Target	As of June 30, 2014 Actual Percent	As of June 30, 2014 Long-term Policy Target
U.S. equities	$9,285	20.2%	22.0%	18.0%	20.8%	20.0%
International equities	9,520	20.7	20.0	18.0	22.0	20.0
Global fixed income	8,052	17.5	16.0	16.0	17.1	16.0
Real return	3,886	8.4	10.0	11.0	9.0	10.0
Real estate	6,250	13.6	13.0	15.0	12.4	14.0
Private equity	5,316	11.6	11.0	14.0	11.1	12.0
Absolute return	3,472	7.5	7.0	8.0	5.8	8.0
Short-term investments	214	0.5	1.0	0.0	1.8	0.0
Pending settlements/expenses*	105	NA	NA	NA	NA	NA
Total fund	**$46,100**	**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 FY15, the TRS Board of Trustees amended and approved (effective July 1, 2015) the asset allocation structure. Long-term policy targets remained unchanged; however, interim targets included modest increases to international equity and fixed income, offset by a reduction to domestic equity. The amended structure seeks to continue the focus on the balance between private and public capital, improved diversification, and an enhanced overall fund risk/return profile.

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 difference 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 are categorized according to the manager's primary assignment on the Strategic Investment Listing. However, in the portfolio securities summary, these investments are categorized as cash and foreign currency.

Portfolio Securities Summary for the Years Ended June 30

	2015		2014	
	Fair Value	% of Total	Fair Value	% of Total
U.S. treasuries & agencies	$1,347,259,720	2.9%	$1,006,399,129	2.2%
U.S. government-backed mortgages	294,760,391	0.6	321,377,157	0.7
Municipals	23,131,615	0.1	39,018,468	0.1
Asset-backed securities	341,421,950	0.7	317,429,427	0.7
Commercial & collateralized mortgages	246,802,683	0.5	336,457,416	0.7
Commingled funds (U.S. & international)	1,737,067,407	3.8	1,530,792,546	3.4
Domestic corporate obligations	2,063,159,964	4.5	2,228,946,669	4.9
Foreign debt/corporate obligations	2,643,561,328	5.7	2,633,164,126	5.8
Total bonds, corporate notes and government obligations	**8,697,165,058**	**18.8**	**8,413,584,938**	**18.5**
U.S. equities	8,659,732,256	18.8	9,069,286,089	19.9
International equities	9,815,934,063	21.3	10,081,847,807	22.2
Total equities	**18,475,666,319**	**40.1**	**19,151,133,896**	**42.1**
Absolute return	3,471,868,205	7.5	2,618,256,628	5.8
Private equity	5,281,073,621	11.5	5,038,446,122	11.1
Real estate	6,255,857,685	13.6	5,638,680,343	12.4
Real return strategies	2,994,366,309	6.5	3,055,818,516	6.7
Derivatives - options, futures and swaps	936,964	0.0	2,805,648	0.0
Cash and cash equivalents	848,587,909	1.8	1,432,002,394	3.2
Foreign currency	74,142,815	0.2	84,850,132	0.2
TRS total portfolio	**$46,099,664,885**	**100.0%**	**$45,435,578,617**	**100.0%**

Source: State Street Bank and Trust and TRS

SECURITIES HOLDINGS (HISTORICAL)

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

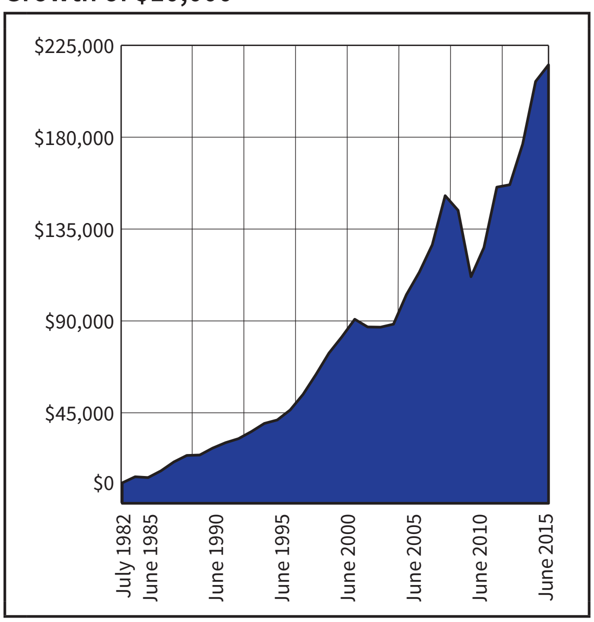
Securities Holdings for the Years Ended June 30

Asset Type	2015	2014	2013	2012	2011
Bonds, corporate notes and government obligations	18.8%	18.5%	17.3%	18.6%	18.8%
Equities - U.S.	18.8	19.9	22.0	22.8	26.4
Equities - international	21.3	22.2	21.1	20.0	19.7
Real return	6.5	6.7	6.7	7.0	7.3
Short-term investments/ currency	2.0	3.4	4.0	2.6	3.7
Absolute return	7.5	5.8	5.3	5.4	3.9
Private equity	11.5	11.1	11.8	11.4	9.6
Real estate	13.6	12.4	11.8	12.2	10.6
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

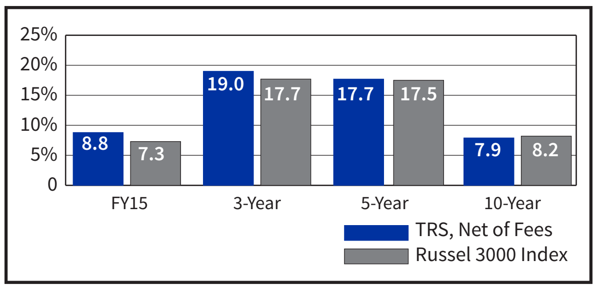
The following sections provide a brief and informative overview of the various asset classes utilized by TRS for the period ended June 30, 2015.

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, 2015, the U.S. equity asset class earned 8.8 percent on a net of fee basis compared to the Russell 3000 Index gain of 7.3 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 7.3 percent in FY15. This followed a strong 25.2 percent gain in FY14. Accommodative monetary policy and strong corporate fundamentals continued as contributors to solid equity performance. Market volatility has remained very low over the past three years. The plan's domestic equity portfolio outperformed the Russell 3000 benchmark by 1.5 percent in FY15. The portfolio has been rewarded for having fundamental characteristics (*e.g.* stronger earnings growth) superior to that of the benchmark.

The top 10 U.S. equity holdings as of June 30, 2015 follow and represent 11.7 percent of the total U.S. equity holdings. These investments represent sector diversification and include companies that are dominant within their industry. A complete listing of investment holdings is available upon request.

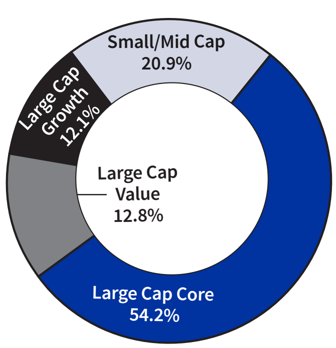
Top 10 U.S. Equity Holdings at June 30, 2015

Firm	Sector	Fair Value (USD)
Apple, Inc.	Technology	$198,220,541
Microsoft Corp.	Technology	108,849,618
Citigroup, Inc.	Financials	99,469,784
JP Morgan Chase & Co.	Financials	99,179,431
Pfizer, Inc.	Health care	97,113,543
Wells Fargo & Co.	Financials	92,023,319
Exxon Mobil Corp.	Energy	83,537,459
Johnson & Johnson	Health care	81,090,813
Amazon.com, Inc.	Consumer	78,760,856
General Electric Co.	Industrial	72,424,559
Total		**$1,010,669,923**

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, 2015.

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	14.7%	13.6%
Consumer staples	5.8	8.1
Energy	6.2	7.1
Financials	18.5	17.9
Health Care	16.8	15.1
Industrials	11.6	10.9
Materials	3.6	3.5
Technology	19.5	18.9
Telecommunication	1.2	2.0
Utilities	2.1	2.9
Total	**100.0%**	**100.0%**

Source: TRS

U.S. Equity Fundamental Characteristics	TRS U.S. Equity	Russell 3000 Index
Weighted average market cap ($ billions)	$88.3	$104.2
Price/earnings ratio	23.6x	24.7x
Dividend yield	1.8%	1.9%
Beta	1.06	1.02
5-year EPS growth	13.0%	11.9%
Price/book ratio	4.9x	5.0x

Source: State Street Bank and Trust

The policy target for U.S. equity is 18.0 percent of total fund. As of June 30, 2015, the TRS U.S. equity asset class value was $9.3 billion, or 20.2 percent of total fund. TRS employed the following U.S. equity managers during FY15.

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

	Assets
Large-Cap Core	
Herndon Capital Management, L.L.C. (3/11)	$271,826,811
J.P. Morgan Investment Management, Inc. (12/07)	784,342,898
Levin Capital Strategies, L.P. (10/10)	606,731,647
MFS Institutional Advisors, Inc. (10/10)	649,666,715
OakBrook Investments, L.L.C. (11/09)	270,226,242
RhumbLine Advisors, L.P. (8/06)	1,780,570,669
Large-Cap Value	
LSV Asset Management (9/14)	376,841,066
Robeco Boston Partners Asset Management, L.P. (3/10)	783,242,240
Large-Cap Growth	
J.P. Morgan Investment Management, Inc. (10/12)	397,716,502
T. Rowe Price Associates, Inc. (11/06)	715,286,462
Small/Mid-Cap	
Boston Company Asset Management, L.L.C. (3/09)	255,684,276
Cramer Rosenthal McGlynn, L.L.C. (3/09)	369,396,326
Emerald Advisors, Inc. (11/04)	355,206,903
Fiduciary Management Associates, L.L.C. (7/08)	193,081,299
Lombardia Capital Partners, L.L.C. (11/08)	274,913,107
LSV Asset Management (12/02)	315,066,668
RhumbLine Advisors, L.P. (5/07)	35,043,057
Emerging Manager	
Affinity Investment Advisors, L.L.C. (11/14)	26,055,359
Apex Capital Management (11/13)	31,990,945
Channing Capital Management, L.L.C. (12/11)	105,973,840
RhumbLine Advisors, L.P. (5/06)	340,400,814

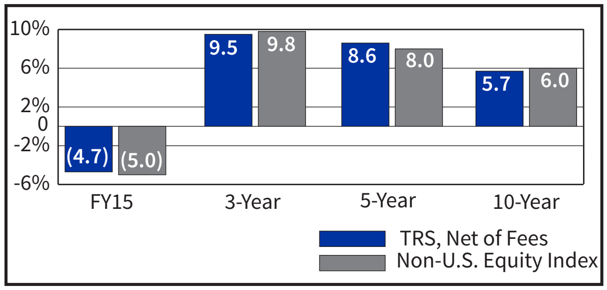
Note: The list does not include managers terminated prior to June 30, 2015 with residual assets in the account.

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, 2015, the international equity asset class declined 4.7 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) loss of 5.0 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 gave back some recent gains as a strong rally in the U.S. dollar impacted total returns. This negatively impacted non-U.S. investments as did a sell-off in commodities causing the energy sector to decline 29.4 percent. Foreign currency markets produced large losses when translated back into U.S. dollars as measured by the MSCI EAFE Currency Index, losing 14 percent. Foreign currency weakness was wide-spread across developed markets. The TRS international equity portfolio modestly outperformed the benchmark return by 0.3 percent in the fiscal year. Outperformance was attributable to the portfolio's modest overweight position to emerging market equities and further aided by its underweight exposures to certain developed market currencies, most notably the euro, Canadian and Australian dollars.

The top 10 international equity holdings as of June 30, 2015 follow and represent 7.7 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. A complete listing of investment holdings is available upon request.

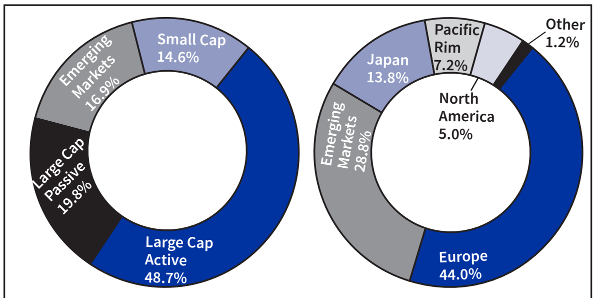
Top 10 International Holdings at June 30, 2015

Firm	Country	Fair Value (USD)
Roche Holding AG	Switzerland	$114,512,966
Novartis AG	Switzerland	101,673,333
Nestle SA	Switzerland	99,854,136
Sanofi	France	77,048,183
Samsung Electronics LTD	Korea	66,373,198
GlaxoSmithKline PLC	United Kingdom	62,744,170
Toyota Motor Corp	Japan	59,079,834
Taiwan Semiconductor LTD	Taiwan	58,114,797
Fomento Economico Mexicano SA	Mexico	57,514,633
Allergan PLC	Ireland	57,213,438
Total		**$754,128,688**

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 charts convey the asset allocation mix, regional exposure and fundamental characteristics within the international equity portfolio as of June 30, 2015.

Asset Allocation by Capitalization, Market Style and Regional Exposure



Source: TRS

International Equity Fundamental Characteristics	TRS International Equity	Non-U.S. Equity Index
Weighted average market cap ($ billions)	$43.1	$51.2
Price/earnings ratio	16.0x	16.0x
Dividend yield	2.9%	2.9%
Price/book ratio	3.6x	3.4x

Source: State Street Bank and Trust

The policy target for international equity is 18.0 percent of total fund. As of June 30, 2015, the TRS international equity asset class value was $9.5 billion, or 20.7 percent of total fund. TRS employed the following international equity managers during FY15.

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

	Assets
Large Cap Active	
Aberdeen Asset Management, Inc. (7/10)	$787,880,226
Jarislowsky, Fraser Limited (8/05)	657,404,752
LSV Asset Management (10/12)	912,085,491
McKinley Capital Management, Inc. (8/05)	933,562,524
Mondrian Investment Partners Limited (4/93)	928,526,688
Strategic Global Advisors (3/11	391,597,039
Large Cap Passive	
Northern Trust Investments, Inc. (8/10	1,869,351,100
Emerging Markets	
Aberdeen Asset Management, Inc. (3/08)	428,901,650
AQR Capital Management, LLC (7/13)	699,893,526
Axiom International Investors (5/15)	282,087,129
Northern Trust Investments, Inc. (4/13)	190,612,570
Small Cap	
DFA Investment Dimensions Group Inc. (6/11)	309,506,607
Dimensional Fund Advisors, L.P. (6/08)	401,080,669
Mondrian Investment Partners Limited (11/12)	395,851,080
Wasatch Advisors (11/14)	272,351,231
Emerging Manager	
Ativo Capital Management (3/13)	29,857,884
Lombardia Capital Partners, LLC (11/14)	27,906,760

Note: The list does not include managers terminated prior to June 30, 2015 with residual assets in the account.

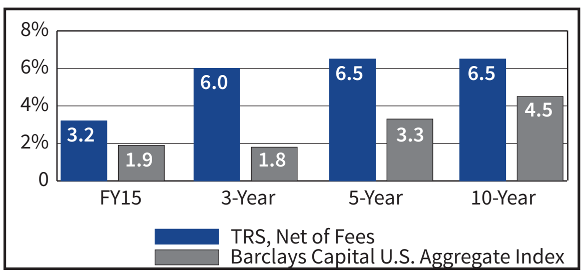
GLOBAL FIXED INCOME

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, 2015, the TRS global fixed income portfolio earned 3.2 percent on a net of fee basis compared to the Barclays Capital Aggregate Index gain of 1.9 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 Aggregate Index by 1.3 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, 2015. A complete listing of investment holdings is available as a separate report.

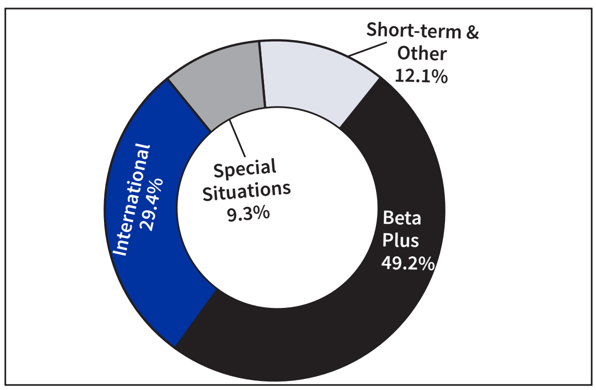
Top 10 Global Fixed Income Holdings at June 30, 2015

Security/Position	Fair Value (USD)
Franklin Templeton Emerging Market Debt Fund	$471,075,803
Pramerica Fixed Income U.S. Liquidity Relative Value Fund I	343,266,958
Apollo Lincoln Fixed Income Fund, L.P.	181,827,652
Oaktree Enhanced Income Fund, L.P.	122,901,515
PIMCO Bank Recapitalization and Value Opportunities Fund II	88,025,775
Oaktree Enhanced Income Fund II, L.P.	87,415,485
United Kingdom of Great Britain Treasury	84,799,955
PIMCO Short-Term Portfolio	83,372,491
U.S. Treasury Bond	67,630,049
U.S. Treasury Inflation Linked Note	60,279,169
Total	**$1,590,594,852**

Source: State Street Bank and Trust and TRS

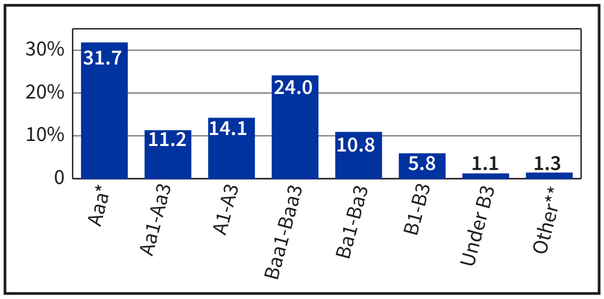
The following charts provide the asset allocation mix and statistical information on TRS's global fixed income portfolio as of June 30, 2015.

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 Characteristics	TRS Fixed Income Portfolio	Barclays Capital Aggregate Index
Average maturity	4.9 years	7.9 years
Effective duration	2.8 years	5.6 years
Average coupon	3.1%	3.2%
Average quality rating	Baa1	Aa2

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, 2015, the TRS global fixed income asset class value was $8.1 billion, or 17.5 percent of total fund. TRS employed the following fixed income managers during FY15. 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)	$181,827,652
AQR Risk Balanced Reinsurance Fund Ltd. (12/12)	11,603,433
Dolan McEniry Capital Management, L.L.C. (5/06)	296,198,712
Franklin Advisers, Inc. (2/08)	886,251,532
Franklin Templeton Investment Management Limited (12/10)	471,075,803
Garcia Hamilton & Associates, L.P. (6/10)	362,365,178
Loomis Sayles & Company, L.P. (6/08)	628,780,885
MacKay Shields L.L.C. (8/11)	697,304,571
Manulife Asset Management, L.L.C. (8/11)	420,482,106
Maranon Senior Credit Fund II-B, L.P. (6/13)	28,532,367
New Century Advisors, L.L.C. (2/08)	408,601,040
NXT Capital Senior Loan Fund II, L.P. (8/13)	36,851,486
Oaktree Enhanced Income Fund, L.P. (9/12)	122,901,515
Oaktree Enhanced Income Fund II, L.P. (5/14)	87,415,485
Oaktree Real Estate Debt Fund, L.P. (10/13)	16,193,451
Pacific Investment Management Company, L.L.C. (7/82)	1,123,221,525
Pacific Investment Management Company - Bank Recapitalization and Value Opportunities Bravo Fund, L.P. (1/11)	42,145,410
Pacific Investment Management Company - Bank Recapitalization and Value Opportunities Bravo Fund II, L.P. (3/13)	88,025,775
Pacific Investment Management Company - Horseshoe Fund, L.P. (12/14)	52,068,206
Pramerica Fixed Income U.S. Liquidity Relative Value Fund I, LTD (6/14)	343,266,958
Prudential Investment Management, Inc. (12/08)	178,690,125
Taplin, Canida & Habacht (4/13)	859,202,109
TCW Asset Management Company (8/13)	573,140,517
Vista Credit Opportunities Fund I-B, L.P. (10/14)	33,579,946
Westwood Management Corp. (6/12)	100,346,586

Note: The list does not include managers terminated prior to June 30, 2015 with residual assets in the account.

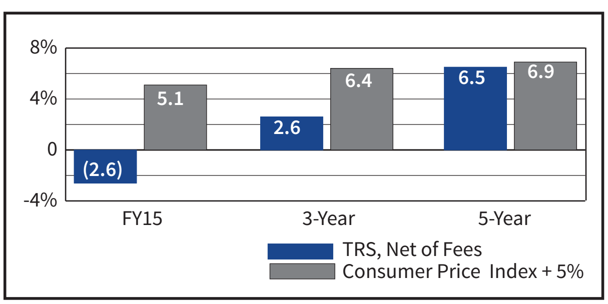
REAL RETURN

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 and 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 established for real return is 11.0 percent of the total fund. As of June 30, 2015, the TRS real return asset class value was $3.9 billion, or 8.4 percent of the total fund portfolio. For the fiscal year, TRS's real return portfolio declined 2.6 percent, net of fees, compared to the 5.1 percent return of the benchmark. Real return performance and benchmark comparisons are noted in the following chart.

Real Return vs. Benchmark Returns



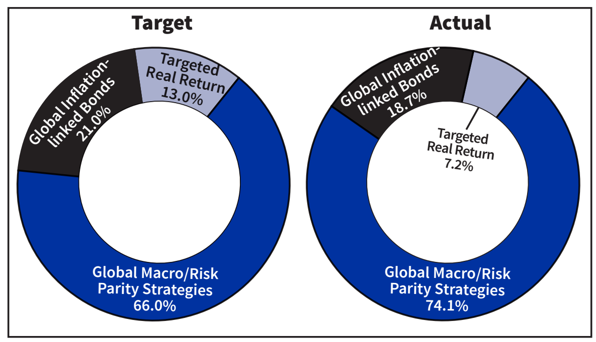
Source: State Street Bank and Trust and TRS

The real return portfolio is expected to maintain a risk/return profile between global equities and fixed income. TRS maintained an underweight position to real assets during the fiscal year.

The commodity sell off, led by the drop in oil prices, along with negative real rates contributed to the negative return in real assets for the fiscal year. 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.

The following charts provide allocation percentages of holdings within the subclasses of real return as of June 30, 2015.

Real Return Targets and Actual Allocation as of June 30, 2015



Source: TRS

As of June 30, 2015, 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	
Pacific Investment Management Company, L.L.C. (5/07)	$726,258,788
Global Macro/Risk Parity Strategies	
AQR Global Risk Premium Tactical Fund II, Ltd. (7/07)	896,372,624
Bridgewater All Weather Portfolio Limited (7/07)	880,711,259
PIMCO Global Multi-Asset Strategy Fund (12/09)	267,083,778
PIMCO Multi-Asset Volatility Fund LLC (5/13)	42,498,955
Standard Life Investments Global Asset Return Strategies Fund Ltd. (6/12)	793,243,187
Targeted Real Return	
AQR Real Return Offshore Fund, L.P. (6/12)	264,544,472
Black River Agriculture Fund 2 LP (6/13)	8,158,054
Sheridan Production Partners III-B, L.P. (11/14)	384,000
Taurus Mining Finance Fund LLC (4/15)	6,348,564

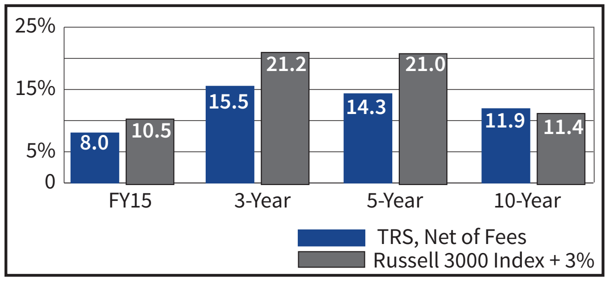
PRIVATE EQUITY

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 (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, 2015, private equity earned 8.0 percent on a net of fee basis, compared to the benchmark gain of 10.5 percent. TRS's 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 follow.

Private Equity vs. Benchmark Returns

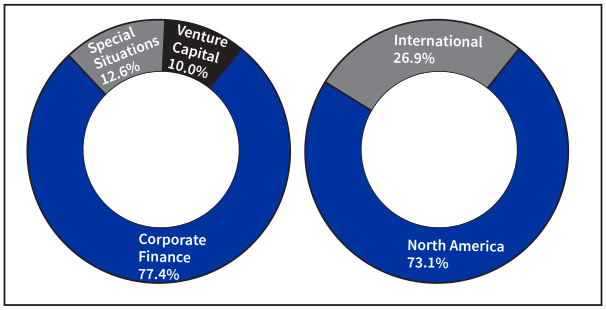


Source: State Street Bank and Trust and TRS

In June 2014, the Board of Trustees adopted a new asset allocation study that increased the private equity long-term allocation target to 14 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, 2015, $5.3 billion or 11.6 percent of the TRS investment portfolio was assigned to the private equity asset class.

TRS approved new commitments to 18 separate private equity funds totaling approximately $1.7 billion and two co-investments totaling $49 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 opportunities within the technology and energy sectors. TRS remains opportunistic with its private equity investment approach and continued the private equity secondary market program in which four private equity funds were sold in the secondary market. The following charts provide exposure percentage by investment type at June 30, 2015.

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 had investments with as of June 30, 2015.

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

	Assets
Corporate Finance	
Advent International GPE VI, L.P. (7/08)	$81,130,507
Advent International GPE VII, L.P. (12/12)	72,181,308
Apollo Investment Fund V, L.P. (5/01)	5,922,564
Apollo Investment Fund VI, L.P. (5/06)	63,368,309
Apollo Investment Fund VII, L.P. (1/08)	115,660,815
Apollo Investment Fund VII Annex A (5/12)	23,358,529
Apollo Investment Fund VIII, L.P. (12/13)	51,795,030
Banc Fund VI, L.P. (6/02)	10,217,057
Banc Fund VII, L.P. (5/05)	45,182,543
Baring Asia Private Equity Fund V, L.P. (3/11)	87,219,337
Black River Capital Partners Fund (Food), L.P. (8/11)	70,838,733
Black River Food Fund 2, L.P. (6/14)	7,423,325
Blackstone Capital Partners VI, L.P. (8/11)	112,036,567
Blackstone Capital Partners VI Annex A (10/11)	36,217,064
Carlyle Japan International Partners III, L.P. (3/15)	14,616,430
Carlyle Japan International Partners III Annex A (10/14)	18,764,479

(continued)

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	Assets
Carlyle Partners IV, L.P. (4/05)	$14,266,331
Carlyle Partners V, L.P. (7/07)	147,944,529
Carlyle Partners VI, L.P. (6/13)	81,659,943
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	17,913,048
Carlyle/Riverstone Global Energy and Power Fund III, L.P. (4/06)	28,922,768
DLJ Merchant Banking Partners II, L.P. (3/97)	259,589
Edgewater Growth Capital Partners, L.P. (11/03)	2,215,077
Edgewater Growth Capital Partners II, L.P. (2/06)	8,010,553
Edgewater Growth Capital Partners III, L.P. (9/11)	40,781,054
EIF United States Power Fund IV, L.P. (11/11)	46,062,817
Energy Capital Partners I, L.P. (4/06)	15,946,470
Energy Capital Partners II-A, L.P. (9/09)	34,725,492
Energy Capital Partners II Annex A (10/11)	56,999,959
EnerVest Energy Institutional Fund XII-A, L.P. (12/10)	38,389,076
EQT VI, L.P. (9/11)	80,462,092
Gamma, L.P. (4/15)	2,470,619
GI Partners Fund III, L.P. (1/09)	30,574,016
GI Partners Fund IV, L.P. (1/14)	19,534,159
Glencoe Capital Institutional Partners III, L.P. (6/04)	4,200,320
Glencoe Capital Partners III, L.P. (1/04)	16,649,978
Great Point Partners II, L.P. (11/13)	8,491,150
Green Equity Investors V, L.P. (8/07)	71,298,984
Green Equity Investors VI, L.P. (11/12)	131,302,922
Green Equity Investors VI Annex A (6/14)	24,999,480
GTCR Fund VII/VIIA, L.P. (3/00)	96,201
GTCR Fund VIII, L.P. (7/03)	10,194,777
ICV Partners II, L.P. (1/06)	11,249,177
ICV Partners III, L.P. (10/13)	10,840,380
IL Asia Investors, L.P. (12/14)	15,192,199
J.C. Flowers II, L.P. (2/07)	15,008,955
Littlejohn Fund IV, L.P. (7/10)	89,927,564
Madison Dearborn V, L.P. (7/06)	60,995,350
Madison Dearborn Partners VI Annex A (4/13)	40,868,941
MBK Partners Fund II, L.P. (5/09)	23,393,945
MBK Partners Fund III, L.P. (4/13)	50,841,511
MBK Partners Fund III Annex A (12/13)	87,487,745
Mesirow Capital Partners VII, L.P. (6/97)	5,696
Morgan Creek Partners Asia, L.P. (1/11)	105,618,564
NGP Natural Resources IX Annex A (11/12)	13,351,938
NGP Natural Resources X, L.P. (5/12)	76,042,860
NGP Natural Resources XI, L.P. (11/14)	4,208,247
New Mountain Partners III, L.P. (8/07)	101,227,484
New Mountain Partners IV, L.P. (12/14)	22,427,438

(continued)

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	Assets
Onex Partners III, L.P. (04/09)	$51,891,775
PAI Europe V, L.P. (4/08)	24,572,318
Palladium Equity Partners IV, L.P. (3/14)	6,058,599
Parthenon Investors IV, L.P. (4/12)	15,809,498
Parthenon Investors IV Annex A (6/15)	16,500,000
Pine Brook Capital Partners, L.P. (1/08)	37,705,300
Providence Equity Partners VI, L.P. (3/07)	84,089,823
Providence Equity Partners VI Annex A (8/12)	45,947,760
Providence Equity Partners VII, L.P. (6/12)	92,791,835
Rhone Partners IV, L.P. (1/12)	43,993,213
Riverstone/Carlyle Global Energy and Power Fund IV, L.P. (3/08)	56,777,379
Riverstone Global Energy and Power Fund V, L.P. (6/12)	189,671,567
Riverstone Global Energy and Power Fund V Annex A (11/13)	21,814,580
Riverstone Global Energy and Power Fund VI, L.P. (6/15)	(1,035,326)
Silver Lake Partners III, L.P. (8/07)	74,881,039
Silver Lake Partners IV, L.P. (10/13)	57,416,350
Siris Partners II, L.P. (1/12)	26,382,094
Siris Partners III, L.P. (5/15)	(284,079)
Stone Point Capital Trident V, L.P. (12/10)	80,588,570
Stone Point Capital Trident V Annex A (10/11)	42,099,095
Stone Point Capital Trident VI, L.P. (9/14)	15,603,638
TCW/Latin America Private Equity Partners, L.P. (5/97)	5,320
Trustbridge Partners IV, L.P. (12/11)	47,026,511
Veritas Capital Fund IV, L.P. (11/10)	111,673,841
Veritas Capital Fund IV Annex A (2/11)	10,329,233
Veritas Capital Fund V, L.P. (6/15)	22,503,026
Vicente Capital Partners Growth Equity Fund, L.P. (4/08)	13,621,052
Vista Equity Partners Fund III, L.P. (11/07)	21,684,793
Vista Equity Partners Fund IV, L.P. (10/11)	100,991,175
Vista Equity Partners Fund V, L.P. (5/14)	90,524,694
VSS Communications Partners IV, L.P. (3/05)	13,243,559
Warburg Pincus Private Equity X, L.P. (10/07)	191,239,886
Venture Capital	
21st Century Communications T-E Partners, L.P. (2/95)	119,646
Carlyle U.S. Growth Fund III, L.P. (6/07)	23,597,405
Carlyle Venture Partners II, L.P. (10/02)	46,021,843
Granite Ventures II, L.P. (5/05)	20,792,987
HealthpointCapital Partners, L.P. (6/04)	13,041,433
Hopewell Ventures, L.P. (6/04)	2,794,924
Illinois Emerging Technologies Fund, L.P. (6/04)	912,643
Institutional Venture Partners XV, L.P. (6/15)	2,574,834
JMI Equity Fund VII, L.P. (2/11)	20,208,455

(continued)

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	Assets
Lightspeed Venture Partners IX, L.P. (3/12)	$65,066,150
Lightspeed Venture Partners X, L.P. (7/14)	4,345,151
Lightspeed Venture Partners Select, L.P. (3/14)	6,928,763
LiveOak Venture Partners I, L.P. (2/13)	6,349,791
Longitude Venture Partners, L.P. (3/08)	24,926,315
Longitude Venture Partners II, L.P. (4/13)	16,734,116
Morgan Creek Partners Venture Access Fund, L.P. (1/12)	94,027,959
New Enterprise Associates 15, L.P. (3/15)	5,264,121
SCP Private Equity Partners, L.P. (5/97)	46,448
SCP Private Equity Partners II, L.P. (6/00)	29,958,138
Shasta Ventures, L.P. (1/05)	26,513,322
Shasta Ventures IV, L.P. (10/14)	1,599,661
Sofinnova Venture Partners VIII, L.P. (8/11)	34,709,765
Sofinnova Venture Partners IX, L.P. (12/14)	9,374,669
Starvest Partners, L.P. (1/09)	11,847,561
Union Grove Partners Venture Access Fund, L.P. (3/14)	10,890,015
Union Grove Partners Direct Venture Fund, L.P. (4/14)	8,197,253
VantagePoint Venture Partners IV, L.P. (6/00)	13,526,925
VantagePoint Venture Partners 2006 (Q), L.P. (12/06)	29,010,237
Special Situations	
Apollo Lincoln Private Credit Fund, L.P. (10/14)	25,068,449
Blackstone/GSO Capital Solutions Fund, L.P. (9/09)	83,945,251
Clearlake Capital Partners II, L.P. (7/09)	21,281,061
Clearlake Capital Partners III, L.P. (10/12)	47,201,231
Maranon Mezzanine Fund, L.P. (8/09)	4,599,788
Oaktree Annex A (11/10)	59,100,000
Oaktree Opportunities Fund VIII, L.P. (3/10)	56,112,077
Oaktree Opportunities Fund VIIIb, L.P. (8/11)	51,219,131
OCM Opportunities Fund V, L.P. (6/04)	1,474,269
OCM Opportunities Fund VIIb, L.P. (6/08)	11,949,121
Oaktree Opportunities Fund IX, L.P. (3/13)	94,467,924
Oaktree Opportunities Fund IX Annex A (3/13)	35,804,322
OCM European Principal Opportunities Fund II, L.P. (8/08)	30,570,856
Oaktree European Principal Fund III, L.P. (11/11)	49,670,392
Oaktree Real Estate Opportunities Fund VI, L.P. (6/13)	83,852,767
Prism Mezzanine Fund, L.P. (12/04)	8,397,325
SW Pelham Fund II, L.P. (9/03)	60,028
William Blair Mezzanine Capital Fund II, L.P. (5/97)	438,399
William Blair Mezzanine Capital Fund III, L.P. (1/00)	414,290

ABSOLUTE RETURN

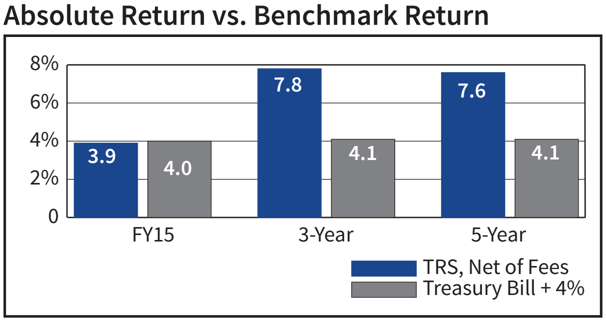
The absolute return asset class includes mandates designed to provide attractive return and risk attributes while exhibiting low correlation to traditional public equity and fixed income investments. The absolute return class was established as a result of an asset allocation study adopted in FY07.

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, 2015, the TRS absolute return asset class value was $3.5 billion, or 7.5 percent of the total fund portfolio.

For the fiscal year, TRS's absolute return portfolio earned 3.9 percent, net of fees, compared to the 4.0 percent return of the benchmark. Absolute return performance and benchmark comparisons are noted in the following chart.

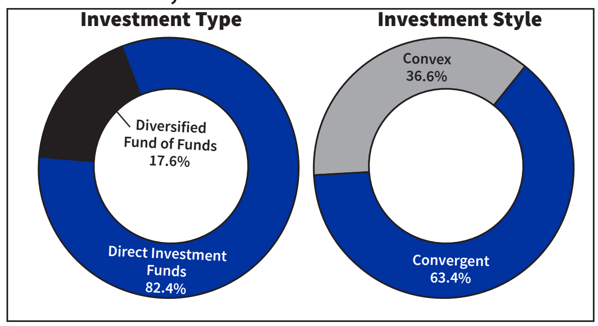
Absolute Return vs. Benchmark Return



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 absolute return portfolio has continued to reduce exposure to fund of funds and implement direct fund investments. The following charts provide further breakdown of TRS's actual allocation as of June 30, 2015.

Absolute Return Actual Allocation as of June 30, 2015



Source: TRS

As of June 30, 2015, 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 Fund of Funds	
Bluegill Liquidating Fund, L.L.C. (1/14)	$187,991,400
Grosvenor Monarch Fund, L.L.C. (6/07)	421,373,553
Direct Investment Funds	
Alphadyne Global Rates Fund II, LTD. (6/14)	294,877,730
Bluegill Liquidating Fund, L.L.C. (Class B) (1/14)	184,471,617
Brevan Howard Systematic Trading Fund, L.P. (6/15)	147,817,103
Bridgewater Pure Alpha Fund I (1/09)	352,465,450
Grosvenor Monarch Fund, L.L.C. (Series B) (3/11)	1,049,285,403
ISAM Systematic Trend, L.L.C. (6/15)	100,000,000
PDT Mosaic Offshore Holdings, L.L.C. (6/15)	150,000,000
Quadratic Capital Management, L.L.C. (4/15)	49,960,142
Robeco Transtrend Diversified Fund, L.L.C. (5/15)	139,809,819
Tourbillon Global Equities, L.L.C. (12/14)	233,609,081
Varadero International, L.P. (6/14)	160,206,906

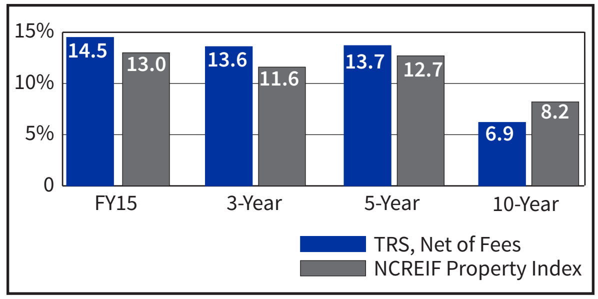
REAL ESTATE

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.

Market conditions during the fiscal year continued to support robust commercial property income returns and rising property valuations. The System continued to actively buy and sell assets with an emphasis on positioning the portfolio for current and future market cycles. The TRS investment portfolio maintains a long-term target allocation of 15.0 percent to real estate.

As of June 30, 2015, TRS held $6.3 billion in real estate assets, or 13.6 percent of the total fund portfolio. For the fiscal year, TRS's real estate portfolio earned 14.5 percent, net of fees, outpacing the National Council of Real Estate Investment Fiduciaries ("NCREIF") Index by 1.5 percent. TRS's portfolio outperformed the NCREIF Index by 2.0 percent and 1.0 percent for the respective three- and five-year periods, while lagging 1.3 percent for the 10-year period. Real estate performance and benchmark comparisons are noted in the following chart.

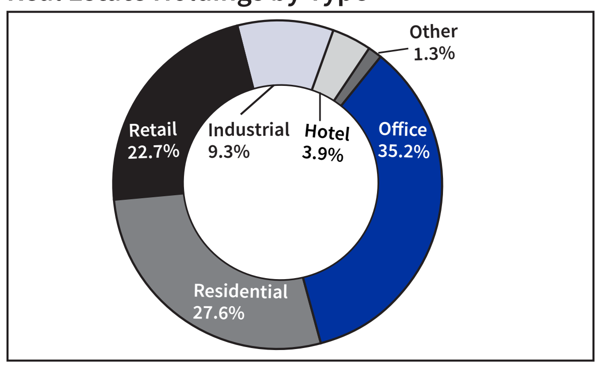
Real Estate vs. Benchmark Returns



Source: State Street Bank and Trust and TRS

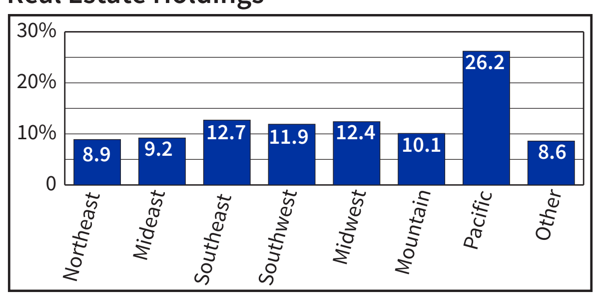
To enhance returns and reduce risk, TRS acquires high-quality properties diversified geographically and by property type. TRS's real estate holdings by type and geography as of June 30, 2015 are exhibited in the following charts.

Real Estate Holdings by Type



Source: Courtland Partners, Ltd.

Geographic Diversification of Real Estate Holdings



Source: Courtland Partners, Ltd.

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, 2015, 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)	$1,009,747,941
Cornerstone Real Estate Advisors, L.L.C. (7/08)	560,807,390
Cornerstone II S/A (7/09)	14,404,678
Cornerstone III S/A (8/09)	88,080
Heitman Capital Management, L.L.C. (7/09)	1,548,200,939
Invesco Institutional (N.A.), Inc. (7/08)	549,507,778
LPC Realty Advisors I, Ltd. (7/92)	798,651,584
LPC Realty Advisors Core, Ltd. (4/07)	242,040,512
Principal Real Estate Investors (10/13)	135,391,598
Closed-End Accounts	
Beacon Capital Strategic Partners V, L.P. (8/07)	21,192,019
Blackstone Real Estate Partners VI, L.P. (9/07)	40,169,001
Blackstone Real Estate Partners VII, L.P. (1/12)	208,421,392
Capri Capital Advisors Apartment Fund III, L.P. (11/02)	2,566,853
Capri Select Income Fund II, L.L.C. (12/05)	67,920
Carlyle Realty Partners IV, L.P. (6/05)	66,841,759
Carlyle Realty Partners VII, L.P. (7/14)	9,128,448
Cornerstone Hotel Income & Equity Fund II, L.P. (7/08)	21,223,646
IC Hospitality Fund II, L.P. (4/15)	1,006,667
JER Real Estate Qualified Partners III, L.P. (1/05)	823,691
Lone Star Real Estate Fund III (U.S.), L.P. (5/14)	29,617,557
SCG Retail Management II, L.P. (11/13)	26,137,023
Starwood X Annex A (1/15)	23,479,260
Southwest Multifamily Partners, L.P. (8/12)	25,451,719
Starwood Distressed Opportunity Fund IX, L.P. (3/13)	$118,805,385
Thayer Hotel Investors IV, L.P. (5/04)	4,667,561
Walton Street Real Estate Fund IV, L.P. (7/03)	18,989,811
Walton Street Real Estate Fund VI, L.P. (4/09)	72,965,914
Walton Street Real Estate Fund VII, L.P. (6/13)	89,135,640
Open-End Accounts	
Hines U.S. Core Office Fund, L.P. (12/05)	89,625,819
Lion Industrial Trust (4/05)	269,108,524
International Real Estate Accounts	
Blackstone Real Estate Partners Asia, L.P. (12/13)	54,451,730
BlackRock Asia Property Fund III, L.P. (12/07)	64,429,770
Carlyle Europe Real Estate Partners III, L.P. (9/07)	29,374,117
CB Richard Ellis Strategic Partners Europe Fund III, L.P. (4/07)	13,257,264
CB Richard Ellis Strategic Partners UK Fund III, L.P. (5/07)	1,946,568
Gateway Real Estate Fund IV, L.P. (7/13)	33,783,152
LaSalle Asia Opportunity Fund III, L.P. (11/07)	16,881,175
LaSalle Asia Opportunity Fund IV, L.P. (7/13)	17,439,980
Niam Nordic V, L.P. (4/12)	19,368,272

SECURITIES LENDING

As of June 30, 2015, 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 values of the securities lending activity based on type of collateral as of June 30, 2015.

Collateral Type	Cash	Non-Cash	Total
Securities on loan	$2,803,590,575	$93,145,578	$2,896,736,153
Collateral received	2,888,085,411	102,278,454	2,990,363,865
Collateralized percentage	103.0%	109.8%	103.2%
Reinvested collateral	$2,888,069,231		

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, 2015, TRS earned net income of $14.8 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 FY15	
Securities lending income	$10,166,086
Lending agent fees	(941,907)
Borrower rebates	5,530,787
Securities lending net income	$14,754,966
Loan Averages during FY15	
Available to loan	$19,971,904,061
Securities on loan	2,953,591,273
Percentage on loan	14.8%

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, 2015. TRS also manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2015, 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 FY15, TRS used $0.2 million of recaptured funds to offset expenses.

Top 50 Brokers Used by TRS Managers

Broker	Shares Traded	FY15 Commission
Merrill Lynch & Co., Inc. and all Subsidiaries (Worldwide)	175,463,674	$1,404,805
Citigroup, Inc. and all Subsidiaries (Worldwide)	337,834,848	824,457
ConvergEx Group, L.L.C.	68,568,809	570,996
J.P. Morgan Securities, Inc. (Worldwide)	63,701,851	508,554
Credit Suisse (Worldwide)	53,533,552	451,997
Instinet, L.L.C. (Worldwide)	291,076,833	440,834
Goldman Sachs & Co. (Worldwide)	107,812,127	375,082
Loop Capital Markets, L.L.C.	18,940,257	312,478
Morgan Stanley & Co., Inc. and Subsidiaries (Worldwide)	69,338,573	309,250
Macquarie Bank & Securities, Ltd. (Worldwide)	76,144,812	288,658
UBS Warburg Securities and all Subsidiaries (Worldwide)	46,152,325	253,777
Barclays (Worldwide)	16,543,080	212,737
Cabrera Capital Markets, Inc.	15,953,019	178,213
State Street Brokerage Services (Worldwide)	51,149,603	176,288
Investment Technology Group, Inc. (Worldwide)	72,455,139	165,452
Deutsche Bank & Securities (Worldwide)	77,003,863	155,255
G-Trade Services, L.L.C.	21,078,197	135,968
Telsey Advisory Group	3,541,713	115,368
Williams Capital Group, L.P.	5,587,356	113,949
Bloomberg Tradebook, L.L.C.	3,833,763	110,046
Cheevers & Co., Inc.	6,861,776	101,330
Baird, Robert W., & Company, Incorporated	2,748,169	97,094
Castle Oak Securities	3,086,300	94,103
RBC Dain Rauscher (Worldwide)	4,194,421	88,740
Jefferies & Company, Inc.	28,709,178	88,124
M. Ramsey King Securities, Inc.	3,311,704	81,586
CL King & Associates, Inc.	3,163,909	80,102
Stifel Nicolaus & Company, Inc.	2,331,572	78,873
Guzman & Company	6,969,317	74,888
Liquidnet, Inc.	12,230,977	72,802
CLSA Securities	11,125,251	72,403
Sanford Bernstein (Worldwide)	5,737,132	69,995
Raymond James and Associates, Inc. (Worldwide)	1,742,091	64,720
Credit Lyonnais Securities	18,172,817	$59,137
HSBC Bank PLC	9,252,851	57,184
Societe Generale	54,714,093	50,830
KeyBanc Capital Markets, Inc.	1,342,669	50,562
Mischler Financial Group	1,377,657	46,512
Keefe Bruyette and Wood Limited	1,158,322	44,932
Samsung Securities Co., Ltd	264,577	$44,597
Greentree Brokerage Services, Inc.	1,070,461	42,818
Drexel Hamilton, L.L.C.	1,917,781	42,452
Academy Securities, Inc.	1,708,411	40,959
Jonestrading Institutional Services, L.L.C.	1,540,955	39,246
Piper Jaffray, Inc.	938,542	37,558
Wells Fargo Securities, L.L.C.	977,570	37,512
Exane, Inc.	1,154,858	35,572
Cowen and Company, L.L.C.	1,018,214	34,273
BTIG, L.L.C.	1,952,369	33,934
Knight Direct, L.L.C.	2,145,543	33,153
All Others (181 Brokers)	663,420,299	2,160,328
Total	**2,432,053,180**	**$11,060,483**

Source: State Street Bank and Trust and TRS

INVESTMENT MANAGER AND CUSTODIAN FEES

For the year ended June 30, 2015, fee payments to external investment managers and the master custodian totaled $269.9 million.

Schedule of Fees

Investment Manager/Account	FY15
Aberdeen Asset Management, Inc.	$5,639,926
Advent International GPE VI, L.P.	539,118
Advent International GPE VII-C, L.P.	1,232,302
Affinity Investment Advisors, L.L.C.	90,548
Alphadyne Global Rates Fund II, Ltd.	11,347,579
American Century Global Investment Management, Inc.	320,779
Apex Capital Management, Inc.	211,479
Apollo Investment Fund VIII, L.P.	2,540,886
Apollo Lincoln Fixed Income Fund, L.P.	659,537
Apollo Lincoln Private Credit Fund, L.P.	67,838
AQR Capital Management, L.L.C.	9,122,268
AQR Real Return Offshore Fund, L.P.	2,079,695
AQR Risk Balanced Reinsurance Fund LTD.	224,086
Ativo Capital Management	142,714
Axiom International Investors	235,720
Banc Fund VI, L.P.	125,000
Banc Fund VII, L.P.	901,200
Baring Asia Private Equity Fund V, L.P.	1,403,058
Baring Asia Private Equity Fund VI, L.P.	810,000
Beacon Capital Strategic Partners V, L.P.	209,987
Black River Agriculture Fund 2, L.P.	1,237,500
Black River Asset Management L.L.C.	2,024,151
BlackRock Asia Property Fund III, L.P.	112,948
Blackstone Capital Partners VI, L.P.	1,018,819
Blackstone Real Estate Partners Asia, L.P.	1,500,000
Blackstone Real Estate Partners VI, L.P.	398,036
Blackstone Real Estate Partners VII, L.P.	2,817,619
Blackstone/GSO Capital Solutions Fund, L.P.	1,078,665
BlueMountain Capital Management , LLC	5,307,638
Boston Company Asset Management, L.L.C.	1,148,747
Brevan Howard Systematic Trading Fund, L.P.	45,141
Bridgewater All Weather Portfolio Offshore Limited	2,826,629
Bridgewater Pure Alpha Fund I	9,841,529
Capri Capital Advisors Apartment Fund III, L.P.	522,387
Capri Select Income II, L.L.C.	31,864
Capri/Capital Advisors, L.L.C.	4,313,956
Carlson Capital, L.P.	11,896,327
Carlyle Europe Real Estate Partners III, L.P.	587,963
Carlyle Japan International Partners III, L.P.	1,044,023

(continued)

(continued)

Investment Manager/Account	FY15
Carlyle Partners IV, L.P.	$77,605
Carlyle Partners V, L.P.	436,342
Carlyle Partners VI, L.P.	2,204,286
Carlyle Realty Partners IV, L.P.	877,376
Carlyle Realty Partners VII, L.P.	999,999
Carlyle U.S. Growth Fund III, L.P.	447,080
Carlyle/Riverstone Global Energy and Power Fund II, L.P.	206,813
Carlyle/Riverstone Global Energy and Power Fund III, L.P.	464,152
CB Richard Ellis Strategic Partners Europe Fund III, L.P.	201,586
CB Richard Ellis Strategic Partners UK Fund III, L.P.	87,467
Channing Capital Management, L.L.C.	637,235
Claren Road Credit Partners, L.P.	4,141,968
Clearlake Capital Partners II, L.P.	215,902
Clearlake Capital Partners III, L.P.	409,566
Cornerstone Hotel Income & Equity Fund II, L.P.	202,260
Cornerstone Real Estate Advisors, L.L.C.	1,579,458
Cortina Asset Management, L.L.C.	217,947
Cramer Rosenthal McGlynn, L.L.C.	1,637,865
Dimensional Fund Advisors, L.P.	4,365,730
Dolan McEniry Capital Management, L.L.C.	617,734
Edgewater Growth Capital Partners II, L.P.	207,304
Edgewater Growth Capital Partners III, L.P.	259,297
Edgewater Growth Capital Partners, L.P.	31,114
EIF United States Power Fund IV, L.P.	1,138,575
Emerald Advisers, Inc.	1,709,659
Energy Capital Partners Fund II-A, L.P.	319,256
Energy Capital Partners I, L.P.	274,794
Energy Capital Partners II, L.P.	41,470
Enervest Energy Institutional Fund XII-A, L.P.	562,796
EQT VI	1,290,911
Fiduciary Management Associates, L.L.C.	961,305
Fortress Japan Opportunity Fund III (Dollar A), L.P.	585,169
Franklin Advisers, Inc.	2,419,735
Franklin Templeton Investment Management Limited	1,860,537
Gamma, L.P.	5,299
Garcia Hamilton & Associates, L.P.	475,788

(continued)

(continued)

Investment Manager/Account	FY15
Gateway Real Estate Fund IV, LP	$875,000
GI Partners Fund III, L.P.	425,991
GI Partners Fund IV, L.P.	663,292
Glencoe Capital Partners III, L.P.	36,165
Granite Ventures II, L.P.	235,386
Great Point Partners II, L.P.	415,157
Green Equity Investors VI, L.P.	538,076
Grosvenor Monarch Fund, L.L.C.	3,145,234
GTCR Fund VIII, L.P.	89,799
Hartford Investment Management Company	122,506
HealthPoint Partners, L.P.	469,241
Heitman Capital Management, L.L.C.	5,262,442
Herndon Capital Management, L.L.C.	646,503
Hines U.S. Core Office Fund, L.P.	669,223
Hopewell Ventures, L.P.	142,739
IC Hospitality Fund II, L.P.	38,069
ICV Partners III, L.P.	138,910
IL Asia Investors, L.P.	511,781
Invesco Institutional (N.A.), Inc.	3,365,909
J.C. Flowers II, L.P.	295,459
Jarislowsky, Fraser Limited	1,106,704
JER Real Estate Qualified Partners III, L.P.	8,580
JMI Equity Fund VII, L.P.	451,232
JP Morgan Investment Management, Inc.	52,295
JP Morgan Management Associates, L.L.C.	5,641,655
LaSalle Asia Opportunity Fund III, L.P.	298,544
LaSalle Asia Opportunity Fund IV, L.P.	339,428
Levin Capital Strategies, L.P.	1,042,829
Lightspeed Venture Partners IX, L.P.	811,273
Lightspeed Venture Partners X, L.P.	233,158
Lightspeed Venture Partners Select, L.P.	41,563
Lion Industrial Trust	2,418,793
Littlejohn Fund IV, L.P.	640,376
LiveOak Venture Partners I, L.P.	450,000
Lombardia Capital Partners, L.L.C.	1,507,607
Lone Star Real Estate Partners III, L.P.	441,512
Longitude Ventures Partners, L.P.	309,838
Longitude Ventures Partners II, L.P.	543,604
Loomis, Sayles & Company, L.P.	2,045,392
LPC Realty Advisors I, Ltd.	4,238,940
LSV Asset Management	5,590,279
MacKay Shields, L.L.C.	1,705,746
Madison Dearborn V, L.P.	411,971
Magnetar Constellation Fund IV, L.L.C.	1,308,906
Manulife Asset Management, L.L.C.	1,314,624

(continued)

(continued)

Investment Manager/Account	FY15
Maranon Credit Fund II-B, L.P.	$290,759
MBK Partners Fund II, L.P.	81,498
MBK Partners Fund III, L.P.	2,367,574
McKinley Capital Management, Inc.	2,948,026
MFS Institutional Advisors, Inc.	1,121,956
Mondrian Investment Partners Limited	5,593,540
Morgan Creek Partners Asia, L.P.	1,014,080
Morgan Creek Partners Venture Access Fund, L.P.	733,434
New Century Advisors, L.L.C.	616,106
New Enterprise Associates 15, L.P.	88,618
New Mountain Investments III, L.P.	562,196
New Mountain Investments IV, L.P.	3,019,460
NGP Natural Resources X, L.P.	1,257,024
NGP Natural Resources XI, L.P.	10,113
Niam Nordic V, L.P.	384,480
Northern Trust Investments, N.A.	682,254
NXT Capital Senior Loan Fund II, L.P.	617,955
OakBrook Investments, L.L.C.	428,816
Oaktree Enhanced Income Fund, L.P.	2,025,306
Oaktree Enhanced Income Fund II, L.P.	1,012,475
Oaktree Opportunities Fund VIIIb, L.P.	695,512
Oaktree Real Estate Debt Fund, L.P.	32,103
Oaktree Real Estate Opportunities Fund VI, L.P.	1,123,531
OCM European Principal Fund III, L.P.	823,324
OCM European Principal Opportunities Fund II, L.P.	613,902
OCM Opportunities Fund V, L.P.	33,637
OCM Opportunities Fund VIIb, L.P.	245,154
OCM Opportunities Fund VIII, L.P.	775,087
OCM Opportunities Fund IX	1,600,000
Onex Partners III, L.P.	294,074
Pacific Investment Management Company, L.L.C.	6,641,793
PAI Europe V, L.P.	372,396
Palladium Equity Partners IV, L.P.	106,125
Parthenon Investors IV, L.P.	611,430
PIMCO BRAVO Fund, L.P.	742,558
PIMCO BRAVO Fund II, L.P.	800,159
PIMCO Distressed Senior Credit Opportunities Fund II, L.P.	1,612,866
Pine Brook Capital Partners, L.P.	441,615
Pine River Capital Management, L.P.	3,982,348
Principal Real Estate Investors, LLC	347,273
Prism Mezzanine Fund, L.P.	151,828
Providence Equity Partners VI, L.P.	521,979
Providence Equity Partners VII, L.P.	1,981,033

(continued)

(continued)

Investment Manager/Account	FY15
Prudential Investment Management, Inc.	$2,981,621
Quadratic Capital Management L.L.C.	62,779
Rhone Partners IV, L.P.	225,951
Rhone Partners V, L.P.	225,237
RhumbLine Advisers, L.P.	193,828
Riverstone/Carlyle Global Energy and Power Fund IV, L.P.	288,136
Riverstone/Carlyle Global Energy and Power Fund V, L.P.	2,203,882
Robeco Boston Partners Asset Management, L.P.	1,341,133
Robeco Transtrend Diversified Fund, L.L.C.	187,500
Rockpoint Real Estate Fund V, L.P.	218,493
SCP Private Equity Partners II, L.P.	355,020
Shasta Ventures, L.P.	93,333
Shasta Ventures IV, L.P.	145,556
Sheridan Production Partners III-B, L.P.	794,299
Silver Lake Partners III, L.P.	321,639
Silver Lake Partners VI, L.P.	1,937,595
Siris Partners II, L.P.	129,699
Siris Partners III, L.P.	446,661
Sky Investment Council	12,456
Sofinnova Ventures Partners VIII, L.P.	773,470
Sofinnova Ventures Partners IX, L.P.	654,148
Southwest Multifamily Partners, L.P.	312,500
Standard Life Investment Global Absolute Return Strategies Master Fund Ltd.	5,588,773
StarVest Partners, L.P.	176,317
Starwood Distressed Opportunity Fund IX Global, L.P.	2,160,887
Starwood IX Annex A	277,846
Starwood X Annex A	25,818
Starwood Opportunity Fund X Global, L.P.	1,671,781
State Street Bank and Trust Company (Custody)	1,900,000
Stone Point Capital Trident V, L.P.	886,274
Stone Point Capital Trident VI, L.P.	1,494,942
Strategic Global Advisors	1,081,614
T. Rowe Price Associates, Inc.	3,206,942
Taplin, Canida & Habacht	400,506
Taurus Mining Finance Fund L.L.C.	357,677
TCW Asset Management Company	1,842,334
Thayer Hotel Investors IV, L.P.	115,386
Tourbillon Global Equities, L.L.C.	1,831,561
Trilantic Capital Partners III, L.P.	20,236
Trilantic Capital Partners IV, L.P.	137,365
Trustbridge Partners IV, L.P.	600,000
Union Grove Partners Venture Access Fund, L.P.	680,000

(continued)

(continued)

Investment Manager/Account	FY15
Union Grove Partners Direct Venture Fund, L.P.	$120,000
Varadero International, Ltd.	3,183,235
Veritas Capital Fund IV, L.P.	236,063
Veritas Capital Fund V, L.P.	93,544
Vicente Capital Partners Growth Equity Fund, L.P.	180,659
Vista Credit Opportunities Fund I-B, L.P.	497,036
Vista Equity Partners Fund IV, L.P.	1,506,918
Vista Equity Partners Fund V, L.P.	2,419,133
VSS Communications Partners IV, L.P.	194,786
Walton Street Real Estate Fund IV, L.P.	294,872
Walton Street Real Estate Fund VI, L.P.	1,011,047
Walton Street Real Estate Fund VII, L.P.	967,226
Warburg Pincus Private Equity X, L.P.	1,098,799
Wasatch Advisors	747,568
Westwood Management Corp	707,273
WPG Corporate Development Associates V, L.P.	2,352
Total fees paid by TRS	**$269,897,876**

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

Rev. Martin Luther King, Jr.

First dedicated on the grounds of the State Capitol in 1988, this statue of a marching 26-year-old Rev. Martin Luther King, Jr. by Oak Park artist Geraldine McCullough now stands on the grounds of the **Illinois State Library in Springfield**, directly across the street from a statue of Abraham Lincoln on the Capitol steps. Together, the two sculptures preside over "Freedom Corner," an intersection that often is used for public marches, rallies and demonstrations regarding debates in the General Assembly. Dr. King is the first non-Illinois resident to be honored with a statue within the Capitol Complex.

The World's Tallest Man

Although he was considered a "normal size" baby, by the age of five Robert Wadlow, a native of Alton, stood 5 feet 6 inches tall. A rare medical condition accelerated his growth, and the man who became known as "the Gentle Giant" eventually reached the height of 8 feet, 11 inches. He is still the tallest man in recorded history, even 70 years after his death. Health complications related to his size led to his premature death at age 22. This life-size statue, by artist Ned Giberson of Glen Carbon, stands on the grounds of the **Southern Illinois University Dental School in Alton.**

Allerton Fu Dog

Allerton Park is a 1,500-acre conference center, nature preserve and outdoor art gallery in Piatt County donated to the University of Illinois in 1946 by industrialist and artist Robert Allerton. A central feature of the park is the Fu Dog Garden, a collection of 22 blue porcelain Fu Dogs created in 1932. In Chinese mythology, the Fu Dogs are actually lions or "Shi" and have safeguarded palaces, tombs and temples since 206 B.C. The **Allerton Park, near Monticello**, was once the country estate of Allerton family.

Popeye the Sailor Man

For cartoonist E. C. Segar, the people of his hometown of Chester provided him with all the inspiration he needed for his best-known creation, Popeye the Sailor Man. With his strength fueled by spinach, Popeye first debuted as a newspaper cartoon character in 1929. A series of animated cartoon shorts followed in 1933 and in the decades since, Popeye and his friends and foes have come to life on radio, television, in comic books and in a 1980 live-action motion picture starring the late Robin Williams as Popeye. In 1977, this 9-foot-tall statue was dedicated in **Chester's Elzie C. Segar Memorial Park**.

ACTUARIAL

It’s a bird! It’s a plane! It’s...

Even though **Metropolis** was founded 45 years before the Man of Steel made his comic debut in 1938, the small town on the Ohio River has been honored by DC Comics and the Illinois General Assembly as being the “official home of Superman.” This 15-foot-tall bronze statue, dedicated in 1993, dominates the town’s **Superman Square** and stands close to a Superman Museum. This is the second Superman constructed on the square. The first, made of fiberglass, was erected in 1986. The inscription on the base of the statue is “Truth, Justice, The American Way.”

Paul Bunyan

In deliberate opposition to the usual depiction of the legendary Paul Bunyan as a strong, young woodsman, this 25-foot tall fiberglass statue at **Governors State University in University Park** shows Paul as an older man exhausted after decades of chopping down trees. Artist Tony Tasset of Chicago placed Paul in a clearing, well away from any trees in a 2006 dedication.

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December 1, 2015

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, 2015

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 $108,121,825,171 as of June 30, 2015. 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, 2014, 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 and the Schedule of the Net Pension Liability on a GASB Statement No. 67 (GASB 67) basis, 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.

Board of Trustees
Teachers' Retirement System
of the State of Illinois
December 1, 2015

Although GASB 67 has replaced GASB Statement No. 25 (GASB 25), the Annual Required Contribution (ARC) under GASB 25 has been provided as requested by the State. The ARC for the fiscal year ending June 30, 2015 was developed based on the June 30, 2013 valuation. The remaining GASB 25 amortization period is 30 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes were used for the ARC and meet the parameters of GASB 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2015. 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 loss of $1,621,728,539 in FY 2015. Per statutory requirement, 20% is recognized in the actuarial value of assets as of June 30, 2015, and recognition of the remaining 80%, or $1,297,382,831, 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, 2015 valuation the total net deferral is a $971,722,948 gain, resulting in a contribution that is higher than it would be if the assets were valued at market.

Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. An analysis of the potential range of such future measurements has not been performed as it is beyond the scope of this valuation.

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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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 presented in this section are used to determine state funding requirements. The total pension liability, plan fiduciary net position and net pension liability are used for financial disclosure only and are required by GASB in Statement No. 67. For the GASB disclosure, please see the Financial Section of this report: "Notes to Financial Statements, A. Plan Description, 6. Actuarial Measurements."

Data in the tables on pages 86-94 and 96-97 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 FY15 valuation and are based on the 2015 experience analysis unless otherwise noted.

INVESTMENT RETURN

The investment return rate is 7.5 percent per annum, compounded annually, including inflation at 3.0 percent and real return at 4.5 percent. These rates were adopted in the FY14 valuation.

SALARY INCREASES

Components of the salary increase assumption include:

- inflation of: 3.0 percent, and
- real wage growth (productivity) of: 0.75 percent.

The sample annual percentage salary increases (including merit and components of increase listed previously) are:

Salary Increase Assumptions

Service	Male and Female
1 year	9.75%
2 years	7.75
3 years	7.25
4 years	6.95
5 years	6.75
10 years	5.75
15 years	4.75
20 years and above	3.75

INFLATION

Inflation is assumed to be 3.0 percent per annum and is implicit in investment and earnings progression assumptions. This rate was adopted in the FY14 valuation.

RETIREMENT AGE

Graduated rates are based on the age and the service of active members at retirement.

Sample annual retirement rates:

a) Tier I is composed of members who entered service before January 1, 2011 (includes ERO retirees):

Tier I Retirement Assumptions

	Years of Service				
Age	5-18	19-30	31	32-33	34+
54	-%	6%	8%	38%	60%
55	-	10	8	38	60
60	14	30	48	60	40
65	26	37	50	50	40
70	100	100	100	100	100

Route 66 Muffler Men

In 1962, the International Fiberglass company of Venice, California, cast a 25-foot-tall statue of Paul Bunyan to stand outside of the PB Café in Flagstaff, Ariz. More orders followed and the giants soon became popular advertisements across the U.S. for a range of businesses, especially service stations and restaurants. The giants hawked a variety of products but were best known for holding giant automobile mufflers – and that's how they became known as the "Muffler Men." There are 100s of Muffler Men throughout the country and 19 in Illinois, including the "Gemini Giant" mascot of the **Launch Pad Drive-In in Wilmington** and the **"Hot Dog" Bunyon in Atlanta**.

b) Tier II is composed of those entering service on or after January 1, 2011:

Tier II Retirement Assumptions

	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

The use of ERO among Tier I members retiring from active service is shown below:

ERO Utilization Assumptions

Years of Service on June 30 prior to Retirement	Age 54	55	56	57	58	59
19 – 30	0%	50%	58%	49%	58%	51%
31	0	65	66	44	50	64
32	0	82	52	52	38	52
33	0	10	11	12	6	8

MORTALITY

The assumed mortality rates are based on the Society of Actuaries RP-2014 mortality tables with adjustments as appropriate for TRS experience. The rates are used on a fully generational basis using projection table MP-2014. The sample rates follow and are as of the base year 2014.

The RP-2014 White Collar table is displayed with no adjustments for active members:

Mortality Assumptions

Age	Male	Female
25	0.034%	0.015%
30	0.032	0.018
40	0.044	0.033
50	0.118	0.093
55	0.196	0.141
60	0.329	0.206
65	0.581	0.312

For retirees and inactive members, the RP-2014 White Collar table with female rates is multiplied by 76 percent for ages 50-77, 106 percent for ages 78 to 114, and multiplied by 115 percent for males ages 78 to 114.

For beneficiaries, the RP-2014 table, with male and female rates is multiplied by 112 percent for ages 50-114.

For disabled members, the RP-2014 Disabled table is used:

DISABILITY

Here are the sample annual disability rates:

Disability Assumptions

Age	Male	Female
25	0.029%	0.030%
30	0.023	0.061
40	0.051	0.112
50	0.117	0.192
55	0.138	0.240
60	0.179	0.227
65	0.536	0.410

TERMINATION FROM ACTIVE SERVICE

Here are the sample annual termination rates:

Termination Assumptions

	Nonvested Members Under 5 Yrs of Service		Vested Members 5 or More Yrs of Service	
Age	Male	Female	Male	Female
25	9.5%	8.4%	6.0%	6.5%
30	8.8	11.3	2.8	5.0
40	12.3	10.8	1.7	2.2
50	16.7	11.8	1.9	1.7
55	20.7	17.0	5.0	3.8
60	16.4	16.9	4.6	4.0
65	30.2	35.0	4.6	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.

Severance Pay Assumptions

Percent Retiring with Severance Pay	Severance Pay as a Percent of Other Pensionable Earnings in Last Year of Service
20%	2.5%

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. The sample purchases at retirement follow.

Optional Service Assumptions

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.204 years
20	0.537 years
25	1.029 years
30	1.424 years
34 or more	None

UNUSED AND UNCOMPENSATED SICK LEAVE

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

The sample amounts of sick leave at retirement are:

Sick Leave Assumptions

Years of Service at Retirement	Sick Leave Service Credit
20	0.938 years
25	1.115 years
30	1.276 years
34	1.450 years
35 or more	None

ACTUARIAL COST METHOD

The actuarial cost method is projected unit credit. Gains and losses are reflected in the unfunded liability, which was adopted in the FY89 valuation as required by Public Act 86-0273.

ASSET VALUATION METHOD

The practice of 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, 2015
Based on actuarial value of assets	
Total actuarial accrued liability	$108,121,825
Less actuarial value of assets*	45,435,193
Unfunded liability	**62,686,632**
Funded ratio*	42.0%
Based on fair value of assets	
Total actuarial accrued liability	108,121,825
Less assets at fair value	46,406,916
Unfunded liability	**$61,714,909**
Funded ratio	42.9%

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

ANALYSIS OF FINANCIAL EXPERIENCE: RECONCILIATION OF UNFUNDED LIABILITY

The $1.1 billion net increase in the 2015 unfunded liability 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 $2.0 billion and was the most significant factor in the increase in the unfunded liability.

Changes in actuarial assumptions also increased the unfunded liability. The 2015 experience analysis, discussed later in this section, resulted in an increase in the unfunded liability of $0.586 billion.

Actuarial gains occurred under some of the other assumptions, meaning that experience was more favorable (less costly) than assumed. The most significant gain was due to investment returns on the actuarial value of assets. Net gains on investments from 2015 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. Other actuarial gains were due to actual salary increases that were lower than assumed and a greater number of deaths than expected. Gains were somewhat offset by losses due to more teachers retiring than expected, fewer teachers terminating service than expected, and former teachers coming back into service. The net experience gain in 2015 was $1.5 billion.

Reconciliation of Unfunded Liability

Reconciliation of Unfunded Actuarial Accrued Liability	Year Ended June 30, 2015
Unfunded liability at beginning of year	$61,589,612,006
Additions	
Employer cost in excess of contributions	1,992,652,465
Change in actuarial assumptions and methods	586,418,960
Net additions	**2,579,071,425**
Actuarial losses (gains) compared to assumptions	
Salary increases for continuing active members	(468,541,235)
Asset gain on actuarial value of assets[1]	(1,354,881,665)
New entrant loss	5,168,927
Mortality other than expected	(45,647,175)
Retirements other than expected	302,761,415
Disabilities other than expected	(13,393,193)
Terminations other than expected	56,862,195
Rehires	13,630,966
Other[2]	21,988,860
Net actuarial losses (gain)	**(1,482,050,905)**
Unfunded liability at end of year	**$62,686,632,526**

1. *Assets were expected to earn 7.5 percent. This item is the difference between the expected and the actual return on an actuarial basis. For example, in FY15, the expected actuarial returns of $3.117 billion was less than the $4.472 billion actual return on assets, resulting in an actuarial gain which reduced the unfunded pension benefit obligation by $1.355 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).*

ACTUARIAL EXPERIENCE ANALYSIS

In an actuarial experience analysis, a retirement system's assumptions about future events are compared to its experience to determine whether the assumptions should be revised. In 2015, TRS actuaries conducted an analysis for the three years ending June 30, 2014. Based on their study, the actuaries recommended changes in assumptions that were adopted by the Board of Trustees in the June 30, 2015 actuarial valuation.

The following factors increased the unfunded liability:

- Updated mortality assumptions
- Higher rates of retirement

Other factors decreased the unfunded liability:

- Lower salary increases and lower severance pay
- Higher termination rates
- Lower rates of disability retirement
- Lower utilization of the Early Retirement Option
- Lower utilization of optional service and sick leave for service credit
- Lower Tier II cost-of-living increases and pay caps

The net effect of all the changes in assumptions was an increase in the June 30, 2015 unfunded liability of $586 million.

No change was recommended for the assumed rate of return on investments or its components. In the June 30, 2014 actuarial valuation, the rate of return assumption was lowered from 8.0 percent to 7.5 percent. In 2014, the inflation component of the assumed rate of return on investments was lowered from 3.25 percent to 3.0 percent, and the real return assumption was lowered from 4.75 percent to 4.5 percent.

ACTUARIAL STANDARDS AND ILLINOIS STATE PENSION FUNDING

In 2012, the TRS Board of Trustees resolved to begin certifying state funding amounts that were in accordance with generally accepted actuarial principles and standards. These amounts have been submitted in addition to the amounts calculated under Illinois law. The Board's purpose is to illustrate the gap between sound funding policy and current practice.

Additional amounts certified by the Board from 2012 through 2014 would have begun amortizing the unfunded liability over an open 30-year period or would have stabilized it by paying the accruing interest. Over time, however, actuarial standards have evolved and become more stringent.

In 2015, the Board adopted the actuary's recommendation to shorten the amortization period under its alternative certification to 20 years. In this scenario, the amortization payments would increase by 2 percent per year, which is the actuary's estimate of the increase in Illinois revenue. Subsequent increases in the unfunded liability would be amortized over subsequent 20-year periods (layered amortization). Additionally, the actuarial accrued liability and the employer's normal cost would be calculated under the entry age normal actuarial cost method, which is widely used in the public sector. Entry age would assign costs more evenly over an employee's career. It would replace the projected unit credit actuarial cost method that is required under current law. The projected unit credit method has the effect of backloading the cost of a member's service and deferring contributions, thereby leading to higher costs in the long run.

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 FY15 actuarial valuation was used to determine the required FY17 State contributions and the FY17 employer’s normal cost.

The FY17 state funding requirement under the current statutory funding plan is the certification submitted by TRS 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 on January 15, 2016.

FY17 State Funding Requirements Under Current Statutory Funding Plan

Benefit Trust Reserve (excludes federal and school district contributions)	$3,985,783,351
Minimum benefit reserve	800,000
Total State funding amount	**$3,986,583,351**
Employer’s normal cost as a percentage of active member payroll	8.27%

The FY17 amount below is an additional proposed certification submitted by TRS to the state actuary, governor, and General Assembly. It was calculated under the same actuarial assumptions as the amount under the current statutory funding plan.

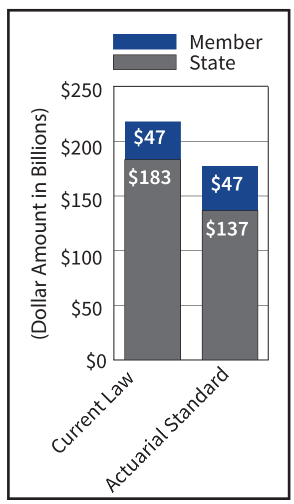
Additional FY17 State Funding Certification Under Actuarial Standards

Benefit Trust Reserve (excludes federal and school district contributions)	$6,070,173,314
Minimum benefit reserve	800,000
Total State funding amount	**$6,070,973,314**

The additional certification is based on the entry age normal actuarial cost method and bases the amortization payment on a 20-year closed period, with future amortization payments assumed to increase by 2.0 percent per year. The funding requirement initially is much higher than current law because it begins reducing the unfunded liability.

Over time, however, funding based on this actuarial standard greatly reduces state contributions. It reduces the finance charges that occur under the current statutory plan.

State and Member Required Contributions FY17-FY45



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]
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
2015	**108,121,825**	**45,435,193**	**46,406,916**	**62,686,632**	**61,714,909**	**42.0**	**42.9**

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
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
2015	**9,641,171**	**62,686,632**	**650.2**

** 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						
Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits) (2)	Active Members Employer Portion (3)	Actuarial Value of Assets*	Percentage of Benefits Covered by Net Assets (1)	(2)	(3)
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	-
2015	**9,281,893**	**70,545,782**	**28,294,150**	**45,435,193**	**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
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
2015	**3,376,878**	**144,780**	**3,521,658**	**4,119,526**	**85.5**	**3,497,366**	**100.7**

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. In all years, employer contributions for excess salary increases are included. However, employer contributions for excess sick leave are not included because there is no assumption for excess sick leave and it is not included in the funding requirements. The FY15 state contribution reflects a $35 million reduction in the originally-certified state contribution under Public Act 98-0674, which increased federal contributions and reduced state contributions.*

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. A different comparison will be used beginning in FY17 due to the Board's adoption of a more stringent actuarial funding calculation for its alternative certification.

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
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
2015	**112,333**	**5,789**	**3,200**	**114,922**	**5,718,110,055**	**5.3%**	**49,756**	**2.9**

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
2015	**162,158,193**	**237,388,307**	**111,541,227**

Source: TRS

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

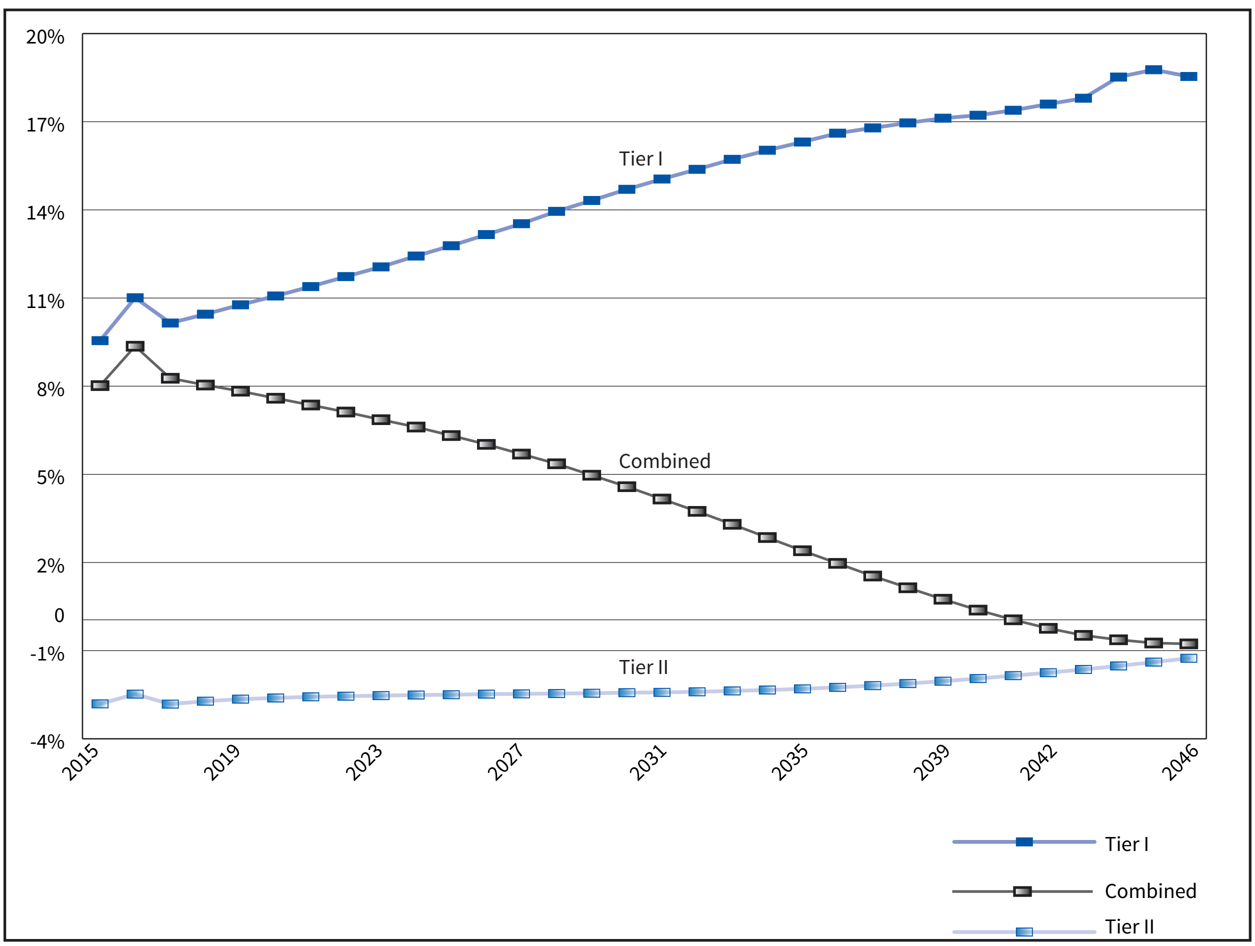
Public Act 96-0889 established a new tier of benefits for teachers who first contribute to TRS or another reciprocal pension system on or after January 1, 2011. Tier II teachers have later retirement dates, longer vesting requirements, salary caps for pensions lower than the Social Security wage base, 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 employer normal cost rate measures the employer's cost of the benefits being earned by active teachers during the year and is net of the teacher's contribution. It does not include any contributions towards the unfunded liability. The chart below shows that while the combined employer normal cost of both tiers in 2015 is just over 8 percent of pay, the cost of Tier II is negative and stays negative through 2045.

As more Tier II members enter TRS, the combined employer normal cost continues to fall. By 2042, the combined employer normal cost is negative. In the meantime, the cost of Tier I, which is a closed group, continues to increase as Tier I members age and accrue more service. Tier II members also age and accrue more service, but all new entrants are assumed to be Tier II, keeping the average age of the group more steady. The increases in employer normal cost for both tiers is a function of the projected unit credit actuarial cost method required by the Illinois Pension Code. The increases in employer normal cost also reflect increased life expectancy as mortality improvements are phased in.

Since Tier II members pay more than the cost of their own benefits, they help pay for Tier I benefits.

Employer Normal Cost by Tier

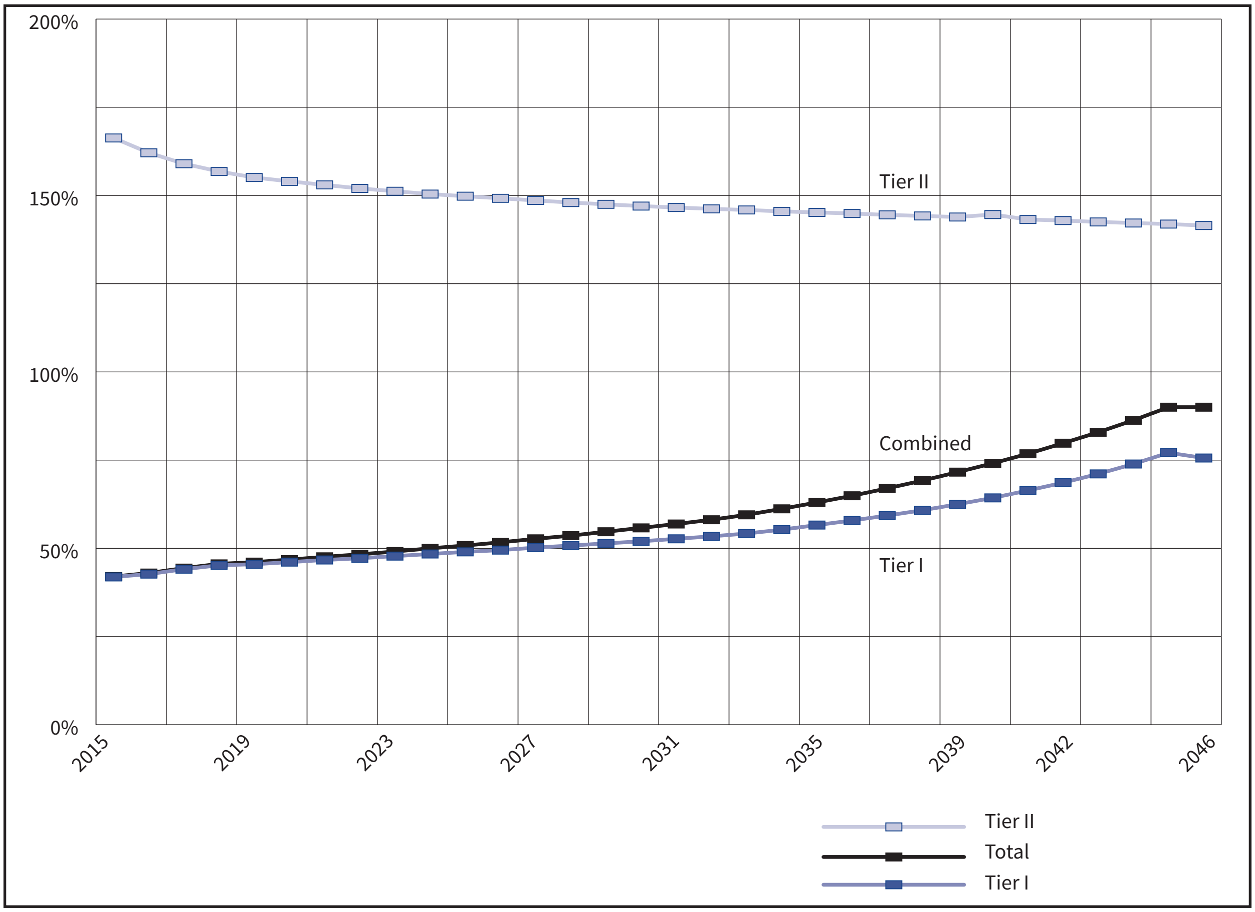


Note: Employer normal cost includes employer contributions of 0.58 percent of pay for the 2.2 formula. Combined rate includes administrative expenses.

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 77 percent funded and Tier II would be 142 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*		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Under 5	Members	**26,698**	**25,191**	**24,812**	**25,733**	**27,960**	**33,487**	**37,293**	**42,725**	**41,244**	**40,930**
	Salary	$47,796	$46,845	$46,058	$46,222	$47,292	$46,324	$45,464	$44,916	$43,446	$42,404
5-9	Members	**29,798**	**33,028**	**34,682**	**35,071**	**34,626**	**34,529**	**33,494**	**31,959**	**30,520**	**28,847**
	Salary	$58,935	$58,540	$58,027	$57,741	$57,416	$57,105	$55,945	$55,436	$53,062	$51,314
10-14	Members	**29,214**	**28,747**	**28,503**	**28,105**	**26,865**	**25,051**	**23,133**	**21,395**	**20,469**	**20,222**
	Salary	$70,589	$70,233	$69,686	$68,751	$67,691	$66,788	$65,168	$64,705	$62,447	$60,476
15-19	Members	**21,421**	**19,917**	**19,406**	**18,610**	**17,935**	**17,790**	**17,417**	**14,753**	**14,422**	**14,086**
	Salary	$80,737	$79,921	$79,295	$78,328	$77,268	$76,001	$73,770	$71,802	$69,368	$67,343
20-24	Members	**13,877**	**13,562**	**12,280**	**11,834**	**11,682**	**11,391**	**11,084**	**10,447**	**9,814**	**9,619**
	Salary	$89,591	$88,037	$86,235	$84,904	$83,563	$82,184	$79,805	$78,080	$74,894	$72,531
25-29	Members	**7,908**	**7,827**	**7,913**	**7,940**	**7,834**	**7,786**	**7,790**	**8,654**	**9,484**	**10,349**
	Salary	$94,510	$93,016	$91,735	$89,986	$88,416	$86,566	$84,282	$82,013	$78,831	$76,616
30-34	Members	**3,970**	**3,941**	**4,247**	**4,826**	**5,839**	**6,554**	**6,858**	**5,763**	**5,301**	**6,134**
	Salary	$100,785	$98,807	$96,966	$94,665	$93,299	$91,077	$87,973	$85,738	$82,508	$83,165
35 +	Members	**731**	**809**	**889**	**994**	**1,179**	**1,251**	**1,265**	**790**	**694**	**785**
	Salary	$105,372	$103,533	$101,293	$98,140	$98,678	$95,486	$90,698	$88,478	$84,065	$84,524
	Total Members	**133,617**	**133,022**	**132,732**	**133,113**	**133,920**	**137,839**	**138,334**	**136,486**	**131,948**	**130,972**
	Salary	$69,538	$68,556	$67,558	$66,696	$66,044	$64,385	$62,319	$60,254	$58,116	$56,916
	% Change salary	**1.4%**	**1.5%**	**1.3%**	**1.0%**	**2.6%**	**3.3%**	**3.4%**	**3.7%**	**2.1%**	**3.0%**
	Total payroll full & part-time	**$9,291,458,946**	**$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**

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.

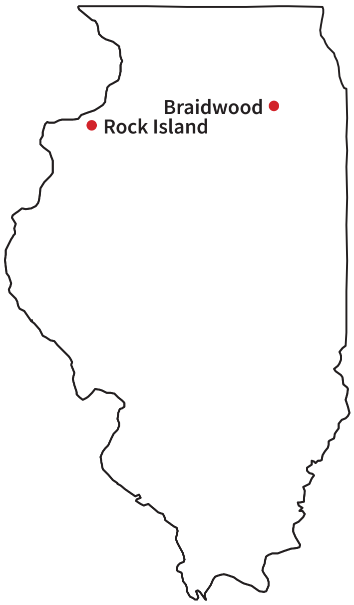
** From FY06-FY08, years of service increments were as follows: 0-5, 6-10, 11-15, 16-20, 21-25, 26-30, 31-35, and 35+. However, figures for those years are not restated.*

Average Annual Salary and Age for Active Members by Years of Service as of June 30, 2015

Age		Subs	Years of Service											Full and Part-time Member Totals
			Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50+	
20-24	Members	2,071	3,184	-	-	-	-	-	-	-	-	-	-	3,184
	Salary	$5,268	$41,145											$41,145
25-29	Members	3,350	11,827	4,418	-	-	-	-	-	-	-	-	-	16,245
	Salary	$5,485	$45,818	$53,517										$47,912
30-34	Members	2,351	4,617	12,655	5,129	-	-	-	-	-	-	-	-	22,401
	Salary	$5,211	$49,593	$58,714	$67,315									$58,803
35-39	Members	2,474	2,322	4,828	10,958	3,737	-	-	-	-	-	-	-	21,845
	Salary	$4,941	$51,223	$61,004	$70,930	$79,458								$68,100
40-44	Members	3,300	1,945	2,889	4,770	8,117	2,505	-	-	-	-	-	-	20,226
	Salary	$5,203	$50,493	$60,802	$72,027	$82,151	$88,645							$74,474
45-49	Members	3,301	1,250	2,113	3,053	3,706	5,699	1,608	-	-	-	-	-	17,429
	Salary	$5,341	$51,479	$60,601	$71,849	$81,655	$90,384	$93,752						$79,191
50-54	Members	2,961	812	1,556	2,430	2,397	2,546	3,651	1,438	-	-	-	-	14,830
	Salary	$5,261	$52,105	$60,643	$70,079	$78,469	$90,047	$94,727	$100,082					$81,867
55-59	Members	2,691	472	887	1,861	2,119	1,969	1,809	2,043	303	-	-	-	11,463
	Salary	$5,779	$62,754	$61,551	$70,399	$78,703	$87,566	$94,542	$101,018	$99,501				$83,920
60-64	Members	2,014	214	360	842	1,111	943	688	400	257	70	-	-	4,885
	Salary	$5,389	$78,140	$64,903	$73,529	$79,671	$90,378	$94,986	$102,997	$109,329	$106,301			$85,533
65-69	Members	1,067	47	82	158	220	194	139	82	36	39	7	-	1,004
	Salary	$5,274	$77,594	$68,122	$79,599	$84,188	$89,154	$95,566	$97,513	$114,307	$110,325	$143,967		$87,980
70-74	Members	315	4	7	11	12	18	12	6	4	4	4	1	83
	Salary	$5,335	$73,020	$61,420	$74,243	$89,043	$85,002	$88,172	$86,677	$110,316	$110,313	$77,226	$100,322	$84,423
Over 74	Members	195	4	3	2	2	3	1	1	1	1	1	3	22
	Salary	$4,561	$26,281	$35,259	$77,142	$71,374	$74,983	$63,014	$103,063	$66,238	$150,274	$127,098	$92,932	$69,153
	Total Members	**26,090**	**26,698**	**29,798**	**29,214**	**21,421**	**13,877**	**7,908**	**3,970**	**601**	**114**	**12**	**4**	**133,617**
	Salary	$5,318	$47,796	$58,935	$70,589	$80,737	$89,581	$94,510	$100,785	$104,607	$108,204	$120,314	$94,779	$69,538

Source: TRS

	Average Age	Average Years of Service	Members
Full and part-time members	42	13	133,617
Substitutes	44	4	26,090
All	42	11	159,707



Briefcase Full of Blues

Following their first appearance on Saturday Night Live in 1976, interest in The Blues Brothers grew to include best-selling record albums, popular movies and sold-out concert tours, as well as an elaborate mythology based firmly in Illinois. Created by comedians Dan Aykroyd and John Belushi, Blues musicians Jake and Elwood Blues were raised in an orphanage in Rock Island, before moving to Chicago. Jake earned the nickname "Joliet" following his many years in the former Joliet Correctional Center. Statues of the brothers can be found outside the **Polka Dot Drive-In in Braidwood** and in **downtown Rock Island.**

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 licensure. 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.

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 FY15, 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, as well as those who elected to participate in Medicare during a 2004 referendum, do contribute to Medicare.
Contributions for Retiree Health Insurance	During FY15, members contributed 1.02% 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 FY15 Tier II limit was $111, 571.63. 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 FY15, 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.

Buffaloes on Parade

Modeled after the highly successful 1999 “Cows on Parade” campaign in Chicago, **Buffalo Grove** launched a “Buffaloes on Parade” in 2001, featuring 20 individualized and painted buffaloes scattered around the community. Fourteen years later, about a dozen of the buffaloes remain on display.

World’s Largest Catsup Bottle

Constructed in 1949 in **Collinsville**, the water tower for the Brooks Catsup factory was purposely designed to resemble a Brooks Catsup bottle. It is an example of mid-20th Century “novelty architecture” and quickly became a landmark in Southwestern Illinois and beyond. While the factory no longer produces Brooks Catsup, the world’s largest catsup bottle was restored in 1995 and added to the National Register of Historic Places in 2002.

STATISTICAL

Formal Rooster

For the last 40 years, a 10-foot-tall statue of a rooster in a top hat has welcomed visitors to **Carl's Bakery and Café in East Peoria** and attracted international attention as the "world's largest rooster." The 52-year-old bakery and the rooster have been featured on the Food Network's "Ace of Cakes" show.

Elephant's Graveyard

In the early 1970s, an elephant named Norma Jean was one of the star attractions of the traveling Clark and Walters Circus. During a visit to **Oquawka** in July of 1972, Norma Jean's trainer "Possum Red" was leading the 6,500-pound elephant through the town square during a thunderstorm when lightning struck and killed Norma Jean. Possum Red was thrown 30 feet from the strike, but was otherwise unharmed. Norma Jean was buried where she fell. The town erected a 12-foot high gravestone topped by a concrete elephant. An annual community celebration is held in Norma Jean's memory.

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 as of June 30, 2015*

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**	**184**	**277**	**324**	**466**	**649**	**590**	**644**	**882**	**74**	**17**	**3**	**4,110**	**61**
	Average current benefit	$262	$744	$1,501	$2,341	$3,354	$4,349	$5,661	$6,237	$6,655	$7,850	$10,791	$3,985	
	Average original benefit	$262	$744	$1,501	$2,338	$3,343	$4,333	$5,646	$6,237	$6,655	$7,850	$10,791	$3,978	
1 – 4	**Retirees**	**946**	**1,671**	**1,698**	**1,719**	**2,803**	**2,673**	**3,567**	**5,102**	**499**	**78**	**12**	**20,768**	**63**
	Average current benefit	$300	$792	$1,495	$2,372	$3,293	$4,467	$5,734	$6,222	$7,266	$8,255	$13,101	$4,142	
	Average original benefit	$282	$741	$1,401	$2,235	$3,136	$4,245	$5,465	$6,029	$6,838	$7,809	$12,275	$3,962	
5 – 9	**Retirees**	**929**	**1,697**	**1,560**	**1,546**	**2,463**	**2,477**	**5,890**	**5,586**	**361**	**59**	**5**	**22,573**	**66**
	Average current benefit	$311	$742	$1,409	$2,385	$3,358	$4,533	$6,097	$6,496	$7,027	$7,588	$10,761	$4,526	
	Average original benefit	$255	$610	$1,156	$1,968	$2,784	$3,752	$5,000	$5,440	$5,763	$6,318	$8,974	$3,748	
10 –14	**Retirees**	**848**	**1,032**	**1,053**	**963**	**2,214**	**2,671**	**11,469**	**4,348**	**281**	**44**	**5**	**24,928**	**70**
	Average current benefit	$290	$723	$1,394	$2,306	$3,237	$4,580	$6,295	$6,869	$6,778	$7,247	$7,402	$5,151	
	Average original benefit	$205	$512	$991	$1,644	$2,322	$3,288	$4,535	$4,918	$4,839	$5,229	$5,221	$3,701	
15 – 19	**Retirees**	**566**	**582**	**453**	**420**	**1,033**	**1,157**	**2,534**	**1,935**	**243**	**17**	**1**	**8,941**	**75**
	Average current benefit	$329	$729	$1,170	$2,006	$2,877	$4,217	$5,881	$6,568	$6,799	$6,744	$9,510	$4,387	
	Average original benefit	$203	$445	$719	$1,244	$1,804	$2,650	$3,758	$4,111	$4,069	$4,209	$6,191	$2,762	
20 – 24	**Retirees**	**300**	**376**	**406**	**372**	**766**	**1,310**	**2,007**	**3,623**	**4,875**	**11**	**3**	**14,049**	**79**
	Average current benefit	$272	$706	$1,120	$1,494	$2,205	$2,845	$3,765	$4,970	$5,585	$5,339	$4,482	$4,245	
	Average original benefit	$144	$369	$580	$773	$1,141	$1,495	$1,992	$2,657	$3,022	$2,800	$2,313	$2,273	
25 –29	**Retirees**	**135**	**233**	**332**	**357**	**1,012**	**861**	**1,123**	**843**	**47**	**6**	**-**	**4,949**	**86**
	Average current benefit	$246	$576	$995	$1,549	$2,230	$3,022	$4,273	$5,305	$5,658	$4,889	-	$3,127	
	Average original benefit	$111	$252	$445	$699	$1,028	$1,393	$1,974	$2,449	$2,663	$2,222	-	$1,441	
30 – 34	**Retirees**	**35**	**62**	**164**	**198**	**567**	**476**	**516**	**360**	**21**	**-**	**-**	**2,399**	**90**
	Average current benefit	$223	$460	$815	$1,296	$1,848	$2,527	$3,580	$4,671	$3,903	-	-	$2,621	
	Average original benefit	$87	$163	$308	$501	$734	$1,018	$1,444	$1,910	$1,550	-	-	$1,054	
35 – 39	**Retirees**	**9**	**10**	**41**	**52**	**194**	**152**	**105**	**96**	**12**	**1**	**-**	**672**	**95**
	Average current benefit	$211	$323	$666	$1,048	$1,307	$1,836	$2,473	$2,905	$2,975	$2,359	-	$1,780	
	Average original benefit	$73	$53	$210	$351	$446	$649	$886	$1,032	$1,050	$849	-	$623	
40 – 44	**Retirees**	**1**	**-**	**5**	**6**	**29**	**24**	**14**	**22**	**1**	**1**	**-**	**103**	**99**
	Average current benefit	$45	-	$670	$1,003	$1,141	$1,336	$1,586	$2,771	$3,116	$2,366	-	$1,585	
	Average original benefit	-	-	$174	$258	$321	$365	$453	$866	$985	$718	-	$462	
45 – 49	**Retirees**	**-**	**-**	**-**	**-**	**4**	**2**	**2**	**-**	**-**	**-**	**-**	**8**	**103**
	Average current benefit	-	-	-	-	$1,044	$1,259	$1,519	-	-	-	-	$1,217	
	Average original benefit	-	-	-	-	$181	$169	$391	-	-	-	-	$231	
Over 50	**Retirees**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**90**
	Average current benefit	-	-	$497	-	-	-	-	-	-	-	-	$497	
	Average original benefit	-	-	$136	-	-	-	-	-	-	-	-	$136	
	Total retirees	**3,953**	**5,940**	**6,037**	**6,099**	**11,734**	**12,393**	**27,871**	**22,797**	**6,414**	**234**	**29**	**103,501**	
	Average current benefit	**$298**	**$739**	**$1,353**	**$2,188**	**$2,991**	**$4,090**	**$5,798**	**$6,168**	**$5,897**	**$7,484**	**$10,460**	**$4,396**	
	Average original benefit	**$228**	**$585**	**$1,074**	**$1,760**	**$2,322**	**$3,130**	**$4,348**	**$4,759**	**$3,623**	**$6,251**	**$9,096**	**$3,307**	

* *Represents monthly benefit*

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Additions										
Member contributions*	$935,451	$928,746	$921,423	$917,661	$909,577	$899,401	$876,182	$865,400	$826,249	$799,034
State of Illinois	3,377,665	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
Employer contributions**	145,591	158,335	157,179	154,895	155,111	171,421	152,329	130,673	115,915	123,543
Investment income (loss) net of expenses	1,770,550	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
Total additions to/reductions from plan net position	6,229,257	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
Deductions										
Benefit payments	5,536,399	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
Refunds	88,638	95,456	88,398	84,635	76,587	60,350	53,709	60,286	59,732	57,967
Administrative expenses	21,687	21,218	20,257	19,012	17,792	16,951	17,388	16,613	15,245	15,303
Total deductions from plan net position	**5,646,724**	**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**
Changes in net position restricted for pensions										
Beginning 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
Net increase (decrease)	582,534	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
End of year	**$46,406,916**	**$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**

** Member contributions include contributions for purchases of optional service, early retirement and upgrades to the 2.2 formula.*

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

Benefit and Refund Deductions from Net Position by Type, Last 10 Fiscal Years ($ thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Type of benefit										
Retirement	$5,281,221	$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
Survivor	224,779	208,424	192,390	177,422	163,910	151,074	140,695	130,369	121,822	112,902
Disability	30,399	30,627	30,309	29,227	28,226	27,098	26,322	25,505	24,575	23,165
Total benefits	**5,536,399**	**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**
Type of refund										
Withdrawals	29,789	33,128	30,194	25,563	22,528	17,149	17,357	17,280	17,147	17,155
Death benefits and excess contribution refunds paid to survivors	17,881	20,633	16,764	18,415	16,404	15,161	15,076	17,182	17,081	16,747
2.2 and optional service	17,855	19,331	20,053	20,988	19,861	15,050	11,013	14,082	14,145	12,666
Survivor contributions refunded to retirees	10,197	10,990	10,780	10,358	10,252	7,967	6,916	8,522	8,808	10,198
ERO and other	12,916	11,374	10,607	9,311	7,542	5,023	3,347	3,220	2,551	1,201
Total refunds	**$88,638**	**$95,456**	**$88,398**	**$84,635**	**$76,587**	**$60,350**	**$53,709**	**$60,286**	**$59,732**	**$57,967**

Employee and Employer Contribution Rates, Last 10 Fiscal Years

		Employer Rate (%)[1]			
Fiscal Year	Employee Rate (%)	State[2]	School Districts for 2.2 Formula	School Districts from Federal Sources[3]	Total[4]
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
2015	**9.40**	**32.42**	**0.58**	**0.58**	**33.58**

1. *Employer contributions exclude contributions for the Early Retirement Option.*
2. *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 – FY15 were based on the statutory formula. The FY15 total employer rate is the same as originally certified by the TRS Board of Trustees but the state component is lower and the federal component is higher than originally certified due to PA 98-0674.*
3. *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, 35.41 percent in FY14, and 33.00 percent in FY15.*
4. *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, 2015 (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	-	-	-	-	-	-	37	16	53	-	-	-	37	16	53	70%	30%	100%
20-24	-	-	-	-	-	-	3	6	9	1,118	4,137	5,255	1,121	4,143	5,264	21	79	100
25-30	-	-	-	1	1	2	2	6	8	4,532	15,063	19,595	4,535	15,070	19,605	23	77	100
30-34	-	-	-	-	13	13	2	4	6	5,974	18,778	24,752	5,976	18,795	24,771	24	76	100
35-39	-	-	-	-	28	28	3	15	18	6,105	18,214	24,319	6,108	18,257	24,365	25	75	100
40-44	-	-	-	12	42	54	17	13	30	5,806	17,720	23,526	5,835	17,775	23,610	25	75	100
45-49	-	-	-	15	94	109	15	31	46	4,884	15,846	20,730	4,914	15,971	20,885	24	76	100
50-54	6	23	29	33	110	143	38	75	113	3,885	13,906	17,791	3,962	14,114	18,076	22	78	100
55-59	1,219	3,583	4,802	37	170	207	99	169	268	2,681	11,473	14,154	4,036	15,395	19,431	21	79	100
60-64	4,855	16,833	21,688	28	165	193	207	400	607	1,515	5,384	6,899	6,605	22,782	29,387	22	78	100
65-69	8,793	20,923	29,716	31	113	144	409	767	1,176	652	1,419	2,071	9,885	23,222	33,107	30	70	100
70-74	6,863	12,953	19,816	18	54	72	457	1,103	1,560	176	276	452	7,514	14,386	21,900	34	66	100
75-79	4,254	7,432	11,686	6	33	39	437	1,259	1,696	65	57	122	4,762	8,781	13,543	35	65	100
80-84	2,987	4,740	7,727	6	29	35	515	1,394	1,909	18	10	28	3,526	6,173	9,699	36	64	100
85-89	1,643	3,332	4,975	4	6	10	381	1,235	1,616	2	2	4	2,030	4,575	6,605	31	69	100
90+	660	2,402	3,062	-	9	9	323	925	1,248	2	7	9	985	3,343	4,328	23	77	100
Total:	31,280	72,221	103,501	191	867	1,058	2,945	7,418	10,363	37,415	122,292	159,707	71,831	202,798	274,629	26%	74%	100%

Benefit Recipients by Type as of June 30, 2015

		Type of Monthly Benefit					Subtypes of Age Retirement Benefit						
Monthly Benefit Range	Number of Recipients (all)	Retirement	Disability Retirement	Non-occupational Disability	Occupational Disability	Survivor Monthly Benefits	Regular 2.2 Flat Form.	Grad. Form.	Actuarial Benefit Style	ERO (2.2 & Grad. Form.)	ERI (State or TRS)	Other	Retirement Total
Under $500	6,596	5,523	5	1	-	1,067	1,184	1,531	2,803	3	1	1	5,523
$500 - $999	7,425	5,468	47	2	-	1,908	900	1,425	3,062	22	44	15	5,468
$1,000 - $1,499	6,819	5,046	152	18	-	1,603	1,046	1,424	2,250	150	156	20	5,046
$1,500 - $1,999	7,092	5,154	241	73	-	1,624	1,309	1,141	1,772	605	300	27	5,154
$2,000 - $2,499	7,213	5,603	113	89	-	1,408	1,681	1,008	1,269	1,089	530	26	5,603
$2,500 - $2,999	7,223	6,000	72	49	1	1,101	1,956	897	982	1,389	742	34	6,000
$3,000 - $3,499	7,178	6,411	39	34	1	693	2,309	673	662	1,763	972	32	6,411
$3,500 - $3,999	7,722	7,229	28	17	-	448	2,847	685	520	2,044	1,083	50	7,229
$4,000 - $4,499	8,302	8,014	21	10	-	257	3,287	777	419	2,421	1,029	81	8,014
$4,500 - $4,999	8,302	8,188	11	1	-	102	3,382	821	374	2,488	1,027	96	8,188
$5,000 - $5,499	8,034	7,968	8	-	-	58	3,360	758	330	2,489	930	101	7,968
$5,500 - $5,999	6,977	6,931	9	-	-	37	2,911	733	226	2,353	601	107	6,931
$6,000 - $6,499	5,414	5,382	8	-	-	24	2,278	664	175	1,696	478	91	5,382
$6,500 - $6,999	4,601	4,583	3	-	-	15	1,947	598	119	1,409	426	84	4,583
$7,000 - $7,499	3,847	3,836	3	-	-	8	1,662	465	105	1,156	382	66	3,836
$7,500 - $7,999	3,251	3,246	-	-	1	4	1,341	402	67	1,116	261	59	3,246
$8,000- $8,499	2,529	2,528	-	-	-	1	1,018	366	43	888	174	39	2,528
$8,500 - $8,999	1,949	1,949	-	-	-	-	777	255	52	705	112	48	1,949
$9,000 - $9,499	1,382	1,380	-	-	-	2	550	191	25	496	89	29	1,380
$9,500 - $9,999	975	974	-	-	-	1	374	144	28	354	51	23	974
$10,000 or more	2,091	2,088	1	-	-	2	862	402	46	601	109	68	2,088
Total benefit recipients:	**114,922**	**103,501**	**761**	**294**	**3**	**10,363**	**36,981**	**15,360**	**15,329**	**25,237**	**9,497**	**1,097**	**103,501**

Summary Statistics, all Benefit Recipients, as of June 30, 2015

	Age Retirement	Disability Benefits (3 types)	Survivor Benefits
Average Monthly Benefit	$4,396	$2,257	$1,849
Average Age	70	59	77
Average Service Credit*	28	16	10

** For survivor, average years receiving benefit*

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
36%	15%	15%	24%	9%	1%	100%

Average Benefit Payments for New Retirees, Last 10 Fiscal Years

Retirement Effective Dates		Years of Service: Under 5	5 –9	10 –14	15 – 19	20 –24	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, 2014 through June 30, 2015	**Average monthly benefit**	**$262**	**$744**	**$1,499**	**$2,338**	**$3,342**	**$4,331**	**$5,641**	**$6,237**	**$7,003**	**$3,977**	**age 61**	**25 years**
	Average final average salary	$55,476	$39,421	$56,937	$69,664	$81,069	$87,776	$95,675	$99,309	$100,159	$81,522		
	Number of retired members	185	277	325	466	651	591	647	882	94	4,118		
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		

Principal Participating Employers

		Year ended June 30, 2015			Year ended June 30, 2006		
Participating Employer	City	Rank	Covered Employees	Percentage of Total TRS Membership	Rank	Covered Employees	Percentage of Total TRS Membership
District U46	Elgin	1	3,018	1.9%	1	3,017	1.9%
Indian Prairie CUSD 204	Naperville	2	2,486	1.6	2	2,561	1.6
Rockford School District 205	Rockford	3	2,355	1.5	3	2,275	1.4
Plainfield SD 202	Plainfield	4	2,287	1.4	4	2,092	1.3
Naperville CUSD 203	Naperville	5	1,810	1.1	5	1,713	1.1
Community USD 300	Algonquin	6	1,740	1.1	10	1,404	0.9
Valley View CUSD 365	Romeoville	7	1,639	1.1	9	1,411	0.9
Schaumburg CCSD 54	Schaumburg	8	1,487	0.9	8	1,416	0.9
Waukegan CUSD 60	Waukegan	9	1,471	0.9	-	-	-
Oswego CUSD 308	Oswego	10	1,451	0.9	-	-	-
Peoria SD 150	Peoria	-	-	-	6	1,566	1.0
Springfield SD 186	Springfield	-	-	-	7	1,427	0.9
Total, largest 10 employers			**19,744**	**12.4%**		**18,882**	**11.9%**
All other (996 employers in 2015* 1,022 employers in 2006)			139,963	87.6		140,390	88.1
Grand Total			**159,707**	**100.0%**		**159,272**	**100.0%**

*Other Employers by Type as of June 30, 2015	Number of Other Employers	Other Covered Employees
Local school districts	845	132,831
Special districts	134	6,480
State agencies	17	652
Total, all employers other than largest 10	**996**	**139,963**

Total Employers by Type as of June 30, 2015	Total Number of Employers	Total Covered Employees
Local school districts	855	152,575
Special districts	134	6,480
State agencies	17	652
Total, all employers	**1,006**	**159,707**

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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Printed by the Authority of the State of Illinois.
150- Pub1 - 12/15
$7.20 per copy