

# Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2000



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

## **Mission Statement**

*The Teachers' Retirement System of the State of Illinois will prudently invest and manage retirement funds and impartially administer benefits in a manner that demonstrates fiduciary responsibility, integrity and commitment to excellent service.*

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## **Fiscal Year Highlights**

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	<b>2000</b>	<b>1999</b>
Active contributing members	144,975	142,186
Inactive noncontributing members	66,025	59,271
Benefit recipients	<u>62,122</u>	<u>60,308</u>
Total membership	273,122	261,765
Actuarial accrued liability (AAL)	\$35,886,404,000	\$33,205,513,000
Less net assets held in trust for pension benefits	<u>\$24,481,413,000</u>	<u>\$22,237,709,000</u>
Unfunded actuarial accrued liability (UAAL)	\$11,404,991,000	\$10,967,804,000
Funded ratio (actuarial value of assets/AAL)	68.2%	67.0%
Total fund investment return (net of fees)	10.6%	10.8%
<u>Benefits and refunds paid</u>		
Benefits paid	\$1,402,246,044	\$1,284,126,616
Refunds paid	<u>\$28,797,054</u>	<u>\$25,858,851</u>
Total	\$1,431,043,098	\$1,309,985,467
<u>Income</u>		
Member contributions*	\$619,622,840	\$866,375,866
Employer contributions (includes State of Illinois contributions)	\$730,597,239	\$636,595,933
Net investment income	<u>\$2,336,217,123</u>	<u>\$2,089,660,969</u>
Total	\$3,686,437,202	\$3,592,632,768

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



***Teachers' Retirement System of the State of Illinois***

***a component unit of the State of Illinois***

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***Comprehensive Annual Financial Report***

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***for the fiscal year ended June 30, 2000***

*Created through the cooperative efforts of TRS staff.*

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Teachers' Retirement System of the State of Illinois

P.O. Box 19253, 2815 West Washington

Springfield, Illinois 62794-9253

[www.trs.state.il.us](http://www.trs.state.il.us)

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# Introductory Section

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Certificate of Achievement  
Letter of Transmittal  
Executive Director's Letter  
Board of Trustees  
Organizational Structure  
Consulting and Professional Services

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement  
System of the State of  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1999

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



*Anne Spray Kinney*  
President

*Jeffrey L. Esser*  
Executive Director





## Teachers' Retirement System of the State of Illinois

- 2815 West Washington, P.O. Box 19253, Springfield, Illinois 62794-9253 •
- 4200 Commerce Court, Suite 100, Lisle, Illinois 60532-3611 •

### Telephone numbers

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### Web site

[www.trs.state.il.us](http://www.trs.state.il.us)

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### Executive Director

Keith Bozarth

•

### Board of Trustees

Glenn W. McGee  
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Stuart Levine  
Highland Park

Cynthia O'Neill  
Carlyle

Molly Phalen  
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TRS is an  
AA, EEO, ADA  
employer.



## Letter of Transmittal

December 1, 2000

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

I am pleased to present the *Comprehensive Annual Financial Report* for the Teachers' Retirement System of the State of Illinois (TRS) for the fiscal year ended June 30, 2000. TRS' management and staff are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of TRS as of June 30, 2000.

This report consists of five sections:

- The Introductory Section contains this letter of transmittal, identification of the TRS Board of Trustees and organizational structure, a report from our executive director that outlines the major activities of the past year and plans for the future, the Certificate of Achievement for Excellence in Financial Reporting, and consulting and professional service providers.
- The Financial Section contains the independent auditors' report, the financial statements and related notes, and required supplemental schedules.
- The Investment Section contains information detailing TRS' performance, investment managers, and the TRS investment portfolio.
- The Actuarial Section contains the actuary's letter of certification, results of the latest actuarial valuation, certain statistical information on members and benefit recipients, and a plan summary including any changes in the plan.
- The Statistical Section contains information and additional statistical data pertaining to benefit recipients and historical data on revenue and expenses.

## Financial Information

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



## Revenues and Funding

Sources of funding TRS include member contributions, investment income, and employer contributions through state appropriations and payments by school districts. At June 30, 2000, net assets available to pay benefits grew to \$24.5 billion.

One source of funding is contributions from 144,975 active members who contributed 9 percent of their earnings through June 30, 2000. Members also may make contributions to purchase optional service credit, to upgrade their pre-July 1998 service credit to the 2.2 percent benefit formula, and for the Early Retirement Option (ERO). In FY00, member contribution revenue totaled \$620 million, a \$246 million decrease from the previous year. The decrease is a result of fewer irrevocable Payroll Deduction Program agreements entered into by members to pay for their 2.2 upgrade cost and to purchase optional service credit. Net investment income increased \$246 million to \$2,336 million, a 10.6 percent total fund return for the year.

Appropriations from the State of Illinois and employer contributions make up a third funding source. State appropriations for FY00 increased \$66 million to \$639 million while contributions from employers increased to \$91 million.

### REVENUES (\$ millions)

Source	2000	1999	Increase/(Decrease)	
			Amount	% Change
Member contributions	\$620	\$866	(\$246)	(28.4%)
State of Illinois	639	573	66	11.5
Employer contributions	91	64	27	42.2
Net investment income	2,336	2,090	246	11.8
<b>Total</b>	<b>\$3,686</b>	<b>\$3,593</b>	<b>\$93</b>	<b>2.6%</b>

## Expenses

Expenses include payments of benefits, refunds, and administrative expenses. Benefit payments increased from \$1,284 million to \$1,402 million in FY00. This 9.2 percent increase is the result of an increase in the number of members who retired during FY00, retirements using the 2.2 percent benefit formula, and annual increases in annuities as prescribed by law. Administrative expenses continued to constitute less than 1 percent of TRS expenses in FY00.

### EXPENSES (\$ millions)

Source	2000	1999	Increase/(Decrease)	
			Amount	% Change
Benefits payments	\$1,402	\$1,284	\$118	9.2%
Refunds	29	26	3	11.5
Administrative/Other	12	11	1	9.0
<b>Total</b>	<b>\$1,443</b>	<b>\$1,321</b>	<b>\$122</b>	<b>9.2%</b>



## Independent Audit

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

## GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

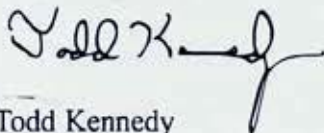
To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. TRS has received a Certificate of Achievement for the last 11 years. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to the GFOA for consideration again this year.

## Acknowledgments

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

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

Respectfully submitted,



Todd Kennedy  
Controller





## Teachers' Retirement System of the State of Illinois

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• • •

**Executive Director**  
Keith Bozarth

### Board of Trustees

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Vice President  
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Jan Cleveland  
Carmi

William R. Enlow  
Springfield

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John E. Glennon  
Lake Forest

Sharon Leggett  
Evanston

Stuart Levine  
Highland Park

Cynthia O'Neill  
Carlyle

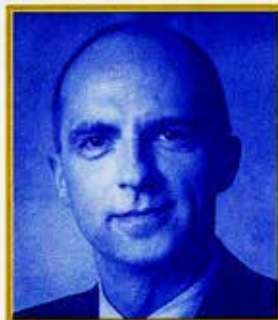
Molly Phalen  
Rockford

•

TRS is an  
AA, EEO, ADA  
employer.



## Executive Director's Letter



Dear Members, Annuitants, and Beneficiaries:

Fiscal year 2000 at TRS proved to be one accentuated by enhancements and change. We received high marks in an international benchmarking study, made improvements in technology, and completed the restructuring of a large portion of our investment portfolio.

### Quality Service, Low Costs

An international study of 25 very large pension funds conducted by Cost Effectiveness Measurement, Inc. (CEM) used sophisticated statistical techniques to compare service levels and expenditures while

controlling for legitimate differences such as plan size and complexity. Overall, CEM found our service levels to be very high and our costs relatively low. We will use this study in our on-going efforts to improve member service delivery and to assure administrative expenditures are made wisely.

### Telecommunications

As part of our continuing effort to make it easier for you to reach us, we extended our telephone hours. On Mondays, Wednesdays, and Fridays we are available on our toll-free 800 line between 7:30 a.m. and 4:30 p.m. On Tuesdays and Thursdays we can be reached between 7:30 a.m. and 6:00 p.m.

In December 1999 we added a toll-free, 24-hour Forms Order Line through which you may order forms or other publications from your telephone. This service has proven to be very popular. In May we added a new telephone feature that gives you the opportunity to wait on the line for the next available member service representative if all of our lines are busy. Your call is momentarily placed on hold during peak calling times and you are asked to leave a message only when, after a brief period, all of the member service representatives continue to be busy.

### Web Site

Our Web site continues to grow. We have added downloadable forms and internal search capabilities. Additions also include links to the Illinois State Board of Education (ISBE) and the Coalition to Preserve Retirement Security (CPRS). Future plans include making the site more interactive by providing member and employer data on-line. Progress on this project will be published in the *Topics & Report* newsletter.

### Year 2000 Readiness

We are pleased to report that computer systems were functioning properly when business resumed January 3, 2000. As a precautionary effort, key staff members conducted final Y2K testing of the most critical computer systems from December 31, 1999, through January 2, 2000. The results assured us that we could proceed without major hitches on January 3, 2000—our first business day of the new year.



## TRS2000

A complete workflow and computer system reengineering project, TRS2000 will provide computer support to staff for enhanced member and employer processes. To date, we have completed upgrades to computer hardware, communications wiring and system operating software, and we are in the process of upgrading the system applications software. The project is scheduled to be completed in the second quarter of fiscal year 2002.

## Legislative Changes

During the 2000 legislative session, the General Assembly made several administrative changes that benefit TRS members and annuitants. Among those changes were:

- ✿ a provision to allow surviving spouses who remarry to remain eligible to receive monthly surviving spouse benefits. Previously, persons who remarried prior to age 55 lost their eligibility and benefits stopped.
- ✿ removal of the salary cap for members with low annual earnings. The 20 percent cap on salary increases included in the calculation of pension benefits no longer applies for persons earning less than 50 percent of the statewide average teacher salary (currently about \$22,000 per year).
- ✿ an allowance for automatic refunds to surviving spouses of members who die without a valid Nomination of Beneficiary (NOB) form on file.
- ✿ reinstatement of an expired provision allowing payments of monthly surviving spouse benefits in cases where a member remarries a former spouse within one year prior to the date of death.

## Investment Program

The Board of Trustees adopted a revised asset/liability study in July 1999. Consequently, TRS staff, in conjunction with our external investment consultant, performed an extensive review of the entire public market manager structure in order to implement most efficiently the new asset/liability study. The resulting manager structure study was presented to and adopted by the Board of Trustees at its October 1999 meeting. As a result, TRS significantly reduced the number of external investment managers; renegotiated the fees paid to these managers; and restructured, rebalanced and transitioned a major portion of TRS' assets.

This reduction of managers and restructuring of assets has now placed the public markets portfolio in line with the asset allocation targets that were adopted in July 1999. This optimal mix makes the TRS investment portfolio more cost effective and efficient. With the implementation of the new structure, we expect to save nearly \$16 million annually in external manager fees through an increased exposure to indexing, larger average account sizes, and contractual fee renegotiations.

The Board of Trustees also approved a revised investment policy, outlining its investment philosophy and defining roles and responsibilities for the investment operations. Overall, it has been a busy and very productive year for TRS investments. This undertaking by the Board of Trustees, the Investment Department, our consultant, and our master trustee was a major step in positioning your retirement system for the future.

These accomplishments demonstrate our commitment to delivering quality service to our members. Our dedication to this goal will continue in the years ahead.

Sincerely,



Keith Bozarth  
Executive Director



## Board of Trustees

Glenn W. McGee

*President*

• Springfield



Larry Lawlyes

• Springfield



James Bruner

*Vice President*

• Jacksonville



Sharon Leggett

• Evanston



Jan Cleveland

• Carmi



Cynthia O'Neill

• Carlyle



William R. Enlow

• Springfield



Molly Phalen

• Rockford



Scott Eshelman

• Algonquin



Governor George Ryan appointed John E. Glennon to the board of trustees on July 15, 2000, replacing Marilyn Oglesby. On October 12, 2000, Stuart Levine was appointed to fill the position held by Larry Lawlyes from January 31 until July 15, 2000.

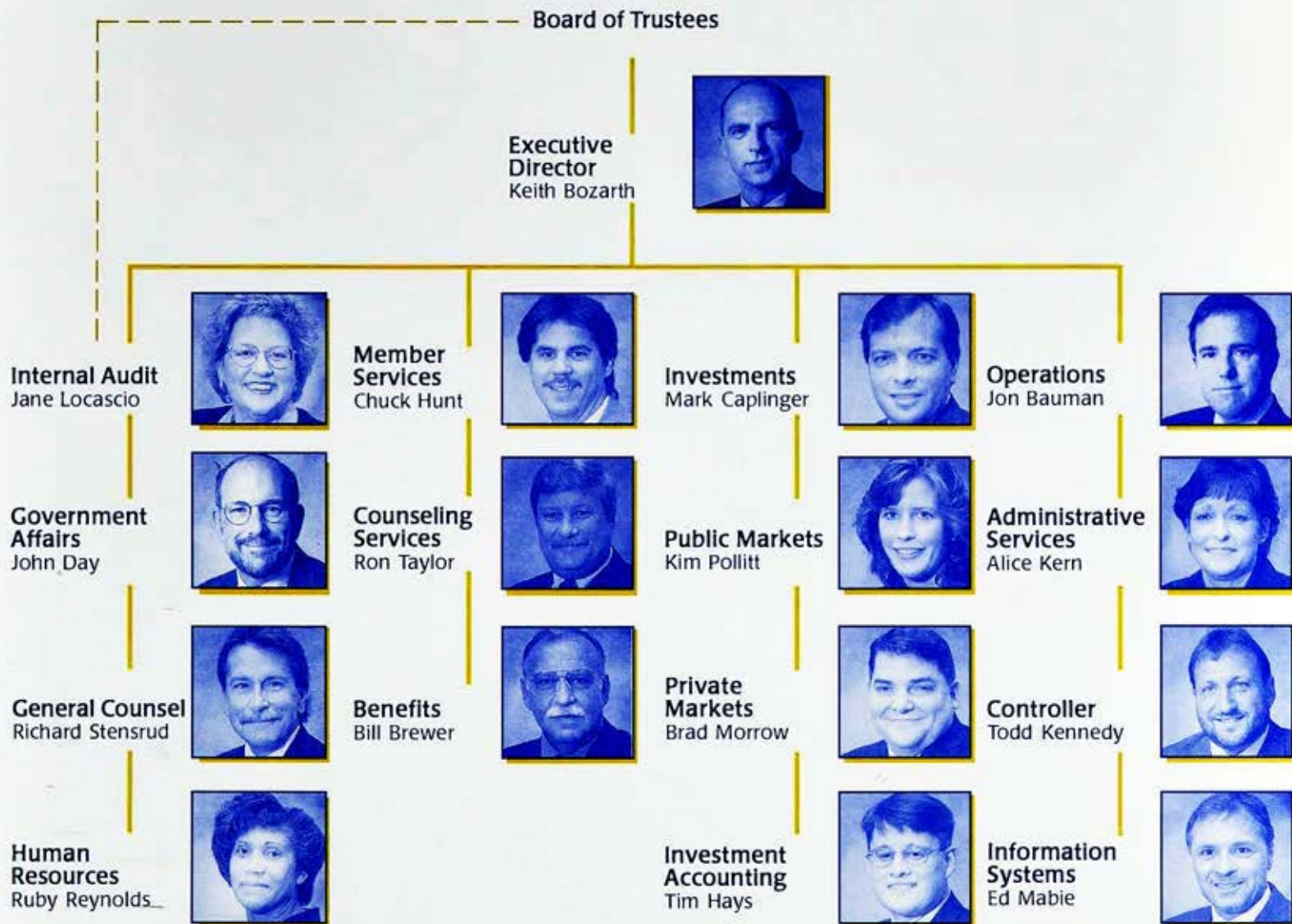


## Thank You

*For your dedicated service to the teachers of the State of Illinois*  
Marilyn Oglesby served as trustee from July 15, 1993, to July 14, 2000.



# Organizational Structure



## **Consulting and Professional Services**

### **Actuary**

Buck Consultants, Inc.

*Chicago, Illinois*

### **External Auditors**

*as special assistants to the Office of the Auditor General*

Friedman Eisenstein Raemer and Schwartz, LLP

*Chicago, Illinois*

### **Information Systems**

Dooley Associates, Inc.

*Philadelphia, Pennsylvania*

Grant Thornton L.L.P.

*St. Louis, Missouri*

Information Management Group, Inc.

*Chicago, Illinois*

MCW Technologies

*Seattle, Washington*

PSI Net Consulting Solutions

*Springfield, Illinois*

Sullivan and Associates

*Springfield, Illinois*

### **Investment Consultants**

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

J.W. Flynn Company

*Indianapolis, Indiana*

Joseph J. Blake and Associates, Inc.

*Chicago, Illinois*

Strategic Investment Solutions, Inc.

*San Francisco, California*

### **Legal Counsel**

Loewenstein, Hagen & Smith

*Springfield, Illinois*

Piper Marbury Rudnick & Wolfe

*Chicago, Illinois*

### **Master Trustee**

The Northern Trust Company

*Chicago, Illinois*



# Financial Section

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Independent Auditors' Report

Statement of Plan Net Assets

Statement of Changes in Plan Net Assets

Notes to Financial Statements

Required Supplementary Information

Notes to Required Supplementary Information

Other Supplementary Information

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# FERS

FRIEDMAN EISENSTEIN  
RAEMER AND SCHWARTZ, LLP

401 North Michigan Avenue  
Chicago, Illinois 60611-4240 312.644.6000 fax 312.644.4423

## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

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

As Special Assistant Auditors of the Auditor General, we have audited the accompanying statement of plan net assets of the Teachers' Retirement System of the State of Illinois (the System), a component unit of the State of Illinois, as of June 30, 2000 and 1999, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of the State of Illinois as of June 30, 2000 and 1999, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2000 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That audit report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

- 2 -

BUSINESS AND PERSONAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS



# FERS

Our audit was made for the purpose of forming an opinion on the financial statements of the System, taken as a whole. The required supplementary information, on pages 28 and 29 and other supplementary information on page 30, are presented for the purpose of additional analysis and are not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The information for the years 1996 through 1998 has been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

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

*Friedman Eisenstein Raemer and Schwartz, LLP*

October 26, 2000

## TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS STATEMENT OF PLAN NET ASSETS AS OF JUNE 30, 2000, AND 1999

	2000	1999
<b>ASSETS</b>		
Cash	\$3,213,679	\$2,756,183
Receivables and prepaid expenses		
Member payroll deduction	213,579,965	260,963,782
Member contributions	31,263,832	31,749,100
Employer Early Retirement Incentive	679,813	17,007,562
Employer contributions	9,203,574	4,187,757
State of Illinois	412,206	0
Investment income	232,706,956	222,342,888
Prepaid expenses	368,526	449,650
Total receivables and prepaid expenses	488,214,872	536,700,739
Investments, at fair value		
Fixed income	8,845,767,666	9,052,552,366
Equities	11,543,579,021	10,255,950,172
Real estate	2,428,110,937	2,500,511,322
Short-term investments	1,089,576,833	609,197,593
Private equity investments	877,028,687	596,456,656
Foreign currency	39,495,154	39,166,266
Total investments	24,823,558,298	23,053,834,375
Collateral from securities lending	1,952,295,799	1,418,345,349
Property and equipment, at cost, net of accumulated depreciation of \$5,763,526 and \$5,525,309 in 2000 and 1999, respectively	3,420,592	3,339,675
<b>Total assets</b>	<b>27,270,703,240</b>	<b>25,014,976,321</b>
<b>LIABILITIES</b>		
Benefits and refunds payable	6,179,594	3,432,999
Administrative and investment expenses payable	69,959,589	87,060,219
Payable to brokers for unsettled trades, net	760,855,651	1,268,428,755
Securities lending transactions	1,952,295,799	1,418,345,349
<b>Total liabilities</b>	<b>2,789,290,633</b>	<b>2,777,267,322</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b> (A schedule of funding progress is presented on page 28.)	<b>\$24,481,412,607</b>	<b>\$22,237,708,999</b>

The accompanying notes are an integral part of these statements.



**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**YEARS ENDED JUNE 30, 2000, AND 1999**

	2000	1999
<b>ADDITIONS</b>		
Contributions		
Members	\$619,622,840	\$866,375,866
State of Illinois	639,298,949	572,950,673
Employers		
Early retirement	36,751,052	27,110,341
Federal funds	21,425,188	19,844,329
2.2 benefit formula	33,122,050	16,690,590
Total contributions	<u>1,350,220,079</u>	<u>1,502,971,799</u>
Investment income		
Net appreciation in fair value	1,451,074,361	1,249,234,042
Interest	559,584,336	557,162,549
Real estate operating income, net	243,815,891	215,826,235
Dividends	109,959,618	129,304,570
Private equity income	29,631,911	6,152,976
Securities lending income	106,909,999	109,266,864
Other investment income	2,183,038	1,669,537
	<u>2,503,159,154</u>	<u>2,268,616,773</u>
Less investment expense		
Securities lending expense	97,475,237	98,364,242
Investment activity expenses	69,466,794	80,591,562
Net investment income	<u>2,336,217,123</u>	<u>2,089,660,969</u>
<b>Total additions</b>	<u><b>3,686,437,202</b></u>	<u><b>3,592,632,768</b></u>
<b>DEDUCTIONS</b>		
Retirement benefits	1,317,841,317	1,205,864,868
Survivor benefits	68,797,583	63,585,582
Disability benefits	15,607,144	14,676,166
Refunds	28,797,054	25,858,851
Administrative expenses	11,680,647	10,680,094
Prior service credits and transfers	9,849	145,613
<b>Total deductions</b>	<u><b>1,442,733,594</b></u>	<u><b>1,320,811,174</b></u>
<b>NET INCREASE</b>	<b>2,243,703,608</b>	<b>2,271,821,594</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of year	<u>22,237,708,999</u>	<u>19,965,887,405</u>
End of year	<u><b>\$24,481,412,607</b></u>	<u><b>\$22,237,708,999</b></u>

The accompanying notes are an integral part of these statements.



## Notes to Financial Statements

### A. Plan Description

#### 1. Reporting Entity

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

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

#### 2. Employers

Members of TRS are employed by school districts, special districts, and certain state agencies. Each employer remits member contributions to TRS. Employers are responsible for employer contributions for teachers paid from federal funds and for the employer's portion of the Early Retirement Option and the Early Retirement Incentive contributions. Effective July 1, 1998, Public Act 90-582 required employers to pay a new employer contribution equal to 0.3 percent of covered payroll in FY99 and 0.58 percent of covered payroll in FY00 and subsequent years. In addition, the State of Illinois provides employer contributions. For information about employer contributions made by the State of Illinois, see "Funding."

#### NUMBER OF EMPLOYERS (as of June 30)

	2000	1999
Local school districts	893	894
Special districts	137	134
State agencies	29	32
<b>Total</b>	<b>1,059</b>	<b>1,060</b>

### 3. Members

#### TRS MEMBERSHIP (as of June 30)

	2000	1999
Retirees and beneficiaries receiving benefits	62,122	60,308
Inactive members entitled to but not yet receiving benefits	66,025	59,271
Active members	144,975	142,186
<b>Total</b>	<b>273,122</b>	<b>261,765</b>

#### 4. Benefit Provisions

Governed by the Illinois Pension Code (40 ILCS 5/16), which is subject to amendment by the Illinois General Assembly and approval by the governor, TRS provides retirement, death, and disability benefits. A member qualifies for an age retirement annuity after meeting one of the following requirements: age 62 with five years of service credit; age 60 with 10 years; or age 55 with 20 years. If a member retires between the ages of 55 and 60 with fewer than 35 years of service, the annuity will be reduced at the rate of ½ percent for each month the member is under age 60. A member who is age 55 and has fewer than 35 years of service credit may use the Early Retirement Option (ERO) to avoid a discount for early retirement if retirement occurs before July 1, 2005, and within six months of the last day of service requiring contributions, and if the member and employer both make a one-time contribution to TRS. However, both member and employer contributions are waived with 34 years of service. A member with fewer than five years of creditable service and service on or after July 1, 1947, is entitled to a single-sum benefit payable once he or she reaches age 65.

A retirement benefit is determined by the average salary of the four highest consecutive salary rates within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. This percentage is determined by the following formula for service earned before July 1, 1998: 1.67 percent for each of the first 10 years, plus 1.9 percent for each of the next 10 years, plus 2.1 percent for each of the next 10 years, plus 2.3 percent for



each year over 30 years. The maximum retirement benefit, 75 percent of average salary, is achieved with 38 years of service under the graduated formula.

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

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

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

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

## **5. Funding**

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

Effective July 1, 1998, member contributions increased from 8 percent to 9 percent of salary. These contributions are allocated as follows: 7½ percent for retirement, ½ percent for post-retirement increases, and 1 percent for death benefits.

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

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

The actuarial funding requirements for FY00 and FY99 were determined under Public Act 90-582. State funding law provides for a 50-year funding plan that includes a 15-year phase-in period. Employer contributions, as a percentage of active member payroll, will be gradually increased until FY10 and remain at a level percentage for the following 35 years. TRS' funded ratio will be 90 percent at the end of the 50-year period. Beginning July 1, 1995, state contributions have been made through a continuing appropriation instead of through the appropriations process.

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

## **B. Summary of Significant Accounting Policies**

### **1. Basis of Accounting**

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



## 2. Use of Estimates

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

## 3. Method Used to Value Investments

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

## 4. Property and Equipment

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

## 5. Accrued Compensated Absences

When they terminate employment, TRS employees are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned through December 31, 1997. (Lump-sum payments for sick leave earned prior to January 1, 1984, are subject to a maximum of 60 days or 420 hours.) Accrued compensated absences as of June 30, 2000, and 1999 totaled \$1,342,863 and \$1,363,979, respectively, and are included as administrative and investment expenses payable.

## 6. Receivables

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

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

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

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

- ✿ A member must be employed full time.
- ✿ The agreement is irrevocable and can be terminated only upon full payment of the member's balance or upon the member's death, disability, retirement, or termination of employment.
- ✿ The amount deducted must be a minimum of \$50 per month and cannot be changed during the term of the agreement.
- ✿ Agreements may begin at the beginning of each calendar year quarter.
- ✿ The member may not make direct payments to TRS to reduce the balance under which an agreement has been entered.

If the agreement is to pay for a 2.2 formula upgrade balance, the maximum length of the agreement is 60 months. TRS had outstanding balances in payroll deduction agreements totalling \$213,579,965 and \$260,963,782 as of June 30, 2000, and 1999, respectively.

## 7. Prior Period Reclassification

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

## C. Cash

The bank balance and carrying amount of TRS' deposits were \$2,599,992 and \$3,213,679 at June 30, 2000, and \$2,009,601 and \$2,756,183 at June 30, 1999. Of the bank balance, \$191,743 and \$267,556 were on deposit with the state treasurer at June 30, 2000, and 1999, respectively. Bank balances are either insured or collateralized with securities held by the state treasurer or agents in the name of the state treasurer or are collateralized with securities held by TRS or its agents in the name of TRS. Cash equivalents are classified as short-term investments in the Statement of Plan Net Assets.



## INVESTMENT SUMMARY

	Fair Value	
	2000	1999
<b>Category 1</b>		
Government obligations	\$3,646,643,656	\$3,695,579,739
Corporate obligations	3,196,644,170	3,738,355,003
Preferred stock	98,489,595	106,705,409
Short-term investments		
Commercial paper (including short-term collateral)	215,892,475	152,167,981
U.S. Treasury bills	0	115,312,830
Other	16,322,245	61,172,294
Common stock	6,943,339,184	6,002,376,958
	<u>14,117,331,325</u>	<u>13,871,670,214</u>
<b>Not Categorized</b>		
Investments held by broker-dealers under securities loans		
Government obligations	1,122,543,214	979,581,472
Corporate obligations	139,462,003	92,058,150
Common stock	1,287,322,671	1,019,656,567
Real estate equity	2,224,267,524	2,281,228,514
Mutual funds	4,164,365,921	3,796,740,638
Private equity investments		
Limited partnerships	877,028,687	596,456,656
Foreign currency	39,495,154	39,166,266
Collective investment funds (U.S. dollars)	857,362,112	395,857,234
Security lending short-term collateral investment pool	<u>1,946,675,486</u>	<u>1,399,764,013</u>
Investments and collateral from securities lending	26,775,854,097	24,472,179,724
Less collateral from securities lending	<u>(1,952,295,799)</u>	<u>(1,418,345,349)</u>
<b>Total investments*</b>	<u><b>\$24,823,558,298</b></u>	<u><b>\$23,053,834,375</b></u>

\* This total does not include accrued income.

## D. Investments

## 1. Investment Policies

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

## 2. Investment Summary

The Investment Summary table presents a summary of TRS' investments and related category of custodial credit risk at June 30, 2000, and 1999. TRS' invest-

ments are categorized to give an indication of the level of risk at year end.

Category 1 includes investments that are insured or registered, or for which the securities are held by TRS or its agent in the name of TRS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department in TRS' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty but not in TRS' name. As of June 30, 2000, and 1999, TRS holds no securities classified in either Category 2 or Category 3.



TRS has nonrecourse mortgages totalling \$296,463,504 and \$298,174,533 on real estate equities at June 30, 2000, and 1999, respectively. The amount reported for real estate equity is net of these mortgages, which mature on various dates through the year 2018.

The real estate equity category includes \$52,763,477 and \$70,314,302 of mortgages receivable which are fully secured by the properties at June 30, 2000, and 1999, respectively.

At June 30, 2000, and 1999, TRS did not have any investments with one organization that exceeded 5 percent of net assets available for benefits.

### 3. Securities Lending Program

The Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. TRS' master trustee is the agent in lending the Plan's domestic securities for cash collateral of 102 percent of the market value of the securities and international securities for cash collateral of 105 percent of the market value of the securities. Securities on loan at year-end are presented as not categorized in the preceding schedule of custodial credit risk.

At year-end, TRS has no credit risk exposure to borrowers because the amount TRS owes the borrowers exceeds the amount the borrowers owe TRS. The contract with TRS' lending agent requires the agent to indemnify TRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay TRS for income distributions by the securities issuers while the securities are on loan. All securities loans can be terminated on demand either by TRS or the borrower, although the average term of the loans is 30 days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 52 days. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses known to the securities lending agent.

As of June 30, 2000, and 1999, TRS had outstanding loaned investment securities having a market value of \$2,549,327,888 and \$2,091,296,189, respectively,

against which it had received collateral of \$2,622,441,800 and \$2,155,148,880, respectively. Collateral from securities lending reflected on the Statement of Plan Net Assets consists primarily of collateral received in the form of cash.

### 4. Derivatives

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

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

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

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



## DERIVATIVES CONTRACTS

Type	FY00 No. of Contracts	FY00 Contractual Principal*	FY99 No. of Contracts	FY99 Contractual Principal*
<b>Domestic Interest Rate Products</b>				
Index fixed income futures (net)	450	\$41,893,591	9,750	\$1,337,972,822
Fixed income written call options	1,477	129,505,000	431	5,596,875
Fixed income written put options	3,762	782,005,000	2,159	386,368,125
<b>International Interest Rate Products</b>				
International fixed income futures (net)	337	74,602,432	69	73,680,188
International fixed income bond put options	0	0	4	49,390,000
<b>Domestic Equity Products</b>				
S&P 500 Index futures (net)	1,903	698,448,575	2,727	941,973,975
<b>Foreign Currency Products</b>				
Currency futures (net)	329	76,406,138	0	0

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

balance sheet obligation because there are no balance sheet assets or liabilities associated with those contracts.

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

Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, TRS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Accordingly, it is against TRS' policy to invest in any uncovered options. Premiums received are recorded as a liability when the financial option is written.

Fluctuations in the fair value of financial options are recognized in TRS' financial statements as incurred rather than at the time the options are exercised or

when they expire. As of June 30, 2000, and 1999, the fair value of option contracts written was (\$2,441,338) and \$72,622, respectively. The fair value represents the amount needed to close all positions as of that date.

The Derivatives Contracts table presents the aggregate contractual principal amount of TRS' outstanding contracts at June 30, 2000, and 1999. Contractual principal amounts are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

## E. Reserves

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

### 1. Members' Contribution

	2000	1999
Balances at June 30	\$7,425,218,715	\$6,620,461,369



This reserve accumulates, with 6 percent interest, the contributions by members prior to retirement. Contributions were 7½ percent of salary from July 1, 1998, through June 30, 2000. Contributions are fully refundable upon withdrawal from TRS, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest is credited as of the date of retirement or death of those retiring or dying during the year and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member's balance in the reserve at the beginning of the fiscal year. This reserve is fully funded.

## 2. Minimum Retirement Annuity

	2000	1999
Balances at June 30	\$3,045,425	\$2,829,624

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

## 3. Supplementary Annuity

	2000	1999
Balances at June 30	\$857,477	\$821,402

In 1961, legislation was enacted to provide for increased annuities to retired members who met certain specified requirements. Annuitants were required to make a one-time contribution, which was credited to this reserve. The State of Illinois also appropriated funds that were credited to the reserve through FY00. Interest at 6 percent is credited to the reserve annually based upon the average reserve balance. The annuity expenses resulting from this legislation are charged to the reserve. This reserve is fully funded.

Effective July 1, 2001, this reserve will be dissolved and remaining funds will be transferred to the Employer's Contribution Reserve.

## 4. Employer's Contribution

	2000	1999
Balances at June 30	\$17,052,290,990	\$15,613,596,604

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

This reserve does not equal the present value of expected benefit payments. The additional amount needed (the unfunded actuarial accrued liability) as calculated by the actuary was \$11,404,991,000 in 2000 and \$10,967,804,000 in 1999.

## F. TRS Employee Pension Benefits

### 1. Plan Description

All of TRS' full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those who are covered by the State Universities Retirement System, Teachers' Retirement System, General Assembly Retirement System, and Judges' Retirement System. SERS' financial position and results of operations for fiscal years 2000



and 1999 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2000, and 1999, respectively. SERS also issues a separate CAFR that may be obtained by writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255 or by calling (217) 785-7202. The State of Illinois CAFR may be obtained by writing to Office of the Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1858 or by calling (217) 782-2053.

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

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

## **2. Funding Policy**

TRS pays employer retirement contributions to SERS based on an actuarially determined percentage of the TRS employee payroll representing TRS employees who are members of SERS. For FY00 and FY99, the SERS employer contribution rates were 9.714 percent and 9.528 percent, respectively. Effective for pay periods beginning after July 1, 1993, the TRS Board of Trustees opted to pay the employee contribution for all employees. The contribution pickup (4 percent for SERS members and 8 percent for TRS members) was included in the FY00 and FY99 administrative budgets approved by the board.

TRS pays a 2.2 employer contribution for its employees who are also members of TRS. Additional employer contributions for these employees are paid by the State of Illinois and are included in the annual state contribution to TRS.

## **3. Post-Employment Benefits – TRS Employees**

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

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits that were provided to active employees and their dependents for the years ended June 30, 2000, and 1999. However, post-employment costs for the state as a whole for all state agencies or departments for dependent health, dental, and life insurance for annuitants and their dependents are disclosed in the state's Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis.



## Required Supplementary Information

### SCHEDULE OF FUNDING PROGRESS<sup>1</sup>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL-Projected Unit Credit) (b)	Funded Ratio (a)/(b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/(c)
06/30/96	\$15,103,927,000	\$26,141,794,000	57.8%	\$11,037,867,000	\$4,734,250,000	233.1%
06/30/97	17,393,108,000	26,951,585,000	64.5	9,558,477,000	5,013,583,000	190.7
06/30/98	19,965,887,000	29,908,241,000	66.8	9,942,354,000	5,323,403,000	186.8
06/30/99	22,237,709,000	33,205,513,000	67.0	10,967,804,000	5,698,117,000	192.5
<b>06/30/00</b>	<b>24,481,413,000</b>	<b>35,886,404,000</b>	<b>68.2</b>	<b>11,404,991,000</b>	<b>6,062,884,000</b>	<b>188.1</b>

### SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES<sup>1</sup>

Year Ended June 30	State Contributions <sup>2</sup>	Federal and Employer Contributions <sup>2</sup>	Total	Annual Required Contribution per GASB Statement #25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1996	\$324,276,000	\$16,997,000	\$341,273,000	\$1,350,997,000	25.3%	\$341,276,000	100%
1997	377,969,000	17,379,000	395,348,000	927,842,000	42.6	395,269,000	100
1998	460,439,000	17,246,000	477,685,000	983,312,000	48.6	478,439,000	100
1999	567,068,000	36,535,000	603,603,000	932,909,000	64.7	592,547,000	102
<b>2000</b>	<b>634,039,000</b>	<b>54,547,000</b>	<b>688,586,000</b>	<b>1,003,612,000</b>	<b>68.6</b>	<b>686,384,000</b>	<b>100</b>

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

<sup>2</sup> Excludes ERO, ERI, minimum retirement, and supplemental contributions. These amounts are not counted for actuarial purposes.

See accompanying independent auditors' report.



## Notes to Required Supplementary Information

Valuation Dates	June 30, 2000	June 30, 1999
Actuarial cost method:	Projected unit credit	Projected unit credit
Amortization method:		
a) For GASB Statement #25 reporting purposes	Level percent of payroll	Level percent of payroll
b) Per state statute	15-year phase-in to a level percent of payroll until a 90% funding level is achieved	15-year phase-in to a level percent of payroll until a 90% funding level is achieved
	Minimum state contribution rates in statute include cost of 2.2 benefit formula change as a level percent of payroll	Minimum state contribution rates in statute include cost of 2.2 benefit formula change as a level percent of payroll
Remaining amortization period:		
a) For GASB Statement #25 reporting purposes	40 years, open	40 years, open
b) Per state statute	45 years, closed	46 years, closed
Asset valuation method:	Fair value	Fair value
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	6.0-9.3%, composite 7.0%	6.0-9.3%, composite 7.0%
Group size growth rate	0%	0%
Assumed inflation rate	4%	4%
Post-retirement increase	3% compounded	3% compounded
Mortality table	1995 Buck Mortality Tables (rated forward one year for beneficiaries only).	1995 Buck Mortality Tables (rated forward one year for beneficiaries only).

See accompanying independent auditors' report.



**Other Supplementary Information****SCHEDULE OF ADMINISTRATIVE EXPENSES (for years ended June 30)**

	<b>2000</b>	<b>1999</b>
Personal services	\$8,521,781	\$7,534,038
Professional services	714,495	849,600
Postage	295,742	296,888
Machine repair and rental	422,198	409,878
Other contractual services	811,625	673,592
Commodities	257,348	271,846
Occupancy expense	175,305	194,542
Depreciation	465,024	448,680
Loss (gain) on disposal of equipment	17,129	1,030
<b>Total administrative expenses</b>	<b>\$11,680,647</b>	<b>\$10,680,094</b>

**SCHEDULE OF INVESTMENT ACTIVITY EXPENSES (for years ended June 30)**

	<b>2000</b>	<b>1999</b>
Investment manager fees	\$62,357,317	\$75,869,525
Private equity investment expense	5,427,871	3,585,538
Miscellaneous	1,681,606	1,136,499
<b>Total investment activity expenses</b>	<b>\$69,466,794</b>	<b>\$80,591,562</b>

**SCHEDULE OF PAYMENTS TO CONSULTANTS (for years ended June 30)**

	<b>2000</b>	<b>1999</b>
Actuarial services	\$173,829	\$89,295
External auditors	106,764	122,371
Legal services	21,248	55,244
Management consultants		
Information systems	330,597	312,244
Actuarial review	35,000	0
Benchmarking	25,000	0
Strategic planning	10,860	0
Investment review	0	223,797
Executive search	0	19,520
Publication design	1,095	8,639
Other	10,102	18,490
<b>Total payments to consultants</b>	<b>\$714,495</b>	<b>\$849,600</b>

*See accompanying independent auditors' report.*



# Investment Section

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Asset Allocation (Historical)	
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International Equity	
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Private Equity	
Real Estate	
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Security Lending	
External Manager Fee Payments	

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## Introduction

The TRS trust fund is invested by authority of the Illinois General Assembly under the “prudent person rule,” requiring investments to be managed solely in the interest of fund participants and beneficiaries. As of June 30, 2000, TRS’ total investments, including accrued investment income, at market value totaled \$25,056,265,254.

TRS’ investments are guided by the TRS Investment Policy. 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 the members of the system.

As master trustee, The Northern Trust Company has provided to TRS, unless otherwise noted, detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities, and other transactions pertinent to the Fund for the period July 1, 1999, through June 30, 2000. A statement of detailed assets along with their fair market value was also provided as of June 30, 2000. Additionally, The Northern Trust Company calculated, in accordance with the Association of Investment Management and Research® (AIMR) Performance Presentation Standards, performance rates of return by portfolio and composite for all respective indices used throughout this section. TRS staff, in collaboration with staff from The Northern Trust Company, prepared the Investment Section.

A complete listing of investment holdings is available on request.

## Summary

### SUMMARY DATA (June 30, 2000)

<b>Total Fund Market Value</b>	<b>\$25.056 billion</b>
One-Year Return (net of fees)	10.6%
Five-Year Return (net of fees)	14.5%
Ten-Year Return (net of fees)	11.7%
Percent Externally Managed	100.0%
Number of External Managers	48
Master Trustee	The Northern Trust Company
General Consultant	Strategic Investment Solutions, Inc.

*Currently TRS is ranked 47th out of the largest 200 plan sponsor funds in the U.S., including corporate, government and endowment funds. Source: Pensions & Investments, January 22, 2000. (Based on market value of total assets.)*

The TRS Investment Department is pleased to present the annual report of investment data for the fiscal year ending June 30, 2000. This section provides a variety of information, results, and summary fiscal year-end data pertaining to the many functions and areas within the Investment Department.

## New This Year

This past fiscal year was a busy one at TRS. The Board of Trustees, TRS investment staff, Strategic Investment Solutions (general consultant), and The Northern Trust Company (custodian) participated in or completed the following activities:

### INVESTMENT ACTIVITIES

Investment Educational Presentations	April 1999–May 2000
Asset Allocation and Liability Analysis	Adopted July 9, 1999
Comprehensive Reviews of 54 Managers	April–Oct. 1999
Public Market Manager Structure Analysis	Adopted Oct. 29, 1999
Public Markets Transition Activity	Sept. 1999–June 2000
Private Equity Structure Analysis	Completed Feb. 28, 2000
Private Equity Due Diligence Process Development	Completed Feb. 28, 2000
New Private Equity Investments	Feb. 2000 and ongoing
Domestic Equity Growth Searches	Completed Feb. 28, 2000
Domestic Equity Value Searches	Completed April 7, 2000
New Investment Policy	Adopted April 7, 2000
Emerging Manager Program Evaluation	Completed May 23, 2000
International Equity Search	Completed May 23, 2000
International Fixed Income Search	Completed May 23, 2000

In short, TRS restructured the entire public markets portfolios during FY00. Based on the July 1999 adopted asset allocation and liability study, TRS eliminated 42 assignments, added 13 new assignments, and reallocated assets among the public market asset classes and accounts.



Based on projected inflation rates, actuarial data and risk-tolerance levels, the targets adopted by the Board of Trustees should achieve for TRS the optimal rate of return with minimal risk and cost for our members. The Board of Trustees adopted rebalancing guidelines to provide staff with the capacity to rebalance or shift assets as needed to comply with and adhere to the adopted targets.

Additionally, TRS adopted the new TRS Investment Policy in April 2000 and, concurrently began the process of a complete review of the private markets portfolio (real estate and private equity) that will be continuing throughout FY01.

As part of the adopted asset allocation targets, TRS' new comparative indices for each asset class are as follows:

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**COMPARATIVE INDICES BY ASSET CLASS**

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<b>Asset Class</b>	<b>Benchmark/Index (effective August 1, 1999)</b>
U.S. Equity	Russell 3000 Index
International Equity	MSCI All Country World Excluding U.S. Free Index
U.S. Fixed Income	Salomon Smith Barney Broad Investment Grade Index
International Fixed Income	Salomon Smith Barney Non-U.S. World Government Bond Index
Private Equity	Russell 3000 Index plus 300 basis points
Real Estate	NCREIF Property Index
Short-Term Investments	90-Day Treasury Bill

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## **Fund Performance vs. Benchmarks and Market Values**

As of June 30, 2000, TRS' total investments, including accrued investment income, at market value totaled \$25.056 billion, an increase of \$1.780 billion over last year.

A summary of holdings and various assets is discussed throughout the Investment Section. The totals represent the actual assets (gross of any liabilities), amounts due to brokers, and expenses. The liability portions of the fund are included in the financial statements located on pages 18 and 19.

TRS had a total fund annualized return of 10.9 percent (gross of fees) and 10.6 percent (net of fees) for the one-

year period ending June 30, 2000. The Performance Summary table shows the performance of the total investment portfolio, including accrued income and miscellaneous assets versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS' total return for FY00 surpassed the long-term performance objective of exceeding the rate of inflation by 4.5 percentage points (as measured by the Consumer Price Index). In addition to this objective, TRS' total return for FY00 also exceeded the 8.5 percent actuarial return assumption and surpassed the TRS Policy Index return for the year ended June 30, 2000.



# Investment Section

## PERFORMANCE SUMMARY (net of fees)

Asset Class/Index	Years ended June 30					Annualized		
	1996	1997	1998	1999	2000	3 Years	5 Years	10 Years
<b>TRS Total Fund</b>	16.9%	18.3%	16.6%	10.8%	10.6%	12.6	14.5	11.7
TRS Policy Index	14.6	18.9	14.4	11.5	9.7	11.9	13.8	12.3
CPI (Inflation)	2.8	2.3	1.7	2.0	3.7	2.5	2.5	2.9
<b>TRS Equity - U.S.</b>	23.0	27.9	26.6	17.1	6.5	16.4	19.9	15.7
Russell 3000 Index	26.0	30.6	28.8	20.1	9.6	19.2	22.8	17.5
<b>TRS Fixed Income - U.S.</b>	3.2	10.8	12.2	3.9	4.4	6.8	6.9	8.4
SSB BIG Index	5.0	8.2	10.6	3.1	4.5	6.0	6.2	7.9
<b>TRS Fixed Income - International</b>	6.6	4.9	2.4	4.3	(0.7)	2.0	4.1	8.3
SSBNUSWGB Index	(1.7)	2.2	0.9	4.9	2.4	2.7	1.7	8.4
<b>TRS Equity - International</b>	27.5	19.9	2.8	8.4	19.9	10.1	15.3	8.7
MSCI ACWI Ex.-U.S. Free Index	11.1	14.0	0.6	10.3	18.1	9.5	11.1	8.3
<b>TRS Real Estate Property</b>	11.1	12.7	14.7	13.5	8.8	12.3	12.1	7.4
NCREIF Property Index	8.1	10.8	17.5	12.8	11.6	13.9	12.1	6.0
<b>TRS Private Equity</b>	67.7	22.6	35.3	22.7	137.7	58.0	52.8	31.0
Russell 3000 Index + 300 bps.	29.0	33.6	31.8	23.1	12.6	22.2	25.8	20.5

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

## Asset Allocation vs. Targets

A pension fund's most important investment policy decision is the selection of an asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to manage risk effectively. The Allocation Targets vs. Total Assets table shows the asset allocation targets, as adopted by the Board of Trustees in July 1999, compared to the total assets assigned to each particular asset class.

The asset mix is periodically compared to the policy targets to determine when a rebalancing of the Fund is necessary. As of June 30, 2000, the allocations to U.S. equities, U.S. fixed income, international equities, and international fixed income were at or very near the targets. The private equity portfolio was underweight relative to its target and the real estate portfolio was slightly overweight. TRS will continue its efforts to implement the Board of Trustees' private markets asset allocation decision in the upcoming months.

## ALLOCATION TARGETS VS. TOTAL ASSETS

	6/30/00 Total Fund \$ Million	Percent of Portfolio	Policy Allocation Target	Band Width	Rebalance Percentage	
					Lower Trigger Point	Upper Trigger Point
U.S. Equities	\$7,343	30.3%	30.0%	+/-2.0%	28.0%	32.0%
U.S. Fixed Income	6,502	26.8	27.0	+/-4.0	23.0	31.0
International Equities	5,024	20.7	20.0	+/-2.0	18.0	22.0
International Fixed Income	1,690	7.0	7.0	+/-2.0	5.0	9.0
Real Estate	2,428	10.0	8.0	+/-2.0	6.0	10.0
Private Equity	1,036	4.3	7.0	+/-2.0	5.0	9.0
Short-Term Investments	221	0.9	1.0	+/-1.0	0.0	2.0
Pending Settlements/Expenses*	812	N/A	N/A			
<b>Total Fund</b>	<b>\$25,056</b>	<b>100.0%</b>	<b>100.0%</b>			

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



## Portfolio Summary

The Investment Portfolio Summary table contains a detailed list of security types. The amounts in this table differ slightly from the allocation percentages referenced on the previous page. The Allocation Targets vs. Total Assets table represents assets assigned to managers within each respective asset class whereas the following summary represents types of financial instruments. The

differences are explained by the types of investments each manager is allowed to hold within its portfolio. For example, U.S. equity managers hold not only common stock within their portfolio but may hold small amounts of short-term investments as well. The same holds true for the other individual portfolios.

### INVESTMENT PORTFOLIO SUMMARY (for years ended June 30)

	2000		1999	
	Market Value	% of Total	Market Value	% of Total
<b>Bonds, Corporate Notes, and Government Obligations</b>				
U.S. Government	\$831,265,740	3.3%	\$966,532,224	4.2%
Federal Agency	2,806,423,969	11.2	2,723,518,388	11.7
Municipals (Taxable)	15,749,239	0.1	31,738,970	0.1
<b>Total Government Obligations</b>	<b>3,653,438,948</b>	<b>14.6</b>	<b>3,721,789,582</b>	<b>16.0</b>
<b>Corporate Obligations</b>				
Basic Industry	141,510,937	0.6	201,994,318	0.9
Capital Goods	30,520,188	0.1	23,972,797	0.1
Consumer Durables	18,036,042	0.1	12,039,526	0.1
Consumer Nondurables	218,367,982	0.9	255,819,949	1.1
Energy	71,323,886	0.3	83,363,033	0.4
Financial	1,659,273,157	6.6	2,282,780,256	9.8
Miscellaneous	846,915,484	3.3	517,544,918	2.2
Technology	146,276,806	0.6	203,507,272	0.9
Transportation	114,439,255	0.5	148,946,656	0.6
Utilities	83,822,124	0.3	81,863,091	0.4
<b>Total Corporate Obligations</b>	<b>3,330,485,861</b>	<b>13.3</b>	<b>3,811,831,816</b>	<b>16.5</b>
Foreign Government Obligations	1,574,228,305	6.3	1,034,964,632	4.4
Foreign Corporate Obligations	287,614,553	1.1	483,966,337	2.1
<b>Total Bonds, Corporate Notes, and Government Obligations</b>	<b>8,845,767,666</b>	<b>35.3</b>	<b>9,052,552,366</b>	<b>39.0</b>
<b>Common Stock - U.S.</b>	<b>6,490,541,514</b>	<b>25.9</b>	<b>7,484,313,905</b>	<b>32.2</b>
Preferred Stock-U.S.	57,996,400	0.2	58,636,761	0.3
Common Stock - International	4,954,547,913	19.8	2,664,930,858	11.4
Preferred Stock-International	40,493,194	0.2	48,068,648	0.2
<b>Total Equities</b>	<b>11,543,579,021</b>	<b>46.1</b>	<b>10,255,950,172</b>	<b>44.1</b>
Short-Term Investments*	1,322,283,789	5.3	831,540,481	3.5
Foreign Currency	39,495,154	0.2	39,166,266	0.1
Private Equity	877,028,687	3.4	596,456,656	2.6
Real Estate Equity	2,428,110,937	9.7	2,500,511,322	10.7
<b>TRS Total Portfolio</b>	<b>\$25,056,265,254</b>	<b>100.0%</b>	<b>\$23,276,177,263</b>	<b>100.0%</b>

\* Includes accrued income and dividends totaling \$232,706,956 for FY00 and \$222,342,888 for FY99. Also includes U.S. dollar cash held within individual portfolios in STIF/STEP.



## Asset Allocation (Historical)

Historically, TRS has adopted various asset allocation strategies. The Asset Allocation table shows the actual asset allocation based on asset types for the last five-year period. Percentage allocations to virtually all areas changed significantly during FY00 due to the adoption of new asset allocation targets and the manager restructuring process.

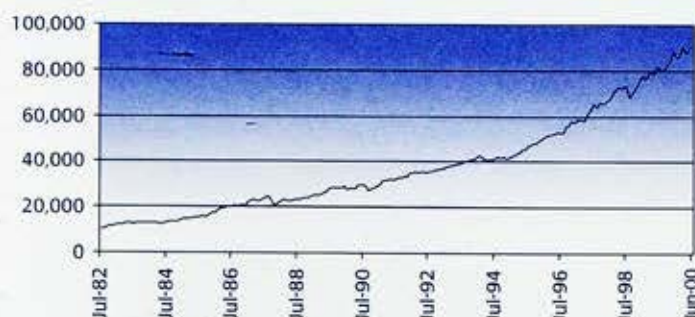
### ASSET ALLOCATION (for years ending June 30)

Asset Type	2000	1999	1998	1997	1996
Bonds - U.S.	28.0%	32.5%	32.3%	24.8%	28.5%
Bonds - International	7.4	6.5	6.7	7.3	7.9
Common Stock - International	19.9	11.6	10.2	9.6	10.0
Common Stock - U.S.	26.1	32.5	30.5	30.8	30.5
Private Equity	3.5	2.6	2.2	2.0	1.3
Real Estate Equity	9.7	10.7	11.8	13.0	14.4
Short-Term Investments	5.4	3.6	6.3	12.5	7.4
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: TRS

Over the years, TRS' asset allocation has provided consistent overall returns, as represented by the following chart showing the growth of \$10,000 over the last 18 years.

### GROWTH OF \$10,000 (since July 1, 1982)



Source: TRS

The next seven sections provide a brief, but informative, overview of the various asset classes used by TRS for the period ending June 30, 2000.

## U.S. Equity

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

For the fiscal year, TRS' U.S. equity portfolio returned 6.5 percent compared to the Russell 3000 Index return of 9.6 percent. The Russell 3000 Index was adopted as the domestic equity benchmark effective August 1, 1999. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
TRS	6.5%	16.4%	19.9%	15.7%
Russell 3000 Index	9.6	19.2	22.8	17.5

At June 30, 2000, 30.3 percent of TRS' investment portfolio was assigned to U.S. equity managers. TRS employed U.S. equity managers to use fully active, index, or enhanced index management strategies during FY00.

The top 10 U.S. equity holdings, excluding commingled funds, at June 30, 2000, are listed below and represent 13.6 percent of total U.S. equity holdings.

### TOP 10 U.S. EQUITY HOLDINGS

Firm	Market Value
Intel Corp.	\$141,449,263
Cisco Systems, Inc.	140,574,126
General Electric Co.	138,679,800
Pfizer, Inc.	91,857,912
Microsoft Corp.	83,100,720
Brocade Communications Systems, Inc.	69,891,217
EMC Corp.	65,428,804
Oracle Corp.	52,026,281
Ariba, Inc.	50,705,628
Applied Materials, Inc.	48,011,584
<b>Total</b>	<b>\$881,725,335</b>

Source: TRS and The Northern Trust Company



As of June 30, 2000, TRS employed 12 U.S. equity managers, who are identified in the U.S. Equity Managers and Assets Under Management table.

### U.S. EQUITY MANAGERS AND ASSETS UNDER MANAGEMENT (Includes inception date of account)

#### Index Accounts

State Street Bank & Trust Company (11/98) \$2,260,310,376

#### All Cap Growth Accounts

Geewax, Terker & Company (3/00) 447,909,512

Oak Associates, Ltd. (3/00) 234,526,158

#### Large Cap Value Accounts

GE Asset Management (4/00) 697,800,747

Dodge & Cox (4/00) 643,417,168

Sanford C. Bernstein & Co., Inc. (4/98) 673,878,793

#### Enhanced Core Accounts

Pacific Investment Management Co. (8/91) 707,773,827

#### Large Cap Growth Accounts

Lincoln Capital Management Co. (10/89) 911,996,594

#### Small/Mid Cap Growth Accounts

Miller, Anderson, & Sherrerd, L.L.P. (3/00) 220,124,355

#### Small Cap Growth Accounts

Neuberger Berman, L.L.C. (3/00) 114,129,872

#### Small Cap Value Accounts

UBS/Brinson Partners, Inc. (12/89) 216,476,381

Lazard Asset Management, L.L.C. (10/89) 203,936,787

### Statistical Data

The following three tables convey various statistics, including attribution and sector analysis, of the U.S. equity portfolio.

### U.S. COMMON STOCK – DIVERSIFICATION BY ECONOMIC SECTOR (for year ending June 30, 2000)

Sector	Weighting TRS Domestic Equity	Weighting Russell 3000 Index
Autos/Transportation	0.9%	1.8%
Consumer Staples	8.5	8.5
Consumer Discretionary	8.8	12.1
Energy	4.0	5.1
Financial Services	16.7	14.5
Health Care	9.4	2.0
Materials/Processing	2.5	2.4
Miscellaneous/Other	15.5	4.5
Producer Durables	2.9	10.4
Technology	29.0	29.8
Utilities	1.8	8.9
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: TRS and Frank Russell

### U.S. EQUITY PROFILE (as of June 30, 2000)

Category	TRS	S&P 500 Index	Russell 3000 Index
Market Cap (billions)	\$122.4	\$149.3	\$121.0
P/E	23.2x	26.5x	24.6x
Dividend Yield	1.3%	1.1%	1.3%
Beta	1.0	1.0	1.0
Diversification (R-Squared)	1.0	1.0	1.0
Five-Year EPS Growth	20.0%	20.4%	20.6%
Price/Book Ratio	10.0x	10.2x	9.9x

Source: TRS and The Northern Trust Company



## TRS U.S. EQUITY VS. THE RUSSELL 3000 INDEX ECONOMIC SECTORS (annual return as of June 30, 2000)

	Russell 3000 Index	TRS U.S. Equity
<b>Total</b>	<b>9.6%</b>	<b>6.5%</b>
<b>Sector</b>		
Autos/Transportation	(20.3)	(13.7)
Consumer Discretionary	(4.8)	(4.0)
Consumer Durables	(12.2)	9.3
Energy	40.6	13.7
Financial Services	(8.3)	(2.0)
Health Care	18.3	14.7
Materials/Processing	(24.0)	(14.5)
Miscellaneous/Other	20.3	7.0
Producer Durables	18.9	13.6
Technology	57.9	32.7
Utilities	(10.3)	(7.0)

Source: TRS and Frank Russell

## Discussion of U.S. Equity

The Board of Trustees adopted a new target for U.S. equities of 30.0 percent, a reduction of 5.0 percentage points from the previous target of 35.0 percent. The U.S. Equity Styles table provides a further breakdown of the styles also adopted by the Board of Trustees.

## U.S. EQUITY STYLES

	Target
<b>U.S. Equity Total</b>	<b>30.0%</b>
<b>Subclasses</b>	
Index	28.5
Enhanced Core	10.0
All Cap Growth —	9.0
Large Cap Value	30.0
Large Cap Growth	12.0
Small to Mid Cap Growth	3.0
Small Cap Growth	1.5
Small Cap Value	6.0
<b>Total</b>	<b>100.0%</b>

As of June 30, 2000, the TRS U.S. equity style percentages were near their respective targets and the characteristics of the U.S. equity portfolio closely resembled those of the Russell 3000 Index.

For the one-year period, the TRS U.S. equity managers underperformed the Russell 3000 Index by 3.1 percent. Most of the underperformance for the year can be attrib-

uted to TRS' temporarily light allocation to growth stocks relative to the Russell 3000 Index.

The new manager structure, adopted in October 1999, resulted in the creation of six vacant slots in the U.S. equity portfolio, four of which were in the growth area. Until searches could be completed to fill these vacant positions, assets were temporarily invested in the S&P 500 Index fund at State Street Bank & Trust Company. As a result, TRS' U.S. equity portfolio was underweight in growth stocks relative to the benchmark during this interim period. This underweighting, combined with significant overperformance by growth stocks relative to the S&P, resulted in the poor performance relative to the benchmark.

As of June 30, 2000, the U.S. equity manager structure is in place. Future portfolio weightings and relative performance should be more reflective of the Russell 3000 Index.

## International Equity

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

International common stocks are traded on numerous primary and secondary markets or exchanges all over the world. These shares bring with them additional complexities such as foreign currency fluctuations, foreign tax reclaims from dividend distribution, and the rules and regulations of the varying exchanges and regulatory authorities in numerous countries.

For the year ended June 30, 2000, the international equity asset class returned 19.9 percent compared to the MSCI All Country World Excluding U.S. Free Index return of 18.1 percent. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
<b>TRS</b>	<b>19.9%</b>	<b>10.1%</b>	<b>15.3%</b>	<b>8.7%</b>
MSCI All Country				
Ex. U.S. Free Index	18.1	9.5	11.1	8.3



At June 30, 2000, 20.7 percent of TRS' investment portfolio was assigned to international equity managers. TRS employed international equity managers to use fully active or index management strategies during FY00. Listed below are the top 10 international common stock holdings, excluding commingled funds, as of June 30, 2000. These securities represent 12.2 percent of the total international equity portfolio.

## TOP 10 INTERNATIONAL EQUITY HOLDINGS

Firm	Market Value
Total Fina Elf	\$81,698,577
Nortel Networks Corp.	68,150,399
Nokia	65,801,282
Ing Groep	63,453,017
Vodafone Group	63,440,905
Hitachi	60,011,342
Glaxo Wellcome	54,793,317
Alcatel	53,187,842
Canon, Inc.	47,807,192
Ericsson	46,451,100
<b>Total</b>	<b>\$604,794,973</b>

Source: TRS and The Northern Trust Company

As of June 30, 2000, TRS employed seven international equity managers, who are identified in the International Equity Managers and Assets Under Management table.

## INTERNATIONAL EQUITY MANAGERS AND ASSETS UNDER MANAGEMENT (includes inception date of account)

### Index Accounts

State Street Bank & Trust Company (5/99)	\$747,044,038
--	---------------

### Active/Core Accounts

Brandes Investment Partners, L.P. (2/98)	721,257,895
Capital Guardian Trust Company (2/98)	709,011,266
Delaware International Advisers Ltd. (4/93)	713,486,329
Dresdner RCM Global Investors, L.L.C. (12/94)	705,900,953
INVESCO Global Asset Management, Inc. (6/00)	679,972,999
Martin Currie Inc. (6/00)	674,086,130

## Statistical Data

The International Equity Profile and International Common Stock – Countries of Exposure tables convey various statistics, including attribution and sector analysis, of the international equity portfolio.

## INTERNATIONAL EQUITY PROFILE (as of June 30, 2000)

Category	TRS	MSCI ACWI Ex. U.S. Free Index
Market Cap (billions)	\$51.2	\$56.7
P/E	31.7x	30.9x
Dividend Yield	1.5%	1.6%
Beta	1.0	1.0
Diversification (R-Squared)	1.0	1.0
Return on Equity	13.9%	13.8%
Price/Book Ratio	3.7x	3.1x

Source: TRS and The Northern Trust Company

## INTERNATIONAL COMMON STOCK – COUNTRIES OF EXPOSURE

Company	TRS	MSCI ACWI Ex. U.S. Free Index
Japan	20.3%	22.8%
United Kingdom	19.3	16.5
France	9.4	9.6
Germany	7.2	7.3
Netherlands	5.8	4.6
Spain	3.0	2.2
Australia	3.0	2.3
Switzerland	2.9	4.9
Italy	2.9	3.7
Canada	2.8	4.6
Other (31) Countries	23.4	21.5
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: TRS

## Discussion of International Equity

The Board of Trustees adopted a new target for international equities of 20.0 percent of total assets, an increase of 6.0 percentage points from the previous target of 14.0 percent. The International Equity Styles table provides a further breakdown of the styles also adopted by the board.

## INTERNATIONAL EQUITY STYLES

	Target
<b>International Equity Total</b>	<b>20.0%</b>
<b>Subclasses</b>	
Index	14.3
Active Core	85.7
<b>Total</b>	<b>100.0%</b>

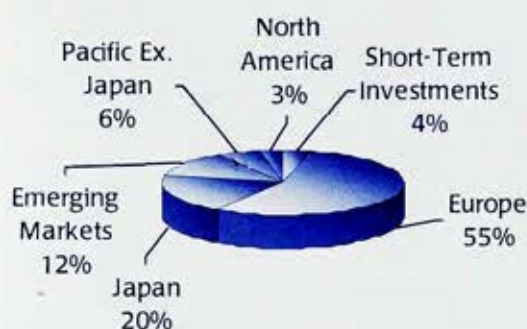


As of June 30, 2000, the TRS international equity style percentages were near their respective targets. TRS restructured the international equity asset class, eliminating eight assignments and filling two assignments that became available. The TRS international equity managers outperformed the MSCI ACWI Ex. U.S. Free Index by 1.8 percentage points for the year.

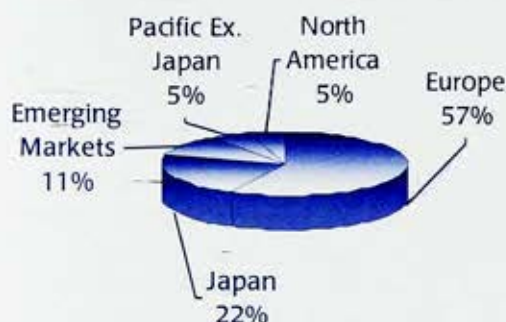
Entering FY01, the portfolio does not contain any significant over- or underweightings when compared to the ACWI benchmark.

## REGIONAL ALLOCATION COMPARISON (June 30, 2000)

### TRS Portfolio



### MSCI ACWI Ex. U.S. Free Index



The portfolio contains small underweight allocations to Europe, Japan and North America (Canada), and overweight allocations to the Pacific Rim Ex.-Japan, to emerging markets and to short-term investments.

## U.S. Fixed Income

U.S. fixed income is typically a long-term security that represents a contractual obligation of debt or a loan to a corporation, U.S. government, U.S. federal agency, or municipality. The security pays a fixed, or in some cases a variable, rate of return or interest until the bond matures, at which time the entire par amount is repaid to the bondholder. U.S. fixed income instruments are traded on numerous primary and secondary markets or exchanges and typically have more potential for appreciation in periods of low inflation. There can be numerous provisions, and various types of bonds can be issued.

TRS U.S. fixed income managers returned 4.4 percent for the year compared to the 4.5 percent return for its benchmark, the Salomon Smith Barney Broad Investment Grade (Salomon BIG) Index. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
TRS	4.4%	6.8%	6.9%	8.4%
SSB BIG Index	4.5	6.0	6.2	7.9

At June 30, 2000, 26.8 percent of TRS' investment portfolio was assigned to U.S. fixed income managers. TRS employed U.S. fixed income managers to use fully active or index management strategies during FY00.

The following table lists the top 10 U.S. fixed income holdings, excluding commingled funds, as of June 30, 2000. These securities represent 12.9 percent of the total U.S. fixed income portfolio.



## TOP 10 U.S. FIXED INCOME HOLDINGS

Security/Position	Rate	Maturity	Market Value
Government National Mortgage Association	6.50%	07/15/2028	\$187,875,918
U.S. Treasury Bonds	8.50	02/15/2020	104,953,091
U.S. Treasury Inflation Indexed Notes	3.84	01/15/2008	82,834,556
Federal Home Loan Mortgage Corp. Gold	6.00	07/01/2028	73,378,809
U.S. Treasury Inflation Indexed Notes	3.87	07/15/2002	72,093,372
Government National Mortgage Association	7.50	07/15/2030	71,085,196
Government National Mortgage Association	8.00	07/01/2030	65,605,046
Government National Mortgage Association	7.00	07/15/2029	61,821,108
Federal Home Loan Mortgage Corp. Multi-Class	6.50	08/15/2032	58,578,862
Federal National Mortgage Association	6.50	08/15/2004	58,167,963
<b>Total</b>			<b>\$836,393,921</b>

Source: TRS and The Northern Trust Company

As of June 30, 2000, TRS employed seven U.S. fixed income managers, who are identified in the U.S. Fixed Income Managers and Assets Under Management table.

## U.S. FIXED INCOME MANAGERS AND ASSETS UNDER MANAGEMENT (includes inception date of account)

## Index

State Street Bank & Trust Company (10/99) \$746,094,935

## Active Core

BlackRock Financial Management, Inc. (6/97)	1,606,843,987
Chicago Capital Management, Inc. (12/95)	629,854,074
Miller, Anderson & Sherrerd, L.L.P. (3/98)	632,777,909
Payden & Rygel Investment Counsel (6/97)	627,499,376
Pacific Investment Management Co. (7/82)	1,611,003,010
Weiss, Peck & Greer, L.L.C. (12/91)	630,193,623

## Statistical Data

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

## U.S. BOND PROFILE

Characteristic	06/30/00		06/30/99	
	TRS	SSB BIG	TRS	SSB BIG
Term to Maturity (years)	9.0	8.8	5.9	9.2
Effective Duration (years)	5.1	5.0	5.2	4.9
Coupon (%)	6.9	6.9	6.1	5.7
Average Quality Rating	Aaa	Aaa	Aaa	Aaa
Yield to Maturity (%)	7.6	7.3	6.7	6.4

Source: TRS and Salomon Smith Barney

## U.S. FIXED INCOME MANAGERS (weighting June 30, 2000)

Fixed Income Type	TRS	Salomon BIG Index
Treasury	15.1%	30.6%
Agency/Pass Thru	39.8	44.4
CMO	5.6	0.0
Corporates	28.2	21.3
Asset Backed	3.3	0.9
International	1.8	2.8
Miscellaneous	6.2	0.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: TRS and Salomon Smith Barney

## DIVERSIFICATION BY QUALITY RATING FOR FIXED INCOME MANAGER PORTFOLIOS

Moody's Quality Rating	06/30/00
Aaa	66.7%
Aa1 through Aa3	3.5
A1 through A3	10.9
Baa1 through Baa3	7.0
Ba1 through Ba3	2.0
Short-Term	3.3
Other*	6.6
<b>Total</b>	<b>100.0%</b>

\* Includes under B and NR ratings.

Source: TRS and Salomon Smith Barney



## Discussion of U.S. Fixed Income

The Board of Trustees adopted a new target for U.S. fixed income of 27.0 percent, a decrease of 4.0 percentage points from the previous target of 31.0 percent. The U.S. Fixed Income Styles table provides a further breakdown of the styles also adopted by the Board of Trustees.

### U.S. FIXED INCOME STYLES

	Target
<b>U.S. Fixed Income Total</b>	<b>27.0%</b>
<b>Subclasses</b>	
Index	10.0
Active Core	90.0
<b>Total</b>	<b>100.0%</b>

As of June 30, 2000, the TRS U.S. fixed income style percentages were near their respective targets. During FY00, TRS restructured the U.S. fixed income asset class, eliminating 12 assignments and filling 1 new assignment. The TRS U.S. fixed income managers slightly underperformed the Salomon BIG Index by 0.1 percentage point.

The TRS U.S. fixed income portfolio is positioned to benefit from the yield advantage that corporate and mortgage securities have over treasuries. With duration almost identical to the index, the major deviation from the benchmark is the underweight position in treasuries.

## International Fixed Income

International fixed income is typically a long-term security that represents a contractual obligation of debt or a loan to a foreign corporation, foreign government, foreign agency, or foreign municipality. The security pays a fixed, or in some cases a variable, rate of return or interest until the bond matures, at which time the entire par amount is repaid to the bondholder. International fixed income instruments are traded on numerous primary and secondary markets or exchanges throughout the world and typically have more potential for appreciation in periods of low inflation. There can be numerous provisions, and various types of bonds can be issued. Owning international fixed income also requires consideration of such issues as foreign currency fluctuations and the rules and regulations of the varying exchanges and regulatory authorities in numerous countries.

TRS' international fixed income managers returned -0.7 percent in FY00, underperforming the benchmark, the Salomon Smith Barney Non-U.S. World Government Bond Index (SSBNUSWGBI), which returned 2.4 percent. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
TRS	(0.7)%	2.0%	4.1%	8.3%
SSBNUSWGBI	2.4	2.7	1.7	8.4

At June 30, 2000, TRS employed three international fixed income managers, who are identified in the International Fixed Income Managers and Assets Under Management table.

### INTERNATIONAL FIXED INCOME MANAGERS AND ASSETS UNDER MANAGEMENT (includes inception date of account)

UBS/Brinson Partners, Inc. (8/90)	\$566,714,406
Julius Baer Investment Management, Inc. (7/92)	567,241,881
Rogge Global Partners (6/00)	555,874,739

## Statistical Data

The International Fixed Income Profile and International Fixed Income - Countries of Exposure tables convey various statistics of the international fixed income portfolio.

### INTERNATIONAL FIXED INCOME PROFILE (as of June 30, 2000)

	Coupon	Effective Duration	Term to Maturity
TRS	5.8%	5.4 years	7.0%
SSBNUSWGBI	5.0%	5.5 years	7.1%

Source: TRS and The Northern Trust Company



**INTERNATIONAL FIXED INCOME —  
COUNTRIES OF EXPOSURE (as of June 30, 2000)**

Country	% Weight TRS	% Weight SSBNUSWGBI
Australia	1.3%	0.8%
Austria	0.0	1.4
Belgium	0.0	3.2
Canada	7.3	3.8
Denmark	6.6	1.6
Finland	0.0	0.9
France	8.7	10.6
Germany	25.5	11.0
Greece*	0.9	1.0
Ireland	0.0	0.4
Italy	6.2	11.6
Japan	11.4	35.4
Netherlands	5.3	3.4
Portugal	0.0	0.7
Spain	4.1	4.2
Sweden	3.9	1.5
Switzerland	0.0	0.6
United Kingdom	5.7	7.9
United States	0.7	0.0
Multi-National/Other**	12.4	0.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* Greece was added 6/30/00. \*\* Includes cash balances.

Source: TRS

**Discussion of International Fixed Income**

The target allocation for international fixed income remained unchanged at 7.0 percent following the new asset allocation study.

**INTERNATIONAL FIXED INCOME STYLES**

	Target
<b>International Fixed Income Total</b>	<b>7.0%</b>
<b>Subclass</b>	
Active Managers	100.0
<b>Total</b>	<b>100.0%</b>

As of June 30, 2000, the TRS international fixed style percentages were near their respective targets. During FY00, TRS restructured the international fixed income asset class, reducing the number of assignments from five

to three. The TRS international fixed income managers underperformed the SSBNUSWGBI by 3.1 percentage points.

The primary factor detracting from the performance of the portfolio has been the substantial overweight position maintained in the euro. This was offset somewhat by overweight positioning in European markets and underweight positioning in Japan, as European bonds have outperformed Japanese bonds. TRS managers have positioned the portfolio with major overweight positions in Germany, Netherlands, and non-index countries.

**Private Equity**

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

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

FY00 was another strong year for private equity. A total return of 137.7 percent easily outdistanced the performance objective of the Russell 3000 Index plus 300 basis points. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
<b>TRS</b>	<b>137.7%</b>	<b>58.0%</b>	<b>52.8%</b>	<b>31.0%</b>
Russell 3000 Index				
+ 300 bps.	12.6	22.2	25.8	20.5

At June 30, 2000, 4.3 percent of TRS' investment portfolio was assigned to the private equity asset class. As of June 30, 2000, TRS invested in numerous private equity partnerships/funds, who are identified in the Private Equity Managers and Assets Under Management table.



## PRIVATE EQUITY MANAGERS AND ASSETS UNDER MANAGEMENT (includes inception date of account)

### Buyout Accounts

DLJ Merchant Banking Partners, L.P. I (9/92)	\$9,790,909
DLJ Merchant Banking Partners, L.P. II (3/97)	58,376,677
GTCR Golder Rauner, L.L.C. (3/00)	4,771,229
Kohlberg Kravis Roberts & Co., L.P. (5/97)	57,716,893
Mesirow Financial Services, L.P. (6/97)	22,188,618
Trivest Equities, Inc. (6/96)	27,831,968
Veronis Suhler Media Merchant Bank (6/96)	20,348,320
Weiss, Peck & Greer, L.L.C. Corp. Dev. (11/97)	16,551,498

### International Accounts

TCW/Latin American Mgmt. Partners, L.L.C. (5/97)	35,875,173
Evergreen Canada Israel Management, Ltd. (6/97)	9,027,646

### Debt-Related Accounts

Daystar Partners*	44,830,488
William Blair Mezzanine Cptl. Ptnrs. II, L.L.C. (5/97)	38,105,959
William Blair Mezzanine Cptl. Ptnrs. III, L.L.C. (1/00)	10,960,000

### Venture Capital Accounts

Apex Investment Fund III, L.P. (6/96)	38,565,851
Frontenac Company V (4/87)	2,017,420
Frontenac Company VI (6/93)	20,169,777
PENMAN Asset Management, L.P. (10/94)	10,792,492
21st Century Communication TE Ptnrs., L.P. (2/95)	10,816,366
SCP Private Equity Partners, L.P. I (5/97)	49,413,163
SCP Private Equity Partners, L.P. II (6/00)	20,665,713
VantagePoint Venture Partners IV (6/00)	3,750,000
Walnut GP, L.L.C. (3/97)	68,305,529
Weiss, Peck & Greer Venture Ptnrs., L.P. I (11/89)	12,592,940
Weiss, Peck & Greer Venture Ptnrs., L.P. II (8/94)	125,449,933
Weiss, Peck & Greer Venture Ptnrs., L.P. III (3/97)	158,115,870

\* Daystar was terminated 6/29/2000.

As of June 30, 2000, the breakdown of the private equity subclasses was as follows:

## PRIVATE EQUITY BREAKDOWN (as of June 30, 2000)



Source: TRS

## Discussion of Private Equity

The Board of Trustees adopted the new target for private equities of 7.0 percent, an increase from the previous allocation of 3.0 percent. The Private Equity Styles table provides a further breakdown of the styles also adopted by the board.

## PRIVATE EQUITY STYLES

	Target
<b>Private Equity Total</b>	<b>7.0%</b>
<b>Subclass</b>	
Buyout	45.0
Debt-Related	10.0
International	10.0
Venture Capital	35.0
<b>Total</b>	<b>100.0%</b>

As of June 30, 2000, the TRS private equity was underweight relative to its target. TRS will continue its efforts to implement the Board of Trustees' private markets asset allocation decision in the upcoming months.

The private equity managers out performed the Russell 3000 Index plus 300 basis points (time-weighted) by 125.1 percentage points. The investment in private equity entails some investment risk but offers the potential for above-average returns or profits, sometimes called risk capital.

The internal rate of return (IRR), widely used throughout the industry, is a more appropriate measure for this asset class. The IRR for the private equity asset class since inception of the portfolio for the period ending June 30, 2000 was 23.2 percent.

## Real Estate

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

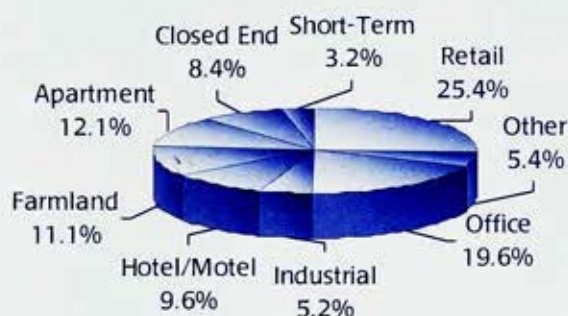


TRS' real estate investments earned an 8.8 percent rate of return during FY00 as compared to the NCREIF Property Index return of 11.6 percent. One-, three-, five-, and ten-year comparisons to this benchmark are as follows:

	FY00	3-Year	5-Year	10-Year
TRS	8.8%	12.3%	12.1%	7.4%
NCREIF Property Index	11.6	13.9	12.1	6.0

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

**REAL ESTATE HOLDINGS BY TYPE**  
June 30, 2000



As of June 30, 2000, TRS employed 10 real estate managers, who are identified in the Real Estate Managers and Assets Under Management table.

#### **REAL ESTATE MANAGERS AND ASSETS UNDER MANAGEMENT (Includes inception date of account)**

##### **Separate Accounts**

<i>Capital Associates Realty Advisors (12/91)</i>	\$801,699,142
<i>Cozad/Westchester Asset Mgmt., Inc. (5/91)</i>	297,576,435
<i>Commonwealth Realty Advisors, Inc. I (9/91)</i>	257,987,776
<i>Commonwealth Realty Advisors, Inc., II (11/92)</i>	328,935,135
<i>Koll Bren Schreiber Realty Advisors I (6/93)</i>	93,691,314
<i>Koll Bren Schreiber Realty Advisors II (5/96)</i>	44,365,964
<i>LPC Realty Advisors I, Ltd. (7/92)</i>	160,851,728
<i>Stone-Levy L.L.C. (4/95)</i>	237,272,062

##### **Closed End Accounts**

<i>Capital Associates/Bear Stearns Realty Ptnrs. (3/90)</i>	131,712,229
<i>DLJ Real Estate Capital, Inc. (3/96)</i>	41,323,183
<i>Heitman Capital Management* (7/85)</i>	6,016,352
<i>RREEF Capital II, L.L.C. (11/96)</i>	24,793,548

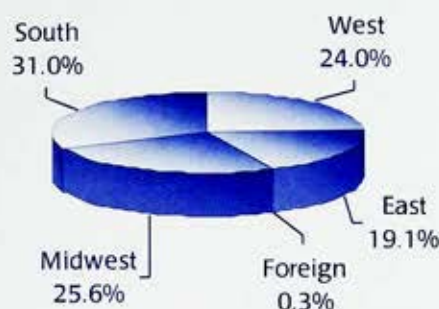
\* Account currently in liquidation mode.

## **Discussion of Real Estate**

The Board of Trustees established a target for real estate of 8.0 percent, a reduction of 2.0 percentage points from the previous target of 10.0 percent. As of June 30, 2000, the TRS real estate portfolio was slightly overweight relative to its target. TRS is continuing its efforts to reduce the real estate portfolio to its targeted 8.0 percent allocation.

The TRS real estate portfolio has the following geographical representation:

**GEOGRAPHIC DIVERSIFICATION OF REAL ESTATE HOLDINGS**  
June 30, 2000



## **Brokerage Activity**

The table on the next page shows the top 50 listed brokers used by TRS' external managers for the years ended June 30, 2000 and 1999. Listed commissions decreased by 9.4 percent from the previous year, primarily attributed to TRS' increased involvement in indexing strategies and the reduction in the overall number of public market managers.



## TOP 50 BROKERS USED BY TRS MANAGERS (for the years ended June 30)

Broker	FY00 Commission	FY99 Commission
Deutsche Bank / DB Clearing Services (Worldwide)	\$1,761,114	\$125,011
State Street Brokerage Services	955,733	698,145
Merrill Lynch & Co., Inc. (Worldwide)	805,902	578,249
Goldman Sachs & Co. (Worldwide)	733,017	779,005
Morgan Stanley Dean Witter (Worldwide)	540,933	641,077
CS First Boston (Worldwide)	517,190	468,979
Salomon Smith Barney, Inc. (Worldwide)	453,005	529,835
Bear Stearns & Co. (Worldwide)	421,057	275,350
Merrill Lynch Pierce Fenner & Smith	413,465	408,410
Alpha Management (BNY ESI)	318,753	246,400
Lehman Brothers, Inc. (Worldwide)	302,139	183,208
ABN AMRO (Worldwide)	269,014	255,445
J.P. Morgan Securities, Inc. (Worldwide)	253,605	179,885
Investment Technology Group, Inc.	224,010	132,105
D. L. J. Securities Corp. (Worldwide)	216,298	333,505
Lynch, Jones & Ryan, Inc.	208,289	99,715
Instinet (Worldwide)	181,477	268,894
Furman, Selz, Mager, Dietz, & Birney	172,890	330,408
Frank Russell, Inc. (Worldwide)	126,697	227,709
Citation Group, The	125,271	199,843
SBC Warburg & Co. (Worldwide)	118,116	149,475
Commerzbank Capital Markets Corp.	105,371	245,432
Cheuvreux De Virieu (Worldwide)	102,812	90,141
Nomura Securities, Inc. (Worldwide)	95,738	70,688
James Capel (Worldwide)	87,266	114,269
Paine Webber, Inc.	81,650	141,158
Citibank (Worldwide)	81,488	63,911
Montgomery Securities	79,765	156,965
Bank Julius Baer (Worldwide)	77,930	25,741
Jeffries & Co.	77,876	128,253
Oppenheimer & Co., Inc.	77,855	352,522
Abel / Noser Corp.	75,315	227,709
Bernstein, Sanford C. & Co.	74,750	174,941
Pictet and Co., Ltd.	67,755	38,934
Warburg Dillon Read	67,395	51,204
Prudential Securities, Inc. (Worldwide)	66,935	74,709
Daiwa Securities	65,346	1,554
Morgan Keegan and Company	64,064	484,907
HSBC (Worldwide)	62,716	168,981
Robert Fleming & Co., Ltd. (Worldwide)	61,326	76,989
Kleinwort Benson (Worldwide)	60,609	72,875
Weeden & Co.	60,069	73,758
Cantor Fitzgerald & Co.	52,573	75,553
UBS Phillips & Drew (Worldwide)	51,996	108,339
Equitable Securities	49,114	--
Cowen & Company	48,922	97,893
DMG C.J. Lawrence, Inc. (Worldwide)	48,705	63,078
Societe Generale Securities Corp.	47,657	107,291
Banque Paribas (Worldwide)	47,396	14,003
Fox Pitt & Kelton (Worldwide)	46,329	77,278
All Others (FY00, 190 Brokers)	1,613,692	3,541,514
<b>Totals</b>	<b>\$12,718,390</b>	<b>\$14,031,243</b>

Source: The Northern Trust Company



TRS uses a commission recapture and soft dollar program. For the year ended June 30, 2000, TRS recaptured more than \$1.3 million in commissions that were reinvested back into the fund. In addition, TRS received \$300,364 in soft dollar credits that were used to pay for fund research and fund consulting expenses. These amounts decreased the overall listed commissions to \$11.1 million. During FY00, TRS spent \$498,976 of soft dollar commission credits. At June 30, 2000, TRS had a remaining soft dollar credit balance of \$184,809. *Note:* All amounts in this paragraph are listed in hard dollars.

## Security Lending

TRS participates in securities lending activity with our custodian, The Northern Trust Company, acting as the securities lending agent. Additionally, TRS participates in security lending with State Street Bank & Trust Company (SSBTC) where income earned from security lending activities is reinvested back into each respective commingled fund. The Security Lending Summary table outlines the net income from securities lending activity, the securities on loan, and the amount of collateral for these securities.

### SECURITY LENDING SUMMARY (as of June 30, 2000)

Income Source	Amount
Income Earned FY00 Northern Trust	\$9,189,915
Income Earned FY00 SSBTC	<u>1,000,553</u>
Total Net Securities Lending Income	\$10,190,468
Total Collateral Market Value Northern Trust	\$2,622,441,800
Total Market Value of Securities on Loan Northern Trust	\$2,549,327,888
Total Collateralized Percentage	103%

Source: The Northern Trust Company and SSBTC

## External Manager Fee Payments

For the year ended June 30, 2000, fee payments to external managers totaled \$60.711 million, a decrease of 21.2 percent from the year ending June 30, 1999. A summary is provided in the Schedule of Investment Manager Fees table.

### SCHEDULE OF INVESTMENT MANAGER FEES

Investment Manager/Account	FY00	FY99
Angelo, Gordon & Co.	\$265,580	\$845,481
Apex Investment Partners	675,000	675,000
Ark Asset Management Co., Inc.	0	7,387,081
Atlantic Asset Management Partners, L.L.C.	77,026	236,314
Bear Stearns/Capital Associates Realty Advisors	870,940	870,940
BlackRock Financial Management Inc.	866,867	1,015,836
Brandes Investment Partners, L.P.	1,775,415	534,582
Brandywine Asset Management, Inc.	0	233,124
Capital Associates Realty Advisors	3,339,068	3,263,580
Capital Guardian Trust Co.	2,201,132	992,064
Chicago Capital Management, Inc.	683,806	215,019
Chicago Equity Partners	277,979	883,921
Clay Finlay, Inc.	506,309	1,364,962
Commonwealth Realty Advisors, Inc.	2,389,438	2,398,255
Conseco Capital Management	122,300	366,115
Cozad/Westchester	1,157,391	1,203,734
Daystar Partners	484,499	539,340
Delaware International Advisors, Ltd.	1,164,029	1,422,880
DLJ Merchant Banking Partners, Inc. I	0	0
DLJ Merchant Banking Partners, Inc. II	1,089,908	1,125,000
DLJ Real Estate Capital Partners, L.P.	750,000	800,901
Dodge & Cox	217,725	0
Dresdner RCM Global Investors, L.L.C.	1,842,826	626,713
Fiduciary Management Associates	41,188	129,317
First Analysis, Inc.	0	2,043
Forstmann-Leff International, Inc.	75,081	224,593
Fox Asset Management, Inc.	0	200,970
Frontenac Company VI	300,000	300,000
GE Asset Management Inc.	132,207	0
Geewax, Terker & Company	415,641	0
Heitman Capital Management	88,362	287,177
Hotchkis & Wiley	212,137	1,597,064
Hughes Capital Management, Inc.	39,562	117,821
Insight Capital Research & Management, Inc.	116,523	262,334
Institutional Capital Corp.	321,639	915,510
INVESCO Global Asset Mgmt. (N.A.), Inc.	69,857	0
Julius Baer Investment Management, Inc.	688,552	461,220
K/B Realty Advisors	1,954,861	3,086,768
Kohlberg Kravis Roberts & Co.	602,645	736,661
Lazard Asset Management	766,186	1,164,399
Lincoln Capital Management Co.	2,694,932	3,285,775
LPC Realty Advisors I, Ltd.	5,354,915	8,301,059
Martin Currie Inc.	112,919	0
Mentor Investment Advisors, Inc.	24,534	103,598
Mesirow Private Equity Investments, Inc.	750,000	746,955
Miller, Anderson, Sherrerd, L.L.P.	799,214	574,486
Munder Capital Management, Inc.	0	441,061
Neuberger Berman, L.L.C.	147,909	0
Oak Associates, Ltd.	65,691	0
Pacific Investment Management Co.	3,349,571	6,004,614

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# Investment Section

continued from previous page

Investment Manager/Account	FY00	FY99
Paradigm Asset Management Co., L.L.C.	\$122,619	\$354,287
Payden & Rygel Investment Counsel	752,128	741,049
Penman Asset Management, L.P.	244,730	332,212
Periscope I Fund Managers, L.L.C.	128,250	108,000
Pyrford International, PLC	296,065	1,001,902
Rogge Global Partners	24,277	0
RREEF Real Estate Venture Capital Fund, L.P.	366,548	-234,383
21st Century Communications	141,713	165,871
Sanford C. Bernstein & Co., Inc.	1,013,908	761,522
SCP Private Equity Partners, L.P.	676,827	585,850
Scudder Kemper Investments, Inc.	372,127	980,033
State Street Bank & Trust Company	1,565,483	78,590
Stone-Levy, LLC	1,055,650	2,471,235
Strong Capital Management, Inc.	121,717	352,929
TCW/Latin American Partners, L.L.C.	574,429	661,145
Sturdivant & Co.	0	29,675
Taplin, Canida & Habacht	57,611	171,131
The Edgar Lomax Company	37,559	103,423
The Northern Trust Company	118,259	469,300
The Northern Trust Company (Custody)	675,000	675,000
Trivest, Inc.	320,444	356,326
UBS / Brinson Partners, Inc.	2,296,178	4,633,207
Valenzuela Capital Partners, L.L.C.	81,561	263,666
Veronis Suhler & Associates	134,407	162,639
W.R. Huff Asset Management Co., L.L.C.	241,134	708,927
Walnut Growth Partners, L.L.C.	0	0
Wayne Hummer Management Co.	10,605	27,649
Weiss, Peck & Greer Corporate Development Associates	600,000	600,000
Weiss, Peck & Greer Investments	396,915	219,960
Weiss, Peck & Greer Venture Partners, L.P. I	214,375	285,031
Weiss, Peck & Greer Venture Partners, L.P. II	2,345,983	1,256,058
Weiss, Peck & Greer Venture Partners, L.P. III	5,152,980	2,054,001
Western Asset Management Co.	229,826	703,913
William Blair Mezzanine Capital Partners II, L.L.C.	459,872	0
<b>Total fees paid by TRS</b>	<b>\$60,710,544</b>	<b>\$77,024,415</b>

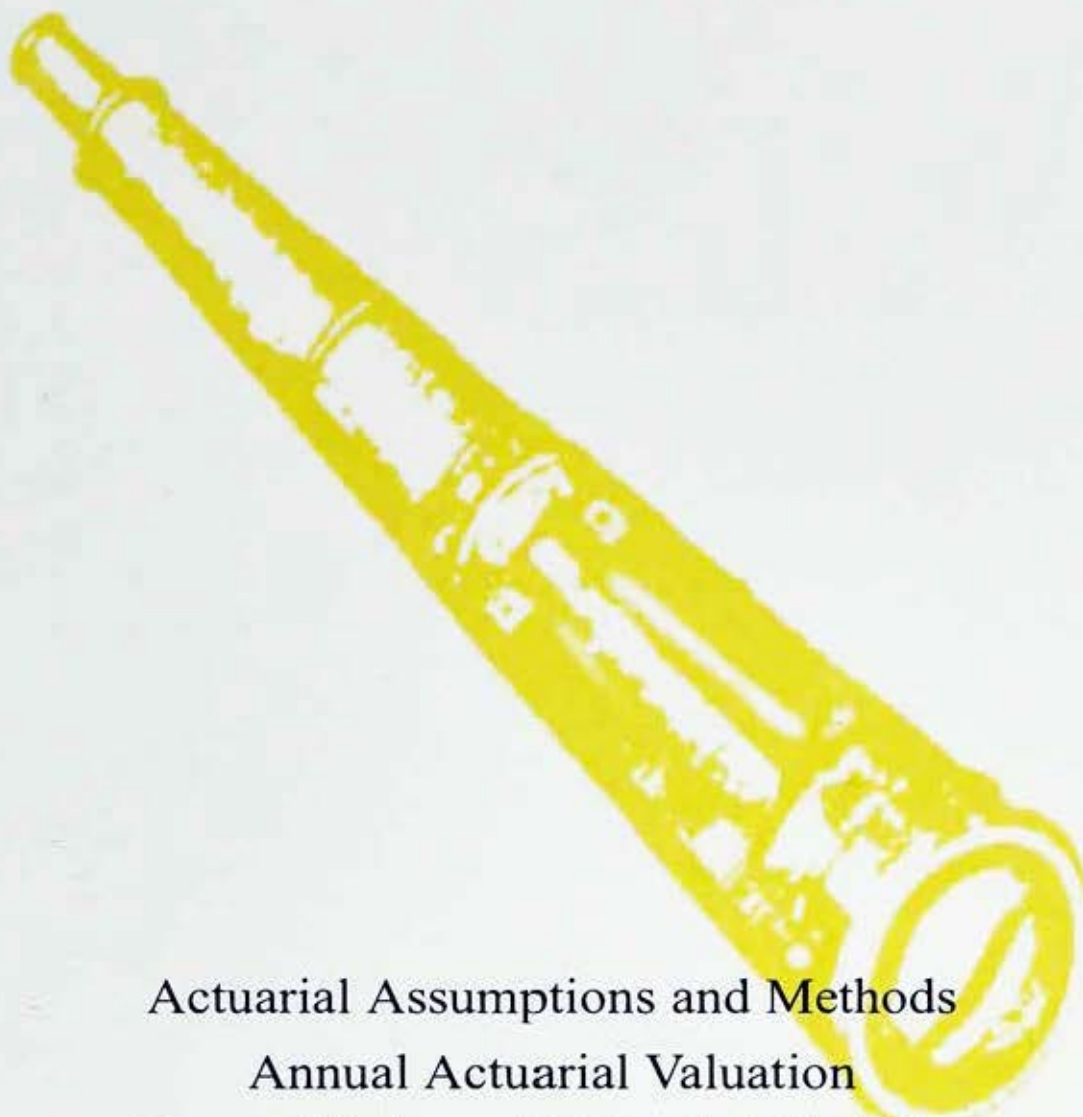
*Note: This schedule was prepared using the cash basis of accounting and differs from the total shown within the Financial Section of this report.*

*Source: TRS*



# Actuarial Section

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

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**BUCK**  
**CONSULTANTS**  
One North Franklin, Suite 3500  
Chicago, Illinois 60606

October 31, 2000

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

**Subject: Pension Benefit Obligation as of June 30, 2000**

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the pension benefit obligation of the System to be \$35,886,404,000 as of June 30, 2000. The valuation was performed in accordance with generally accepted actuarial principles and procedures, using the projected unit-credit actuarial cost method.

The actuarial valuation was based on a census of retired members as of June 30, 2000, and a census of active and inactive members as of June 30, 1999, which were submitted to us by the System. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation.

Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. This schedule has been reviewed by the actuary and is consistent with the valuation report. The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Market Value Assets, Reconciliation of Unfunded Liability, State Funding Amounts, Funded Ratio Test, Unfunded Liability as a Percentage of Payroll Test and Solvency Test. While these schedules were not prepared by the actuary, they are in agreement with the valuation report and have been verified for their accuracy.

The amortization method established by PA 88-0593 and PA 90-0582 which is used for funding purposes does not meet the parameters of GASB Statement No. 25. The amortization method used is a 15-year phase-in to a level percent of payroll until a 90% funding level is achieved by June 30, 2045, with the remaining amortization period being 45 years. The actuarial assumptions, actuarial cost method, and asset valuation method used for funding purposes do meet the parameters of GASB Statement No. 25.

The valuation is based on the benefit provisions of TRS in effect on June 30, 2000. The actuarial assumptions used in the valuation are those specified by the Board of Trustees of the System based on recommendations made by the actuary.

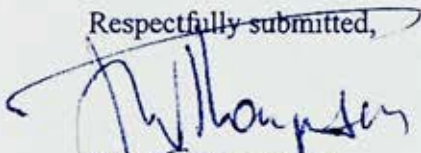
Buck Consultants, Inc.  
312 | 332-2285 Fax 312 | 332-5245



Board of Trustees  
Teachers' Retirement System  
of the State of Illinois  
October 31, 2000  
Page 2

In our opinion, the amount of \$35,886,404,000 is a fair representation of the pension benefit obligation of the System as of June 30, 2000.

Respectfully submitted,



John W. Thompson  
Consulting Actuary

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BUCK  
CONSULTANTS



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

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

## Actuarial Assumptions and Methods

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

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

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

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

Sample annual percentage salary increases:

Age	Male and Female
25	8.8%
30	8.2
40	7.1
50	6.5
60	6.3
69	6.0

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

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

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

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

**Disability:** Adopted in the FY93 valuation.

Sample annual rates per 1,000 participants:

Age	Male	Female
25	0.4	0.8
30	0.4	0.8
40	0.6	1.2
50	1.2	2.4
60	4.0	8.0

**Termination from active service:** Adopted in the FY97 valuation.

Sample annual terminations per 1,000 participants:

Age	Nonvested Members		Vested Members	
	Male	Female	Male	Female
25	135.0	170.0	61.1	88.0
30	91.0	135.0	41.2	69.9
40	35.0	55.0	15.8	28.5
50	23.0	36.5	10.4	18.9
60	41.0	44.0	18.6	22.8



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

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

**Optional service at retirement:** The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased by 1.95 percent to cover the employer cost of optional service purchased in the last two years of service. The overall assumption used in the previous valuation – an average of 0.813 of a year per full-time/part-time service retiree – is maintained. Adopted in the FY94 valuation; refined in the FY99 valuation.

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

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

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

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

Also, measures of TRS’ financial condition for both June 30, 2000, and June 30, 1999, are shown using market value of assets. These tests are consistent with TRS’ financial statements, which are prepared in accordance with GASB Statement No. 25. The change to market value was first effective June 30, 1997, for determining state funding requirements for FY99.

The actuarial value of assets for FY00 and FY99 is equal to the “net assets available for benefits” as shown in the financial statements.

## Annual Actuarial Valuation

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

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

### ACTUARIAL VALUATION WITH MARKET VALUE ASSETS (\$ thousands)

	Years Ended June 30	
	2000	1999
<b>Total actuarial accrued liability</b>	<b>\$35,886,404</b>	<b>\$33,205,513</b>
Less actuarial value of assets (net assets at market value)	<u>\$24,481,413</u>	<u>\$22,237,709</u>
<b>Unfunded liability</b>	<b>\$11,404,991</b>	<b>\$10,967,804</b>
Funded ratio	68.2%	67.0%

## Reconciliation of Unfunded Liability

The net increase in the June 30, 2000, unfunded liability of \$437 million was caused by a combination of factors.

The *employer cost in excess of contributions* is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 2000, this shortfall was \$724 million.

TRS experienced actuarial gains under the *investment return* and *salary increase* assumptions in FY00. Investment income was \$450 million higher than expected, and salary increases were \$33 million lower than expected. Actuarial losses occurred under the *mortality* and *turnover* assumptions. Additionally, many members repaid refunds in FY00, and the repurchased service increased the unfunded liability. There were also losses associated with the ERO contribution rates and the ERO contribution waivers for members who have 34 years of service. *Other*, which is a balancing item, includes the effect of retirements effective in June 1999 or earlier that were not reported to TRS and the actuary until after June 30, 1999.



## RECONCILIATION OF UNFUNDED LIABILITY (\$ thousands)

	Years Ended June 30	
	2000	1999
Unfunded liability at beginning of year	\$10,967,804	\$9,942,354
Additions (Deductions)		
Employer cost in excess of contributions	723,606	677,408
Amendments		
FY99: Change in 2.2% utilization assumption from 85% to 100% and effect of 36,418 members upgrading prior to retirement <sup>1</sup>	--	125,223
FY99: Change 2.2% upgrade cost to be reduced on a sliding scale under PA 91-17 <sup>2</sup>	--	33,870
Actuarial losses (gains) compared to assumptions		
Salary increases for continuing active members	(33,403)	44,030
Investment return	(450,361)	(389,014)
New entrant loss	19,342	15,631
Mortality loss	11,458	33,434
Fewer terminations than expected	87,956	74,310
Repayments of refunded member contributions <sup>3</sup>	25,872	39,940
ERO costs waived for those with 34 years of service	77,928	29,765
Delayed reporting of retirements (effect on assets) <sup>4</sup>	46,858	36,819
Other <sup>5</sup>	(72,069)	304,034
Net additions	437,187	1,025,450
Unfunded liability at end of year	\$11,404,991	\$10,967,804

<sup>1</sup> Prior costs based on assumption that members would wait until retirement to make the decision to upgrade. If members upgrade prior to retirement, the value of future death, disability retirement, and termination benefits are increased.

<sup>2</sup> This cost includes refunds with interest for those who have already elected to upgrade past service. These members have been charged an amount based on their total past service and will receive a refund of excess amounts when they retire.

<sup>3</sup> Includes the employer-paid portion of the benefit that was restored when members repaid previously refunded contributions.

<sup>4</sup> 1,237 retirements which occurred prior to 7/1/98 were not reported to the actuary until 6/30/99.

1,393 retirements which occurred prior to 7/1/99 were not reported to the actuary until 6/30/00.

<sup>5</sup> Other includes items such as:

(a) Retroactive benefits for late retirees (50-100 late retirements annually).

(b) Change in rate of benefit accruals from certified normal cost rate.

(c) Retirements with reciprocal service credits.

(d) Fewer disablements than expected.

(e) Delayed reporting of retirements (effect on accrued liability).



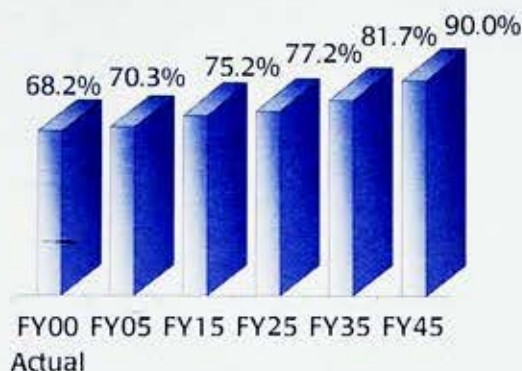
## State Funding

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

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

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

### TRS PROJECTED FUNDED RATIO



The FY00 actuarial valuation was used to determine FY02 state funding requirements and the FY02 employer's normal cost. The FY99 actuarial valuation was used to determine the required state contributions for FY01 and the FY01 employer's normal cost.

### STATE FUNDING AMOUNTS

	FY02	FY01
Employers' Contribution Reserve (excludes federal contributions; excludes school district contributions for 2.2)	\$810,619,000	\$719,357,000
Minimum benefit reserve	4,800,000	5,500,000
Total state funding amount*	\$815,419,000	\$724,857,000
Employer's normal cost as a percentage of active member payroll	8.84%	8.65%
State contribution to the Employers' Contribution Reserve as a percent of payroll	12.16%	11.47%

\* Beginning in FY01, contributions to the Supplemental Benefit Reserve are no longer requested by TRS because the reserve's balance is sufficient to pay all future expected benefit payments.

## Tests of Financial Condition

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

### FUNDED RATIO TEST (\$ thousands)

As of June 30	Net Assets at Cost	Net Assets at Market	Actuarial Accrued Liability	Funded Ratio	
				At Cost	At Market
1991	\$8,747,122	\$9,453,140	\$15,141,334	57.8	62.4
1992	9,811,962	10,439,836	16,659,353	58.9	62.7
1993	10,879,590	11,544,604	18,485,890	58.9	62.5
1994	11,992,224	12,038,688	21,746,875	55.1	55.4
1995	12,641,865	13,374,278	23,980,566	52.7	55.8
1996	13,829,711	15,103,927	26,141,794	52.9	57.8
1997	*	17,393,108	26,951,585	*	64.5
1998	*	19,965,887	29,908,241	*	66.8
1999	*	22,237,709	33,205,513	*	67.0
2000	*	24,481,413	35,886,404	*	68.2

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



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

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

Year Ended June 30	Approximate Member Payroll	Unfunded Liability	Percentage of Payroll
1991	\$3,777,000	\$6,394,212	169.3%
1992	3,976,000	6,847,391	172.2
1993	4,189,000	7,606,300	181.6
1994	4,413,000	9,754,651	221.0
1995	4,417,000	11,338,701	256.7
1996	4,734,000	11,037,867	233.1
1997	5,013,000	9,558,477	190.7
1998	5,323,000	9,942,354	186.8
1999	5,698,000	10,967,804	192.5
2000	6,063,000	11,404,991	188.1

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

The **solvency test** measures TRS' ability to cover different types of obligations if the plan was terminated and is hypothetical. The columns are in the order that assets would be used to cover certain types of obligations. Employee contributions would be refunded first, amounts due for current beneficiaries would be covered next, and the employer's obligation for active members would be covered last. Columns 1 and 2 should be fully covered by assets. The portion of Column 3 that is covered by assets should increase over time. TRS has passed the minimum standards of the solvency test since 1997.

## SOLVENCY TEST (\$ thousands)

Year Ended June 30	Aggregate Accrued Liabilities for			Actuarial Value of Assets*	Percentage of Benefits Covered by Net Assets		
	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)		(A)	(B)	(C)
1991	\$2,311,850	\$5,742,766	\$7,086,718	\$8,747,122	100%	100%	10%
1992	2,503,393	6,338,458	7,817,502	9,811,962	100	100	12
1993	2,709,573	7,510,618	8,265,699	10,879,590	100	100	8
1994	2,850,319	10,088,901	8,807,655	11,992,224	100	91	0
1995	2,846,405	12,702,258	8,431,903	12,641,865	100	77	0
1996	3,002,052	13,351,367	9,788,375	15,103,927	100	91	0
1997	3,329,075	13,091,057	10,531,453	17,393,108	100	100	9
1998	3,651,119	13,830,583	12,426,539	19,965,887	100	100	20
1999	3,956,022	14,935,811	14,313,680	22,237,709	100	100	23
2000	4,179,403	16,481,570	15,225,431	24,481,413	100	100	25

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



## Other Information

To comply with GFOA guidelines, we have moved three schedules from the Statistical Section to the Actuarial Section. These schedules were prepared by TRS staff, not our actuarial firm.

The schedules that have been moved are:

- Retirees and Beneficiaries Added to and Removed from Rolls
- Average Annual Salary for Active Members by Years of Service (June 30, 1991, through June 30, 2000)
- Active Members by Age and Years of Service (as of June 30, 2000)

In preparing the annual actuarial valuation each June 30, the TRS actuaries use active and inactive member data as of the previous June 30, with active member salaries projected forward in accordance with the 4 percent inflation assumption. The TRS employer reporting time line does not allow the current year's active data to be submitted to the actuaries in time to be used in the current year's valuation. The current year's valuation is the basis of the state funding certification for the next fiscal year and must be submitted annually by November 15.

### RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Year Ended June 30	Number at Beginning of Year	Added to Rolls	Removed from Rolls	Number at End of Year	End-of-Year Annual Allowances		Average Annual Allowance	
					Amount	% Increase	Amount	% Increase
1995	54,888	6,822	2,076	59,634	\$1,074,305,808	22.2%	\$18,015	12.6%
1996	59,634	2,063	2,033	59,664	\$1,132,033,161	5.4%	\$18,973	5.3%
1997	59,664	1,847	2,159	59,352	\$1,173,889,332	3.7%	\$19,778	4.2%
1998	59,352	1,954	2,156	59,150	\$1,218,829,800	3.8%	\$20,606	4.2%
1999	59,150	3,445	2,287	60,308	\$1,322,451,864	8.5%	\$21,928	6.4%
2000	60,308	4,168	2,354	62,122	\$1,457,736,912	10.2%	\$23,466	7.0%

Please refer to the Statistical Section for the following information:

- Retired Members by Years of Service and Years in Retirement, June 30, 2000
- Schedules of Average Monthly Benefits, June 30, 2000
  - Retirement Benefits
  - Disability Benefits
  - Survivor Benefits

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



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

Years of Service		1991	1992	1993	1994
0-5	Number	26,770	26,962	26,217	28,573
	Average Salary	\$24,752	\$25,881	\$27,051	\$28,120
6-10	Number	14,811	15,820	16,948	18,158
	Average Salary	\$30,524	\$32,141	\$33,675	\$35,349
11-15	Number	16,438	15,914	14,663	13,380
	Average Salary	\$35,078	\$37,016	\$38,714	\$40,413
16-20	Number	18,403	17,454	16,703	15,916
	Average Salary	\$40,060	\$41,984	\$43,692	\$45,523
21-25	Number	15,719	16,422	17,083	17,233
	Average Salary	\$43,958	\$46,051	\$47,942	\$49,998
26-30	Number	7,605	8,307	9,431	10,134
	Average Salary	\$45,877	\$48,438	\$51,050	\$54,071
31-35	Number	3,479	3,742	4,124	3,523
	Average Salary	\$49,046	\$52,047	\$55,598	\$58,913
35+	Number	478	539	707	771
	Average Salary	\$49,979	\$55,044	\$57,768	\$60,109
Total Number		103,703	105,160	105,876	107,688
Average Salary		\$35,321	\$37,193	\$39,177	\$40,618
% Change Average Salary		7.0%	5.3%	5.3%	3.7%
Total Payroll					
Full & Part-time		\$3,662,893,663	\$3,911,215,880	\$4,147,904,052	\$4,374,071,184

*FY00 statistical information is subject to review by the Employer Services Department, which may result in slight modifications. Annual salaries are computed using full- and part-time salary rates only; substitute and hourly employee salaries are omitted. Total payroll shown will be lower than payroll figures used elsewhere in this report.*



1995	1996	1997	1998	1999	2000
34,193	33,700	33,134	33,325	34,831	35,192
\$28,851	\$29,867	\$30,717	\$31,495	\$32,430	\$33,070
18,757	19,716	20,340	20,329	21,540	24,053
\$36,465	\$37,315	\$38,170	\$39,047	\$40,320	\$41,616
12,686	13,013	13,830	14,571	15,461	15,661
\$41,715	\$42,905	\$44,258	\$45,659	\$47,430	\$49,109
14,775	14,579	14,295	13,004	11,969	11,304
\$46,662	\$47,929	\$49,309	\$50,650	\$52,477	\$54,335
16,030	15,754	15,235	14,494	14,006	13,363
\$51,295	\$52,679	\$54,096	\$55,498	\$57,256	\$58,918
9,608	11,474	12,977	13,904	14,541	14,278
\$55,543	\$56,865	\$58,168	\$59,694	\$61,866	\$64,254
1,930	2,456	3,525	4,845	6,018	6,895
\$58,460	\$59,383	\$61,434	\$63,985	\$67,373	\$70,455
541	549	611	644	692	713
\$59,672	\$61,618	\$62,841	\$65,222	\$67,453	\$71,036
108,520	111,241	113,947	115,116	119,058	121,459
\$40,455	\$41,903	\$43,398	\$44,769	\$46,306	\$47,665
(0.4%)	3.6%	3.6%	3.2%	3.4%	2.9%
\$4,390,176,600	\$4,661,331,623	\$4,945,071,906	\$5,153,628,204	\$5,513,099,748	\$5,789,343,235



## ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE (as of June 30, 2000)

Age		Subs	Years of Service				
			0-5	6-10	11-15	16-20	21-25
20-24	Number	2,006	2,039				
	Average Salary	\$3,529	\$28,114				
25-29	Number	3,693	13,690	871			
	Average Salary	\$4,115	\$31,557	\$37,088			
30-34	Number	2,307	6,767	7,832	378		
	Average Salary	\$3,574	\$34,137	\$39,479	\$43,791		
35-39	Number	2,263	3,040	3,781	4,016	331	
	Average Salary	\$3,693	\$34,068	\$41,921	\$46,734	\$51,828	
40-44	Number	3,387	3,068	2,737	2,834	3,443	621
	Average Salary	\$3,920	\$33,347	\$41,350	\$48,292	\$52,474	\$56,133
45-49	Number	3,604	3,264	3,677	2,937	2,839	6,368
	Average Salary	\$4,401	\$34,508	\$42,341	\$48,618	\$54,637	\$58,037
50-54	Number	3,097	2,318	3,619	3,522	2,741	3,906
	Average Salary	\$4,695	\$36,634	\$44,704	\$51,203	\$55,097	\$59,708
55-59	Number	1,612	769	1,192	1,532	1,487	1,737
	Average Salary	\$4,677	\$39,755	\$45,459	\$52,904	\$56,536	\$60,809
60-64	Number	846	185	284	383	388	628
	Average Salary	\$3,947	\$41,401	\$47,231	\$54,271	\$56,050	\$59,955
65-69	Number	444	39	52	52	63	91
	Average Salary	\$3,931	\$34,650	\$46,362	\$51,892	\$59,272	\$62,555
70-74	Number	194	11	7	6	9	11
	Average Salary	\$3,735	\$33,822	\$45,813	\$43,047	\$53,583	\$58,249
74 +	Number	63	2	1	1	3	1
	Average Salary	\$3,782	\$32,513	\$12,451	\$85,545	\$68,710	\$55,704
Total Number		23,516	35,192	24,053	15,661	11,304	13,363
Average Salary		\$4,089	\$33,070	\$41,616	\$49,109	\$54,335	\$58,918



<u>Years of Service</u>						
26-30	31-35	36-40	41-45	46-50	51-55	Totals
						2,039
						\$28,114
						14,561
						\$31,888
						14,977
						\$37,174
						11,168
						\$41,808
1						12,704
\$63,142						\$44,705
1,252						20,337
\$61,311						\$49,790
9,517	1,840					27,463
\$64,235	\$68,826					\$56,412
2,742	4,333	195				13,987
\$65,718	\$71,490	\$70,758				\$61,433
616	592	344	24			3,444
\$64,231	\$68,440	\$71,951	\$73,512			\$60,353
130	95	60	46	3		631
\$63,082	\$67,149	\$73,914	\$69,079	\$72,599		\$60,693
18	32	9	10	10	1	124
\$65,223	\$70,293	\$60,182	\$60,459	\$62,201	\$37,932	\$58,900
2	3	5	3	1	2	24
\$65,659	\$79,656	\$55,455	\$62,421	\$104,379	\$64,985	\$62,251
14,278	6,895	613	83	14	3	121,459
\$64,254	\$70,455	\$71,456	\$69,082	\$67,442	\$55,967	\$47,665
Total Full- and Part-time Members						121,459
Total Substitutes						23,516
Total Active Members						144,975



## Plan Summary and Changes

### Administration

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

### Membership

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

### Contributions

During FY00, members contributed 9 percent of gross creditable earnings designated as  $7\frac{1}{2}$  percent for retirement annuity,  $\frac{1}{2}$  percent for post-retirement increases, and 1 percent for death benefits. Active members do not contribute to Social Security for TRS-covered employment; however, members hired after March 31, 1986, are required to contribute to Medicare. In addition, virtually all members pay a  $\frac{1}{2}$  of 1 percent contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan.

### Service Credit

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

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

### Refunds

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

### Retirement Benefits

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

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

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

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

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

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

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



Public Act 90-582 improved retirement benefits for TRS members by changing the rate at which TRS members accrue benefits beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. The maximum 75 percent benefit is attained with 34 years of service under the 2.2 formula. Members who retire on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat-rate 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

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

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

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

## Disability Benefits

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

## Death Benefits

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

The return of member contributions includes the retirement contributions (6½ percent of salary through June 30, 1998, and 7½ percent after that date) with interest and the ½ percent paid toward annual increases in annuity. Beneficiaries of annuitants receive the accumulated contributions minus the amount that the member had already received as a retirement annuity.

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

## Early Retirement Option

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

## Post-Retirement Increase

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



### **Employment-Related Felony Conviction**

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

### **Continuity of Credit within Illinois**

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

### **Conflicts**

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



# Statistical Section

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Retired Members by Years of Service and Years in Retirement

Average Monthly Benefits

Revenue by Source

Retired of

Expenses by Type

Schedule of Benefit Expenses by Type

Schedule of Participating Employers

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## RETIRED MEMBERS BY YEARS OF SERVICE AND YEARS IN RETIREMENT (as of June 30, 2000)

Years Retired		Years of Service				
		1-5	6-10	11-15	16-20	21-25
1-5	Number	771	558	433	569	904
	Average Benefit	\$238	\$553	\$842	\$1,424	\$1,922
	Average Original Benefit	\$229	\$527	\$806	\$1,381	\$1,881
6-10	Number	582	571	615	848	1,807
	Average Benefit	\$211	\$550	\$806	\$1,142	\$1,655
	Average Original Benefit	\$173	\$448	\$651	\$928	\$1,359
11-15	Number	406	531	583	1,009	1,590
	Average Benefit	\$179	\$426	\$686	\$1,144	\$1,541
	Average Original Benefit	\$118	\$280	\$472	\$807	\$1,102
16-20	Number	240	332	614	998	1,352
	Average Benefit	\$151	\$349	\$608	\$978	\$1,263
	Average Original Benefit	\$84	\$190	\$354	\$598	\$781
21-25	Number	141	209	431	820	1,012
	Average Benefit	\$137	\$306	\$501	\$741	\$965
	Average Original Benefit	\$63	\$137	\$246	\$386	\$513
26-30	Number	82	126	236	476	603
	Average Benefit	\$51	\$247	\$424	\$638	\$799
	Average Original Benefit	\$9	\$93	\$166	\$269	\$352
31-35	Number	10	16	51	139	188
	Average Benefit	\$74	\$255	\$426	\$561	\$691
	Average Original Benefit	\$2	\$46	\$102	\$142	\$207
36-40	Number		4	12	34	94
	Average Benefit		\$275	\$400	\$571	\$678
	Average Original Benefit		\$40	\$54	\$107	\$145
41-45	Number			2	10	18
	Average Benefit			\$455	\$570	\$678
	Average Original Benefit			\$32	\$76	\$94
46-50	Number				1	2
	Average Benefit				\$608	\$697
	Average Original Benefit				\$30	\$55
50 +	Number				1	1
	Average Benefit				\$509	\$676
	Average Original Benefit				\$15	\$42
Total Number		2,232	2,347	2,977	4,905	7,571
Average Benefit		\$197	\$454	\$664	\$1,004	\$1,394
Average Original Benefit		\$159	\$342	\$468	\$704	\$1,024



Years of Service							Average Age
26-30	31-35	36-40	41-45	46-50	50 +	Total	
1,160	2,688	1,354	143	16	3	8,599	
\$2,809	\$3,842	\$4,142	\$4,116	\$4,336	\$4,023	\$2,706	61
\$2,752	\$3,807	\$3,982	\$3,943	\$4,156	\$3,943	\$2,647	
2,722	4,814	6,280	128	16	4	18,387	
\$2,242	\$2,988	\$3,728	\$3,914	\$3,425	\$3,015	\$2,684	65
\$1,859	\$2,497	\$3,117	\$3,226	\$2,767	\$2,519	\$2,236	
1,682	2,156	1,253	86	21	3	9,320	
\$2,055	\$2,844	\$3,480	\$3,253	\$3,010	\$1,928	\$1,996	72
\$1,468	\$2,042	\$2,487	\$2,342	\$2,148	\$1,391	\$1,425	
1,383	1,630	795	106	28	3	7,481	
\$1,754	\$2,418	\$2,929	\$2,644	\$2,719	\$2,313	\$1,640	77
\$1,095	\$1,513	\$1,853	\$1,643	\$1,685	\$1,463	\$1,020	
938	894	541	129	15	2	5,132	
\$1,313	\$1,705	\$2,035	\$2,056	\$1,893	\$1,929	\$1,176	82
\$714	\$934	\$1,103	\$1,107	\$997	\$946	\$631	
602	608	624	245	42	1	3,645	
\$1,039	\$1,379	\$1,682	\$1,655	\$1,517	\$1,227	\$1,071	88
\$474	\$652	\$800	\$774	\$699	\$549	\$492	
189	149	152	96	15		1,005	
\$842	\$975	\$1,144	\$1,234	\$1,249		\$846	92
\$273	\$358	\$453	\$500	\$497		\$292	
76	82	63	19	1		385	
\$813	\$886	\$951	\$994	\$869		\$787	95
\$190	\$247	\$314	\$348	\$275		\$206	
18	15	9	1			73	
\$810	\$867	\$877	\$1,029			\$758	97
\$142	\$181	\$227	\$350			\$139	
5	2					10	
\$810	\$869					\$779	100
\$79	\$158					\$85	
1						3	
\$754						\$646	103
\$33						\$30	
8,776	13,038	11,071	953	154	16	54,040	
\$1,976	\$2,867	\$3,442	\$2,580	\$2,437	\$2,621	\$2,122	71
\$1,511	\$2,334	\$2,777	\$1,826	\$1,657	\$2,057	\$1,669	



## Average Monthly Benefits

### RETIREMENT BENEFITS (as of June 30, 2000)

Average age: all retirees	71
Average service: all retirees	28 years
Average age: 3,556 FY00 retirees	59
Average service: 3,556 FY00 retirees	28 years
Average monthly benefits: 3,556 FY00 retirees including 751 retirees under provisions of the Early Retirement Option	\$3,053
Oldest annuitant	104

Age	Count	Average Benefit
51-55	649	\$3,205
56-60	7,794	2,947
61-65	10,385	2,697
66-70	9,813	2,365
71-75	8,487	1,968
76-80	6,512	1,535
81-85	4,836	1,232
86-90	3,383	1,091
90+	2,181	932
<b>Total</b>	<b>54,040</b>	<b>Weighted Average \$2,122</b>

### DISABILITY BENEFITS<sup>1</sup> (as of June 30, 2000)

Average age: All recipients	57
Average service: All recipients	17 years
Average age: 345 new FY00 disability recipients	44
Average service: 345 new FY00 disability recipients	14 years
Average monthly benefits: 345 new FY00 disability recipients	\$1,478

Age	Count	Average Benefit
under 26	1	\$1,029
26-30	15	1,089
31-35	25	1,165
36-40	19	1,071
41-45	62	1,185
46-50	159	1,388
51-55	265	1,616
56-60	160	1,527
61-65	109	1,404
66-70	64	1,181
71-75	64	873
76-80	49	806
81-85	20	630
86-90	2	515
90+	7	519
<b>Total</b>	<b>1,021</b>	<b>Weighted Average \$1,347</b>

<sup>1</sup> Includes 390 individuals who are receiving temporary or occupational disability benefits and are counted as active members. The remaining 631 individuals receive permanent disability benefits.



**SURVIVOR BENEFITS<sup>2</sup> (as of June 30, 2000)**

Average age: All recipients	74
Average age: 645 new FY00 survivor benefits recipients	71
Average monthly benefits: 645 new FY00 survivor benefits recipients	\$954

Age	Count	Average Benefit
6-10	11	\$398
11-15	41	383
16-20	71	446
21-25	17	497
26-30	2	753
31-35	5	663
36-40	8	644
41-45	23	922
46-50	70	866
51-55	207	1,014
56-60	370	1,115
61-65	580	1,129
66-70	817	1,030
71-75	1,038	892
76-80	1,124	711
81-85	1,242	598
86-90	919	542
90+	516	419
<b>Total</b>	<b>7,061</b>	<b>Weighted Average \$772</b>

<sup>2</sup> An additional \$11.8 million was paid in death benefits to survivors of active, inactive, and retired members as refunds of various types of contributions.



## REVENUE BY SOURCE (in millions)

Year Ended June 30	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Net Investment Income <sup>1</sup>	Other Employer Contributions <sup>2</sup>	Total
1994	\$413	\$278	6.3%	\$989	\$205	\$1,885
1995	431	279	6.3	771	319	1,800
1996	399	341	7.2	2,096	48	2,884
1997	417	395	7.9	2,644	26	3,482
1998	441	478	9.0	2,873	25	3,817
1999	866	604	10.6	2,090	33	3,593
2000	620	688	11.4	2,336	42	3,686

<sup>1</sup> Figures for 1996 through 2000 include realized gains and losses and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.

<sup>2</sup> Includes ERO, ERI, minimum retirement, and supplemental contributions. These amounts are not counted for actuarial purposes.

## EXPENSES BY TYPE (in millions)

Year Ended June 30	Benefits	Health Insurance	Refunds	Administrative and Other Expenses	Total
1994	\$824	\$50	\$22	\$11	\$907
1995	1,074	38	29	10	1,151
1996	1,122	0	22	11	1,155
1997	1,161	0	22	10	1,193
1998	1,210	0	24	10	1,244
1999	1,284	0	26	11	1,321
2000	1,402	0	29	12	1,443

## SCHEDULE OF BENEFIT EXPENSES BY TYPE (in millions)

Year Ended June 30	Retirement Benefits	Survivor Benefits	Disability Benefits	Total
1994	\$773	\$41	\$10	\$824
1995	1,019	45	10	1,074
1996	1,061	50	11	1,122
1997	1,097	52	12	1,161
1998	1,139	58	13	1,210
1999	1,206	63	15	1,284
2000	1,318	68	16	1,402

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



**SCHEDULE OF PARTICIPATING EMPLOYERS**

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



## SCHEDULE OF PARTICIPATING EMPLOYERS

CARROLL/JO DAV/STPHNSN/COUNTIES REGIONAL PROGRAM	COBDEN U.S.D. #17	DEPUE U.S.D. #103
CARROLLTON C.U.S.D. #1	COLCHESTER C.U.S.D. #180	DES PLAINES C.C.S.D. #62
CARTERVILLE C.U.S.D. #5	COLLINSVILLE C.U.S.D. #10	DESOTO C.C.S.D. #86
CARTHAGE C.U.S.D. #338	COLONA S.D. #190	DEWITT/LIVINGSTON/MCLEAN COUNTIES ROE
CARY C.C.S.D. #26	COLUMBIA C.U.S.D. #4	DIAMOND LAKE S.D. #76
CASEY-WESTFIELD C.U.S.D. #4C	COMM UNIT SCHOOL DIST #300	DIETERICH C.U.S.D. #30
CASS S.D. #63	COMMUNITY C.S.D. #204	DIMMICK C.C.S.D. #175
CATLIN C.U.S.D. #5	COMMUNITY C.S.D. #93	DISTRICT 50 SCHOOLS OF TAZEVELL
CENTER CASS S.D. #66	COMMUNITY C.S.D. #180	DIVERNON C.U.S.D. #13
CENTRAL A&M C.U.S.D. #21	COMMUNITY CONS. S.D. #59	DIXON U.S.D. #170
CENTRAL C.H.S. #71	COMMUNITY H.S.D. #155	DODDS C.C.S.D. #7
CENTRAL C.U.S.D. #301	COMMUNITY H.S.D. #218	DOLTON S.D. #149
CENTRAL C.U.S.D. #4	COMMUNITY U.S.D. #16	DOLTON S.D. #148
CENTRAL CITY S.D. #133	COMMUNITY U.S.D. #4	DONGOLA S.U.D. #66
CENTRAL S.D. #104	COMMUNITY U.S.D. #200	DONOVAN C.U.S.D. #3
CENTRAL S.D. #51	CONSOLIDATED H.S.D. #230	DOWNERS GROVE C.H.S. #99
CENTRAL STICKNEY S.D. #110	COOK COUNTY COMPTROLLER/ROE	DOWNERS GROVE G.S.D. #58
CENTRALIA H.S.D. #200	COOK COUNTY S.D. #130	DUNLAP C.U.S.D. #323
CENTRALIA S.D. #135	CORNELL C.C.S.D. #426	DUPAGE COUNTY ROE
CENTURY C.U.S.D. #100	COULTERVILLE U.S.D. #1	DUPAGE H.S.D. #88
CERRO GORDO C.U.S.D. #100	COUNTRY CLUB HILLS S.D. #160	DUPO C.U.S.D. #196
CHADWICK-MILLEDGEVILLE C.U.D. #399	COWDEN-HERRICK C.U.D. #3A	DUQUOIN C.U.S.D. #300
CHAMPAIGN C.U.S.D. #4	CRAB ORCHARD C.U.S.D. #3	DURAND C.U.S.D. #322
CHAMPAIGN/FORD COUNTIES ROE	CRESCENT CITY C.C.S.D. #275	DWIGHT COMMON S.D. #232
CHANEY-MONGE S.D. #88	CRESCENT IROQUOIS C.U.S.D. #252	DWIGHT TWP H.S.D. #230
CHANNAHON S.D. #17	CRESTON C.C.S.D. #161	EARLVILLE C.U.S.D. #9
CHARLESTON C.U.S.D. #1	CRETE MONEE C.U.S.D. #201U	EAST ALTON S.D. #13
CHENOA C.U.S.D. #9	CREVE COEUR S.D. #76	EAST ALTON-WOOD RIVER C.H.S. #14
CHERRY S.D. #92	CRYSTAL LAKE C.C.S.D. #47	EAST COLOMA S.D. #12
CHESTER C.U.S.D. #139	CUMBERLAND C.U.S.D. #77	EAST DUBUQUE U.S.D. #119
CHESTER-EAST LINCOLN C.C.S.D. #54	CYPRESS S.D. #64	EAST MAINE S.D. #63
CHICAGO HEIGHTS S.D. #170	DAKOTA C.U.S.D. #201	EAST MOLINE S.D. #37
CHICAGO RIDGE S.D. #127.5	DALLAS CITY C.U.S.D. #336	EAST PEORIA C.H.S.D. #309
CHRISTIAN/MONTGOMERY COUNTIES ROE	DALZELL S.D. #98	EAST PEORIA S.D. #86
CHRISTOPHER C.U.S.D. #99	DAMIANSVILLE S.D. #62	EAST PRAIRIE S.D. #73
CICERO S.D. #99	DANVILLE C.C.S.D. #118	EAST RICHLAND C.U.S.D. #1
CISSNA PARK C.U.S.D. #6	DARIEN S.D. #61	EAST ST LOUIS S.D. #189
CLAY CITY C.U.S.D. #10	DECATUR S.D. #61	EASTERN IL AREA SPEC ED COOP
CLAY/CWFRD/JSR/LWRN/RHLND COUNTIES ROE	DEER CREEK-MACKINAW C.U.S.D. #701	EASTERN IL ED FOR EMPLOYMENT SYSTEM
CLINTON C.U.S.D. #15	DEER PARK C.C.S.D. #82	EASTLAND C.U.S.D. #308
CLINTON/MARION/WASHINGTON COUNTIES ROE	DEERFIELD S.D. #109	EDGAR COUNTY C.U.S.D. #6
CLK/CLS/CMBN/DG/ED/MLTR/SHELBY COUNTIES ROE	DEKALB C.U.S.D. #428	EDINBURG C.U.S.D. #4
COAL CITY C.U.S.D. #1	DEKALB COUNTY ROE	EDUC FOR EMPLOYMENT SYSTEM
	DEKALB COUNTY SPEC. ED.	EDUCATION FOR EMPLOYMENT
	DELABAR VOC ED REG	EDUCATIONAL DEVELP CENTER
	DELAND-WELDON C.U.S.D. #57	
	DELANVAN C.U.S.D. #703	



**SCHEDULE OF PARTICIPATING EMPLOYERS**

EDUCATIONAL THERAPY CENTER  
EDWARDS COUNTY C.U.S.D. #1  
EDWARDSVILLE C.U.S.D. #7  
EDWD/GLTN/HDIN/POP/SLN/WBH  
COUNTIES ROE  
EFFINGHAM C.U.S.D. #40  
EGYPTIAN C.U.S.D. #5  
EISENHOWER COOPERATIVE  
EL PASO C.U.S.D. #375  
ELDORADO C.U.S.D. #4  
ELEMENTARY S.D. #159  
ELMHURST S.D. #205  
ELMWOOD C.U.S.D. #322  
ELMWOOD PARK C.U.S.D. #401  
ELVERADO C.U.S.D. #196  
ELWOOD C.C.S.D. #203  
EMMONS S.D. #33  
ERIE C.U.S.D. #1  
ESWOOD C.C.S.D. #269  
EUREKA C.U.S.D. #140  
EVANSTON C.C.S.D. #65  
EVANSTON TWP H.S.D. #202  
EVERGREEN PARK C.H.S.D. #231  
EVERGREEN PARK E.S.D. #124  
EWING NORTHERN C.C.D. #115  
FAIRFIELD C.H.S.D. #225  
FAIRFIELD P.S.D. #112  
FAIRMONT S.D. #89  
FARMINGTON CENTRAL C.U.S.D. #265  
FARRINGTON C.C.S.D. #99  
FENTON C.H.S.D. #100  
FIELD C.C.S.D. #3  
FIELDCREST C.U.S.D. #6  
FINDLAY C.U.S.D. #2  
FISHER C.U.S.D. #1  
FIVE COUNTY VOC SYSTEM  
FLANAGAN C.U.S.D. #4  
FLORA C.U.S.D. #35  
FLOSSMOOR S.D. #161  
FORD HEIGHTS S.D. #169  
FORD IROQUOIS COUNTY SPEC. ED  
FOREST PARK S.D. #91  
FOREST RIDGE S.D. #142  
FORRESTVILLE VALLEY C.U.S.D. #221  
FORT BOWMAN ACADEMY CHARTER SCHL  
FOUR RIVERS SPECIAL EDUC  
FOX LAKE GRADE S.D. #114

FOX RIVER GROVE C.S.D. #3  
FRANKFORT C.C.S.D. #157C  
FRANKFORT C.U.S.D. #168  
FRANKLIN C.U.S.D. #1  
FRANKLIN PARK S.D. #84  
FRANKLIN/JEFFERSON COUNTIES SPEC. ED.  
FRANKLIN/WILLIAMSON COUNTIES ROE  
FREEBURG C.C.S.D. #70  
FREEBURG C.H.S.D. #77  
FREEPORT S.D. #145  
FREMONT S.D. #79  
FULTON COUNTY C.U.S.D. #3  
FULTON/SCHUYLER COUNTIES ROE  
GALATIA C.U.S.D. #1  
GALENA U.S.D. #120  
GALESBURG C.U.S.D. #205  
GALLATIN C.U.S.D. #7  
GALVA C.U.S.D. #224  
GARDNER C.C.S.D. #72C  
GARDNER SOUTH WILMINGTON H.S.D. #73  
GAVIN S.D. #37  
GEFF C.C.S.D. #14  
GEN GEO PATTON S.D. #133  
GENESEO C.U.S.D. #228  
GENEVA C.U.S.D. #304  
GENOA-KINGSTON C.U.S.D. #424  
GEORGETOWN-RIDGE FARM C.U.D. #4  
GERMANTOWN HILLS S.D. #69  
GERMANTOWN S.D. #60  
GIANT CITY C.C.S.D. #130  
GIBSON CTY-MELVIN-SIBLEY #5  
GIFFORD C.C.S.D. #188  
GILLESPIE C.U.S.D. #7  
GIRARD C.U.S.D. #3  
GLEN ELLYN C.C.S.D. #89  
GLEN ELLYN S.D. #41  
GLENBARD TWP H.S.D. #87  
GLENCOE S.D. #35  
GLENVIEW C.C.S.D. #34  
GOLF E.S.D. #67  
GOREVILLE C.U.S.D. #1  
GOWER S.D. #62  
GRAND PRAIRIE C.C.S.D. #6  
GRAND RIDGE C.C.S.D. #95  
GRANITE CITY C.U.S.D. #9  
GRANT C.C.S.D. #110  
GRANT C.H.S.D. #124

GRANT PARK C.U.S.D. #6  
GRASS LAKE S.D. #36  
GRAYSLAKE C.C.S.D. #46  
GRAYSLAKE C.H.S.D. #127  
GRAYVILLE C.U.S.D. #1  
GREENFIELD C.U.S.D. #10  
GREENVIEW C.U.S.D. #200  
GRIDLEY C.U.S.D. #10  
GRIGGSVILLE-PERRY C.U.S.D. #4  
GRUNDY AREA VOCATIONAL CENTER  
GRUNDY/KENDALL COUNTIES ROE  
GURNEE S.D. #56  
HALL TWP H.S.D. #502  
HAMILTON C.C.S.D. #328  
HAMILTON COUNTY C.U.S.D. #10  
HAMILTON/JEFFERSON COUNTIES ROE  
HAMPTON S.D. #29  
HANCOCK/MCDONOUGH COUNTIES ROE  
HARDIN COUNTY C.U.S.D. #1  
HARLEM U.S.D. #122  
HARMONY EMGE S.D. #175  
HARRISBURG C.U.S.D. #3  
HARRISON S.D. #36  
HARTSBURG EMDEN C.U.S.D. #21  
HARVARD C.U.S.D. #50  
HARVEY S.D. #152  
HAVANA C.U.S.D. #126  
HAWTHORN C.C.S.D. #73  
HAZEL CREST S.D. #152-5  
HENRY-SENACHWINE C.U.S.D. #5  
HERITAGE C.U.S.D. #8  
HERRIN C.U.S.D. #4  
HERSCHER C.U.S.D. #2  
HEYWORTH C.U.S.D. #4  
HIAWATHA C.U.S.D. #426  
HIGH MOUNT S.D. #116  
HIGHLAND C.U.S.D. #5  
HIGHLAND PARK TWP H.S.D. #113  
HILLSBORO C.U.S.D. #3  
HILLSIDE S.D. #93  
HINCKLEY BIG ROCK C.U.S.D. #429  
HINSDALE C.C.S.D. #181  
HINSDALE TWP H.S.D. #86  
HOLLIS C.S.D. #328  
HOMER C.C.S.D. #33  
HOMWOOD S.D. #153  
HOMWOOD-FLOSSMOOR C.H.S.D. #233



## SCHEDULE OF PARTICIPATING EMPLOYERS

HONONEGAH C.H.S.D. #207	KANKAKEE AREA SPEC. ED. COOP #850	LEMONT/BROMBEREK C.S.D. #113
HOOPESTON AREA C.U.S.D. #11	KANKAKEE S.D. #111	LENA WINSLOW C.U.S.D. #202
HOOVER SCHRUM MEMORIAL S.D. #157	KANSAS C.U.S.D. #3	LEROY C.U.S.D. #2
HOYLETON C.S.D. #29	KASKASKIA SPEC. ED. #801	LEWISTOWN C.U.S.D. #97
HUNTLEY C.S.D. #158	KEENEYVILLE S.D. #20	LEXINGTON C.U.S.D. #7
HUTSONVILLE C.U.S.D. #1	KELL C.S.D. #2	LEYDEN C.H.S.D. #212
IL DEPT. OF HUMAN SERVICES	KENDALL COUNTY SPEC. ED. COOP	LIBERTY C.U.S.D. #2
IL EDUCATION ASSOCIATION	KENILWORTH S.D. #38	LIBERTYVILLE C.H.S.D. #128
IL FEDERATION OF TEACHERS	KEWANEE C.U.S.D. #229	LIBERTYVILLE S.D. #70
IL STATE BOARD OF EDUCATION	KILDEER COUNTRYSIDE C.C.S.D. #96	LICK CREEK C.C.S.D. #16
IL VALLEY CENTRAL U.S.D. #321	KILEY DEVELOPMENTAL CENTER	LIMESTONE C.H.S.D. #310
IL. DEPT OF CORRECTIONS S.D. #428	KINGS C.S.D. #144	LIMESTONE WALTERS C.C.S.D. #316
ILLINI BLUFFS C.U.S.D. #327	KJNNIKINNICK C.C.S.D. #131	LINCOLN C.H.S.D. #404
ILLINI CENTRAL C.U.S.D. #189	KIRBY S.D. #140	LINCOLN E.S.D. #27
ILLINOIS ASSN. OF SCHL. BOARDS	KNOX COUNTY ROE	LINCOLN E.S.D. #156
ILLIOPOLIS C.U.S.D. #12	KNOXVILLE C.U.S.D. #202	LINCOLN WAY C.H.S.D. #210
INA C.C.S.D. #8	KOMAREK S.D. #94	LINCOLNSHIRE-PRAIRIEVIEW S.D. #103
INDIAN CREEK C.U.S.D. #425	LA GRANGE AREA DEPT. SPEC. ED.	LINCOLN-WAY AREA SPEC. ED.
INDIAN PRAIRIE C.U.S.D. #204	LA GRANGE S.D. #102	LINCOLNWOOD S.D. #74
INDIAN SPRINGS S.D. #109	LA GRANGE SOUTH S.D. #105	LINDOP S.D. #92
INDIAN VALLEY AREA VOC CENTER	LA GRANGE/HIGHLANDS S.D. #106	LISBON C.C.S.D. #90
INDUSTRY C.U.S.D. #165	LA HARPE C.U.S.D. #335	LISLE C.U.S.D. #202
IROQUOIS AREA REG DELIVERY SYS	LADD C.C.S.D. #94	LITCHFIELD C.U.S.D. #12
IROQUOIS COUNTY C.U.S.D. #9	LAKE COUNTY ROE	LIVINGSTON C.C.S.D. #4
IROQUOIS WEST C.U.S.D. #10	LAKE BLUFF ELEMENTARY S.D. #65	LIVINGSTONCOUNTY ALTERNATIVE SCHL.
IROQUOIS/KANKAKEE COUNTIES ROE	LAKE CO AREA VOC SYSTEM	LOCKPORT AREA SPEC. ED. COOP
IRVINGTON C.C.S.D. #11	LAKE COUNTY SPEC. ED.	LOCKPORT S.D. #91
ITASCA S.D. #10	LAKE FOREST C.H.S.D. #115	LOCKPORT TWP H.S.D. #205
IUKA C.C.S.D. #7	LAKE FOREST S.D. #67	LOGAN C.C.S.D. #110
J.S. MORTON H.S.D. #201	LAKE PARK C.H.S.D. #108	LOGAN/MASON/MENARD COUNTIES ROE
JACKSON/PERRY COUNTIES ROE	LAKE VILLA C.C.S.D. #41	LOMBARD S.D. #44
JACKSONVILLE S.D. #117	LAKE ZURICH C.U.S.D. #95	LOSTANT C.U.S.D. #425
JAMAICA C.U.S.D. #12	LAMOILLE C.U.S.D. #303	LOVINGTON C.U.S.D. #303
JAMP SPECIAL EDUCATION SERV.	LANSING S.D. #158	LOWPOINT-WASHBURN C.U.S.D. #21
JASPER C.C.S.D. #17	LARAWAY C.C.S.D. #70	LUDLOW C.C.S.D. #142
JASPER COUNTY C.U.S.D. #1	LASALLE COUNTY ROE	LYONS S.D. #103
JERSEY C.U.S.D. #100	LASALLE E.S.D. #122	LYONS TWP H.S.D. #204
JO DAVIESS/CARROLL AREA VOC CTR	LASALLE-PERU TWP H.S.D. #120	MACOMB C.U.S.D. #185
JOHNSBURG C.U.S.D. #12	LASALLE-PUTNAM EDUC. ALLIANCE	MACON/PIATT COUNTIES ROE
JOHNSTON CITY C.U.S.D. #1	SPEC. ED.	MADISON C.U.S.D. #12
JOLIET S.D. #86	LAWRENCE COUNTY C.U.S.D. #20	MADISON COUNTY REGION II SPEC. ED.
JOLIET TWP H.S.D. #204	LEBANON C.U.S.D. #9	MAERCKER S.D. #60
JONESBORO C.C.S.D. #43	LEE CENTER C.U.S.D. #271	MAHOMET-SEYMOUR C.U.S.D. #3
JOPPA-MAPLE GROVE U.S.D. #38	LEE/OGLE COUNTIES ROE	MAINE TWP H.S.D. #207
KANE COUNTY ROE	LEPERTOWN C.C.S.D. #175	MALDEN C.C.S.D. #84
KANELAND C.U.S.D. #302	LELAND C.U.S.D. #1	MALTA C.U.S.D. #433
KANKAKEE AREA CAREER CTR	LEMONT TWP H.S.D. #210	MANHATTAN S.D. #114



**SCHEDULE OF PARTICIPATING EMPLOYERS**

MANNHEIM S.D. #83	MONMOUTH U.S.D. #38	NORTH CHICAGO S.D. #187
MANTENO C.U.S.D. #5	MONROE S.D. #70	NORTH CLAY C.U.S.D. #25
MARENGO C.H.S.D. #154	MONROE/RANDOLPH COUNTIES ROE	NORTH DUPAGE SPEC. ED. COOP
MARENGO-UNION E.C.S.D. #1650	MONTICELLO C.U.S.D. #25	NORTH GREENE U.S.D. #3
MARION C.U.S.D. #2	MONTMORENCY C.C.S.D. #145	NORTH PALOS S.D. #117
MARISSA C.U.S.D. #40	MORRIS C.H.S.D. #101	NORTH PEKIN-MARQUETTE HTS S.D. #102
MAROA FORSYTH C.U.S.D. #2	MORRIS S.D. #54	NORTH SHORE S.D. #112
MARQUARDT S.D. #15	MORRISON C.U.S.D. #6	NORTH WAMAC S.D. #186
MARSEILLES E.S.D. #150	MORRISONVILLE C.U.S.D. #1	NORTH WAYNE C.U.S.D. #200
MARSHALL C.U.S.D. #2C	MORTON C.U.S.D. #709	NORTHBROOK ELEM S.D. #27
MARTINSVILLE C.U.S.D. #3C	MORTON GROVE S.D. #70	NORTHBROOK S.D. #28
MASCOUTAH C.U.S.D. #19	MOUNT OLIVE C.U.S.D. #5	NORTHBROOK-GLENVIEW S.D. #30
MASSAC U.S.D. #1	MOUNT PROSPECT S.D. #57	NORTHFIELD TWP H.S.D. #225
MATTESON E.S.D. #162	MT CARROLL C.U.S.D. #304	NORTHWEST C.U.S.D. #175
MATTOON C.U.S.D. #2	MT PULASKI C.U.D. #23	NORTHWEST SPECIAL ED. DISTRICT
MAYWOOD S.D. #89	MT VERNON S.D. #80	NORTHWEST SUBURBAN SPEC. ED. ORG.
MAZON-VERONA-KINSMAN E.S.D. #2C	MT VERNON TWP H.S.D. #201	NORTHWESTERN C.U.S.D. #2
MCCLELLAN C.C.S.D. #12	MT ZION C.U.S.D. #3	NORWOOD E.S.D. #63
MCHENRY C.C.S.D. #15	MULBERRY GROVE C.U.S.D. #1	OAK GROVE EAST S.D. #68
MCHENRY C.H.S.D. #156	MUNDELEIN C.H.S.D. #120	OAK GROVE S.D. #68
MCHENRY COUNTY ROE	MUNDELEIN ELEMENTARY S.D. #75	OAK LAWN C.H.S.D. #229
MCLEAN COUNTY U.S.D. #5	MURPHYSBORO C.U.S.D. #186	OAK LAWN/HOMETOWN S.D. #123
MEDINAH E.S.D. #11	NAPERVILLE C.U.S.D. #203	OAK PARK E.S.D. #97
MENDOTA C.C.S.D. #289	NASHVILLE C.C.S.D. #49	OAK PARK/RIVER FOREST S.D. #200
MENDOTA TWP H.S.D. #280	NASHVILLE C.H.S.D. #99	OAKDALE C.C.S.D. #1
MEREDOSIA-CHAMBERSBURG C.U.S.D. #11	NATIONAL EDUCATION ASSOCIATION	OAKLAND C.U.S.D. #5
MERIDIAN C.U.S.D. #15	NAUVOO-COLUSA C.U.S.D. #325	OAKWOOD COMMUNITY U.S.D. #76
MERIDIAN C.U.S.D. #101	NELSON PUBLIC S.D. #8	OBLONG C.U.S.D. #4
MERIDIAN C.U.S.D. #223	NEOGA C.U.S.D. #3	ODELL C.C.S.D. #435
MERRIAM C.C.S.D. #19	NEPONSET C.C.S.D. #307	ODIN C.H.S.D. #700
METAMORA C.C.S.D. #1	NETTLE CREEK C.C.S.D. #24C	ODIN S.D. #122
METAMORA TWP H.S.D. #122	NEW ATHENS C.U.S.D. #60	O'FALLON C.C.S.D. #90
MIDLAND C.U.S.D. #7	NEW HOLLAND-MIDDLETOWN S.D. #88	O'FALLON T.H.S.D. #203
MIDLOTHIAN S.D. #143	NEW HOPE C.C.S.D. #6	OGDEN C.C.S.D. #212
MID-STATE SPECIAL EDUCATION	NEW LENOX S.D. #122	OGLE COUNTY SPEC. ED.
MID-VALLEY SPEC. ED. JOINT AGRMT	NEW SIMPSON HILL C.S.D. #32	OGLESBY E.S.D. #125
MIDWEST CENTRAL C.U.S.D. #191	NEW TRIER TWP H.S.D. #203	OHIO AND WABASH VALLEY VOC SYS
MILFORD C.S.D. #280	NEWARK C.C.S.D. #66	OHIO C.C.S.D. #17
MILFORD TWP H.S.D. #233	NEWARK C.H.S.D. #18	OHIO C.H.S.D. #505
MILLBURN C.C.S.D. #24	NIANTIC-HARRISTOWN C.U.S.D. #6	OKAW AREA VOCATIONAL CENTER
MILLER TWP C.C.S.D. #210	NILES E.S.D. #71	OLYMPIA C.U.S.D. #16
MILLSTADT C.C.S.D. #160	NILES TWP C.H.S.D. #219	OPDYKE-BELLE-RIVE C.C.S.D. #5
MINOOKA C.C.S.D. #201	NOKOMIS C.U.S.D. #22	OPHIR C.C.S.D. #235
MINOOKA C.H.S. #111	NORRIDGE S.D. #80	ORANGEVILLE C.U.S.D. #203
MOKENA S.D. #159	NORRIS CITY-OMAHA-ENFIELD	OREGON C.U.S.D. #220
MOLINE U.S.D. #40	C.U.S.D. #325	ORION C.U.S.D. #223
MOMENCE C.U.S.D. #1	NORTH BOONE C.U.S.D. #200	ORLAND PARK S.D. #135



## SCHEDULE OF PARTICIPATING EMPLOYERS

OSWEGO C.U.S.D. #308	POPE COUNTY C.U.S.D. #1	RILEY C.C.S.D. #18
OTTAWA E.S.D. #141	PORTA C.U.S.D. #202	RIVER BEND C.U.S.D. #2
OTTAWA TWP H.S.D. #140	POSEN-ROBBINS E.S.D. #143.5	RIVER FOREST S.D. #90
OTTER CREEK-HYATT S.D. #58	POTOMAC C.U.S.D. #10	RIVER GROVE S.D. #85.5
PALATINE C.C.S.D. #15	PRAIRIE CENTRAL C.U.S.D. #8	RIVER RIDGE C.U.S.D. #210
PALATINE TWP H.S.D. #211	PRAIRIE CROSSING CHARTER SCHOOL	RIVER TRAILS S.D. #26
PALESTINE C.U.S.D. #3	PRAIRIE DU ROCHER C.C.S.D. #134	RIVERDALE C.U.S.D. #100
PALOS C.C.S.D. #118	PRAIRIE GROVE C.S.D. #46	RIVERDALE S.D. #14
PALOS HEIGHTS S.D. #128	PRAIRIE HILL C.C.S.D. #133	RIVERSIDE S.D. #96
PANA C.U.S.D. #8	PRAIRIE HILLS E.S.D. #144	RIVERSIDE/BROOKFIELD #208
PANHANDLE C.U.S.D. #2	PRAIRIEVIEW C.C.S.D. #192	RIVERTON C.U.S.D. #14
PARIS C.U.S.D. #4	PRINCETON E.S.D. #115	RIVERVIEW C.C.S.D. #2
PARIS-UNION S.D. #95	PRINCETON TWP H.S.D. #500	ROANOKE BENSON C.U.S.D. #60
PARK FOREST S.D. #163	PRINCEVILLE C.U.S.D. #326	ROBEIN S.D. #85
PARK RIDGE C.C.S.D. #64	PROFESSIONAL DEV ALLIANCE/ROE	ROBINSON C.U.S.D. #2
PASS/ADULT EDUCATION PROGRAM	PROJECT AREA I HUB-ROE	ROCHELLE C.C.S.D. #231
PATOKA C.U.S.D. #100	PROPHETSTOWN-LYNDON-TAMPICO S.D. #3	ROCHELLE TWP H.S.D. #212
PAWNEE C.U.S.D. #11	PROSPECT HEIGHTS S.D. #23	ROCHESTER C.U.S.D. #3A
PAXTON-BUCKLEY-LODA S.D. #10	PROVISO TWP H.S.D. #209	ROCK FALLS E.S.D. #13
PAYSON C.U.S.D. #1	PUFFER-HEFTY S.D. #69	ROCK FALLS TWP H.S.D. #301
PEARL CITY C.U.S.D. #200	PUTNAM COUNTY C.U.S.D. #535	ROCK ISLAND COUNTY ROE
PECATONICA C.U.S.D. #321	QUEEN BEE S.D. #16	ROCK ISLAND S.D. #41
PEKIN C.H.S.D. #303	QUINCY S.D. #172	ROCKDALE S.D. #84
PEKIN S.D. #108	R O W V A C.U.S.D. #208	ROCKFORD S.D. #205
PEMBROKE C.C.S.D. #259	RACCOON C.S.D. #1	ROCKRIDGE C.U.S.D. #300
PENNOYER S.D. #79	RAMSEY C.U.S.D. #204	ROCKTON S.D. #140
PEORIA COUNTY ROE	RANDOLPH COUNTY SPEC. ED.	ROE PROFESSIONAL SERVICES #19
PEORIA HEIGHTS C.U.S.D. #325	RANKIN C.S.D. #98	ROME C.C.S.D. #2
PEORIA S.D. #150	RANTOUL CITY S.D. #137	RONDOUT S.D. #72
PEOTONE C.U.S.D. #207	RANTOUL TWP H.S.D. #193	ROOKS CREEK C.C.S.D. #425
PERANDOE SPEC. ED. DIST.	REAVIS TWP H.S.D. #220	ROSELLE S.D. #12
PERU ELEMENTARY S.D. #124	RED BUD C.U.S.D. #132	ROSEMONT ELEM. S.D. #78
PHILIP J ROCK SERV CTR	RED HILL C.U.S.D. #10	ROSEVILLE C.U.S.D. #200
PIKELAND C.U.S.D. #10	REED CUSTER C.U.S.D. #255	ROSSVILLE-ALVIN C.U.S.D. #7
PINCKNEYVILLE S.D. #50	REGIONAL DELIVERY SYSTEM	ROUND LAKE AREA S.D. #116
PINCKNEYVL C.H.S.D. #101	VOCATIONAL ED & GIFTED PROGRAM	ROXANA C.U.S.D. #1
PLAINFIELD S.D. #202	REGIONAL FILM LIBRARY	RUTLAND C.C.S.D. #230
PLANO C.U.S.D. #88	REGIONAL OFFICE OF EDUCATION #12	SALEM C.H.S.D. #600
PLEASANT HILL C.U.S.D. #3	REGIONAL VOCATIONAL SYSTEM	SALEM S.D. #111
PLEASANT HILL S.D. #69	RHODES S.D. #84.5	SALT CREEK S.D. #48
PLEASANT PLAINS C.U.S.D. #8	RICH TOWNSHIP H.S.D. #227	SANDOVAL C.U.S.D. #501
PLEASANT VALLEY S.D. #62	RICHLAND S.D. #88A	SANDRIDGE S.D. #172
PLEASANTDALE S.D. #107	RICHMOND BURTON H.S.C.D. #157	SANDWICH C.U.S.D. #430
POLO C.U.S.D. #222	RICHMOND C.S.D. #13	SANGAMON COUNTY ROE
PONTIAC C.C.S.D. #429	RIDGELAND S.D. #122	SANGAMON AREA SPEC. ED.
PONTIAC TWP H.S.D. #90	RIDGEVIEW C.U.S.D. #19	SARATOGA C.C.S.D. #60C
PONTIAC-W HOLLIDAY S.D. #105	RIDGEWOOD C.H.S.D. #234	SAUK VILLAGE C.C.S.D. #168



## SCHEDULE OF PARTICIPATING EMPLOYERS

SAUNEMIN C.C.S.D. #438	SPEC. ED. JOINT AGREEMENT #802	TAMAROA S.D. #5
SAVANNA C.U.S.D. #300	COOK COUNTY	TAYLORVILLE C.U.S.D. #3
SCALES MOUND C.U.S.D. #211	SPEC. ED. JOINT AGREEMENT #803	TAZEWELL COUNTY ROE
SCHAUMBURG C.C.S.D. #54	PROVISO AREA	TAZEWELL-MASON COUNTIES SPECIAL
SCHILLER PARK S.D. #81	SPECIAL EDUCATIONAL COOP	EDUCATION ASSOCIATION
SCHOOL ASSOCIATION FOR SPEC. ED. IN	SPECIAL EDUCATION DIST. - REGION 3	TEACHERS RETIREMENT SYSTEM
DUPAGE COUNTY	SPECIAL EDUCATION DISTRICT OF	TECHNOLOGY CENTER OF DUPAGE CNTY
SCHOOL DISTRICT U46	MCHENRY COUNTY	TEUTOPOLIS C.U.S.D. #50
SCHUYLER COUNTY C.U.S.D. #1	SPECIAL EDUCATION DISTRICT OF	THOMAS JEFFERSON CHARTER SCHOOL
SCOTT-MORGAN C.U.S.D. #2	PEORIA COUNTY	THOMASBORO C.C.S.D. #130
SELMAVILLE C.C.S.D. #10	SPECIAL EDUCATIONAL TEACHER OF	THOMPSONVILLE C.H.S.D. #112
SENECA C.C.S.D. #170	MACOUPIN COUNTY	THOMPSONVILLE S.D. #62
SENECA TWP H.S.D. #160	SPOON RIVER VALLEY C.U.S.D. #4	THOMSON C.U.S.D. #301
SERENA C.U.S.D. #2	SPRING GROVE S.D. #11	THORNTON FRACTIONAL H.S.D. #215
SESSER-VALIER C.U.S.D. #196	SPRING LAKE C.C.S.D. #606	THORNTON S.D. #154
SHAWNEE C.U.S.D. #84	SPRING VALLEY C.C.S.D. #99	THORNTON TWP H.S.D. #205
SHELBYVILLE C.U.S.D. #4	SPRINGFIELD BALL CHARTER SCHOOL	THREE RIVERS EDUCATION FOR
SHELDON C.U.S.D. #5	SPRINGFIELD S.D. #186	EMPLOYMENT SYSTEMS
SHERARD C.U.S.D. #200	ST. ANNE C.C.S.D. #256	TINLEY PARK S.D. #146
SHILOH C.U.S.D. #1	ST. ANNE C.H.S.D. #302	TOLONO C.U.S.D. #7
SHILOH VILLAGE S.D. #85	ST. CLAIR COUNTY ROE	TONICA C.C.S.D. #79
SHIRLAND C.C.S.D. #134	ST. ELMO C.U.S.D. #202	TOWER HILL C.U.S.D. #6
SIGNAL HILL S.D. #181	ST. GEORGE C.C.S.D. #258	TOWNSHIP H.S.D. #214
SILVIS S.D. #34	ST. JOSEPH C.C.S.D. #169	TREMONT C.U.S.D. #702
SKOKIE S.D. #68	ST. JOSEPH OGDEN C.H.S. #305	TRI CITY C.U.S.D. #1
SKOKIE S.D. #69	ST. LIBORY C.S.D. #30	TRI COUNTY SPEC. ED. ASSOCIATION
SKOKIE S.D. #73.5	ST. ROSE S.D. #14	TRI COUNTY SPEC. ED. COOP
SKOKIE-FAIRVIEW S.D. #72	ST. CHARLES C.U.S.D. #303	TRI POINT C.U.S.D. #6-J
SMITHTON C.C.S.D. #130	STARK COUNTY C.U.S.D. #100	TRI VALLEY C.U.S.D. #3
SOMONAUK C.U.S.D. #432	STAUNTON C.U.S.D. #6	TRIAD C.U.S.D. #2
SOUTH WILL CNTY COOP FOR SPEC. ED.	STEELEVILLE C.U.S.D. #138	TRICO C.U.S.D. #176
SOUTH BELOIT C.U.S.D. #320	STEGER S.D. #194	TRIOPIA C.U.S.D. #27
SOUTH CENTRAL C.U.S.D. #401	STERLING C.U.D. #5	TROY C.C.S.D. #30C
SOUTH COOK ISC #4	STEWART ELEMENTARY S.D. #220	TRUANTS ALTERNATIVE OPTIONAL
SOUTH EASTERN SPEC. ED.	STEWARTSON-STRASBURG C.U.S.D. #5	EDUCATION PROGRAM
SOUTH FORK S.D. #14	STOCKTON C.U.S.D. #206	TUSCOLA C.U.S.D. #301
SOUTH HOLLAND S.D. #150	STREATOR ELEMENTARY S.D. #44	TWIN RIVERS REGIONAL VOCATIONAL
SOUTH HOLLAND S.D. #151	STREATOR TWP H.S.D. #40	DEL SYS
SOUTH PEKIN S.D. #137	STREATOR WOODLAND C.U.S.D. #5	TWO RIVERS PROFESSIONAL DEVELOP-
SOUTH WILMINGTON C.S.D. #74	SUBURBAN COOK COUNTY ROE	MENT UNION C.U.S.D. #115
SOUTHEASTERN C.U.S.D. #337	SULLIVAN C.U.S.D. #300	UNION RIDGE S.D. #86
SOUTHERN C.U.S.D. #120	SUMMERSVILLE S.D. #79	UNION S.D. #81
SOUTHWEST COOK SPEC. ED. COOP	SUMMIT HILL S.D. #161	UNITED TWP H.S.D. #30
SOUTHWESTERN C.U.S.D. #9	SUNNYBROOK S.D. #171	UNITY POINT C.C.S.D. #140
SPARTA C.U.S.D. #140	SUNSET RIDGE S.D. #29	URBANA S.D. #116
SPEC. ED. JOINT AGREEMENT #804	SYCAMORE C.U.S.D. #427	UTICA E.S.D. #135
NORTH SUBURBAN	TAFT S.D. #90	V I T C.U.S.D. #2



## SCHEDULE OF PARTICIPATING EMPLOYERS

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



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## ***In Memoriam***

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**Hugh R. Brown**

1915 – 2000



Remembered with respect and appreciation as an advocate for teachers and public education, the Teachers' Retirement System of the State of Illinois honors the memory of Hugh R. Brown.

Trustee Brown served as a member of the Board of Trustees from 1987 through 1999. He is particularly remembered for his service as chair of the Investment Committee.

The board and staff extend fond wishes and continuing sympathy to his wife, Ann.

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