

# TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS



*Retirement Security for Illinois Educators*

*The future is purchased  
by the present.*

*- Samuel Johnson*

## BUILDING THE FUTURE

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

# STATEMENT OF PURPOSE

## *Retirement Security for Illinois Educators.*

### FISCAL YEAR HIGHLIGHTS

	2002	2001
Active contributing members	155,979	150,783
Inactive noncontributing members	66,971	69,512
Benefit recipients	67,949	64,877
Total membership	290,899	285,172
Actuarial accrued liability (AAL)	\$43,047,674,000	\$39,166,697,000
Less net assets held in trust for pension benefits	22,366,285,000	23,315,646,000
Unfunded actuarial accrued liability (UAAL)	\$20,681,389,000	\$15,851,051,000
Funded ratio	52.0%	59.5%
(actuarial value of assets/AAL)		
Total fund investment return, net of fees	(3.2%)	(4.2%)
<b>Benefits and refunds paid</b>		
Benefits paid	\$1,759,748,668	\$1,566,793,231
Refunds paid	38,755,604	35,849,079
Total	\$1,798,504,272	\$1,602,642,310
<b>Income</b>		
Member contributions*	\$681,151,770	\$643,563,304
Employer contributions	907,357,912	821,625,405
(includes State of Illinois contributions)		
Net investment loss	(723,987,045)	(1,015,255,237)
<b>Total</b>	<b>\$864,522,637</b>	<b>\$449,933,472</b>

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

# **TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

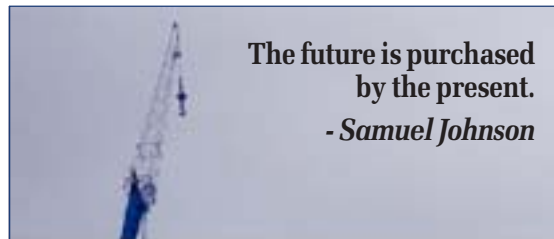
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A COMPONENT UNIT OF THE STATE OF ILLINOIS

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WWW.TRS.STATE.IL.US



The future is purchased  
by the present.  
*- Samuel Johnson*

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## **BUILDING THE FUTURE**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002



*Retirement Security for Illinois Educators*



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# INTRODUCTION



He has the deed half  
done who has made  
a beginning.  
- Horace

# 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, 2001

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.



*Thomas A. Greve*  
President

*Jeffrey L. Esser*  
Executive Director

# LETTER OF TRANSMITTAL

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, 2002. 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, 2002.

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

This report consists of five sections:

- The Introductory Section contains the Certificate of Achievement for Excellence in Financial Reporting, this Letter of Transmittal, a message from our executive director that outlines the major activities of the past year and plans for the future, identification of the TRS Board of Trustees and organizational structure, and consulting and professional service providers.
- The Financial Section contains the Independent Auditors' Report, a Management Discussion and Analysis, the financial statements and related notes, and required supplementary schedules.
- The Investment Section contains information detailing TRS performance, investment managers, and the TRS investment portfolio.
- The Actuarial Section contains the actuary's letter of certification, results of the five-year experience analysis, 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, EXPENSES, AND FUNDING

The three sources of TRS funding include member contributions, investment income, and employer contributions through state appropriations and payments by school districts. TRS investments had a (3.2) percent return net of fees for the year. Negative amounts are represented as ( ) throughout this report.

### REVENUES (\$ MILLIONS)

Source	2002	2001	<u>Increase/(Decrease)</u>	
			Amount	% Change
Member contributions	\$681	\$643	\$38	5.9%
State of Illinois	815	724	91	12.6
Employer contributions	93	98	(5)	(5.1)
Net investment loss	<u>(724)</u>	<u>(1,015)</u>	<u>291</u>	<u>28.7</u>
<b>Total</b>	<b>\$865</b>	<b>\$450</b>	<b>\$415</b>	<b>92.2%</b>

### EXPENSES (\$ MILLIONS)

TRS expenses include payments of benefits, refunds, and administrative expenses.

Source	2002	2001	<u>Increase/(Decrease)</u>	
			Amount	% Change
Benefits payments	\$1,760	\$1,567	\$193	12.3%
Refunds	39	36	3	8.3
Administrative/Other	<u>15</u>	<u>13</u>	<u>2</u>	<u>15.4</u>
<b>Total</b>	<b>\$1,814</b>	<b>\$1,616</b>	<b>\$198</b>	<b>12.3%</b>

At June 30, 2002, net assets decreased \$949 million to \$22.4 billion. The decrease is primarily attributable to a decrease in market value of equity investments.

The Management Discussion and Analysis contains a discussion regarding TRS's investment activities and actuarial information.

### INDEPENDENT AUDIT

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



## GFOA AWARD

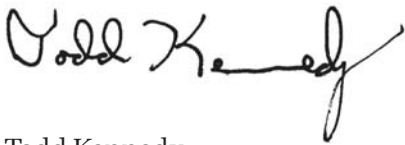
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. TRS has received a certificate for the last 13 years. We believe our current report continues to meet the program requirements and are submitting it to the GFOA for consideration again this year.

## ACKNOWLEDGMENTS

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

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



Todd Kennedy  
Director of Finance

## A MESSAGE FROM THE EXECUTIVE DIRECTOR

Educators invest their lives in the future, seeing the next generation of workers, leaders, parents, and our country in the faces of the young people they mentor daily. In this annual report, *Building the Future*, we salute the spirit that builds the future today.

Our inspiration comes from the remarkable upsurge in new and renovated schools throughout Illinois. The bricks and mortar, steel, stone, and glass are tangible evidence of the value Illinoisans place on education. As you read this report, be heartened that our communities esteem education and are willing to sacrifice today for the good things that will occur in these buildings for years to come. We trust that you will be encouraged as you see the photographs of new buildings and will treasure the civic spirit that underlies our communities' investment in public education.



*Executive Director  
Jon Bauman*

### **A DIFFICULT PERIOD**

The path to excellence is seldom without difficulty. Your retirement fund recorded a loss on investment activity for a second consecutive year, the first such occurrence since the legislature granted prudent person investment authority to the fund in the early 1980s. Our total return after investment expenses was (3.2) percent.

Even in the face of an adverse economy, our commitment to excellence shows. In fiscal year 2002, TRS ranked near the top, with a total return that exceeded the returns of over 80 percent of public retirement funds with assets over \$1 billion. To put this achievement in perspective, this is the best relative return ever reported in TRS history. In a year characterized by market volatility, substantial drops in major market indices, and investor distrust, our solid, conservative investment approach protected fund assets and produced results of which we can all be proud. Over the long term, our performance remains solidly over our actuarial assumption, with a 10-year return of 9.1 percent. Our hard work will doubtless pay future dividends as markets return to more normal patterns.

### **SEEKING THE BEST**

In the year I have been your director, I have made a conscious decision to seek to be the best in all that we do.

Building the best team means seeking and retaining qualified individuals who have a heart for the membership of our system. We have earned your trust by our high levels of personal, professional, and caring service. It is essential that we retain our caring character as we build retirement security and continuously improve to meet your expectations. I chose seasoned TRS veterans as the initial members of my executive staff and outside expertise was recruited as necessary

to build a talented staff. At the same time, our commitment to diversity was demonstrated through our equal opportunity hiring process. In the coming months, we will continue a nationwide search for a chief investment officer and two additional investment positions. Caring and competence will be watchwords as we fill these essential positions.

The TRS commitment to excellence extends to the professional investment management firms we select and retain. Our selection process is conducted with substantial input from our external consultant, Callan Associates. Using both qualitative and quantitative measures, we seek firms with a strong potential to perform in the top quartile of their peer investment group. During the past year, we completed evaluations of all managers and took appropriate action to retain only the best. I am pleased to note that 17, or nearly one-third of our investment management firms, are based in Illinois.

## ***A RECORD OF SUCCESS***

Every section of our organization contributed to a successful year. Here are some highlights:

### **MEMBER SERVICES**

Our Member Services Department paid over \$1.7 billion to nearly 68,000 annuitants and beneficiaries during the past year. This represents a record both in terms of the number of members served and the total dollars expended for benefit payments. Teacher retirements continued to grow, with a total of 4,200 retirements in FY02. Staff worked diligently to process this increasing volume capably. Both active and retired teachers were served through an enhanced program of meetings and teleconferences held throughout the state. Over 14,000 members received personal counseling. Our toll free telephone service remains popular with over 200,000 calls received last year.

### **MAJOR INITIATIVES**

At the outset of my administration, I made a commitment to complete several key initiatives. We began training our staff in September on the use of our new information system, TRS STAR (Serving Teachers and Retirees). Beginning with its very name, STAR exemplifies our commitment to service. We will fully implement this new tool this winter. Patiently and carefully designed, it provides our staff with the resources they need to serve you better. By automating administrative details, we will work more accurately and quickly. The time saved will be well spent in providing ever-greater levels of personalized, caring service.

We completed a project to ensure compliance with Section 415 of the Internal Revenue Code. This provision governs the amount of after-tax contributions that we can accept annually for the purchase of certain types of optional service. Our team consisted of experienced staff and knowledgeable consultants

who together crafted a workable program and informational campaign to inform members affected by the requirements.

TRS worked collaboratively with state government leaders, organizations representing active and retired teachers, and the school management community to achieve an interim solution to the funding crisis facing the TRIP retiree health insurance program. In the coming year, we will continue our efforts to achieve a permanent solution. We understand the anxiety resulting from the current, uncertain status of the program. We will do our best to achieve a viable health insurance program for retired teachers.

## COMMUNICATIONS

I made a significant commitment to improve communication with our members, retirees, and constituent groups. Our core publications, including *Topics and Report* and our employer and information bulletins, have been redesigned and improved. The TRS Web site has been completely redesigned and is now accessible to the disabled. The site will continue to feature timely topics and important news as we embrace state-of-the-art technology to better serve our members.



*William  
Enlow*

## SPECIAL RECOGNITION

William Enlow concluded six years of service as a member of the TRS Board of Trustees. Bill served as vice president of the board. We thank him for his service, counsel, and wisdom.



*Glenn  
McGee*

Dr. Glenn “Max” McGee served as state superintendent of education and ex-officio president of the Board of Trustees for a three-year period ending December 2001. We appreciate his leadership, commitment to public education, and dedication to the children of Illinois.



*Respicio  
Vasquez*

Respicio Vasquez served as interim state superintendent and TRS Board president during 2002. We appreciate his energy, his willingness to serve TRS, and his leadership during important times for TRS and the State Board of Education.

## IN CLOSING

This initial year of service as your executive director has included remarkable challenges, successes, and opportunities for improvement. I have enjoyed the opportunity to meet and to hear from many TRS members and annuitants in my first year as executive director. As we go forward, I thank you for your support and trust. I pledge my best to you in the years ahead.

A handwritten signature in black ink that reads "Jon Bauman".

Jon Bauman  
Executive Director



# BOARD OF TRUSTEES

As of December 1, 2002

**ROBERT  
SCHILLER**  
*PRESIDENT*  
Springfield



**PHILLIP  
SCHMIDT**  
*VICE PRESIDENT*  
Springfield



**JAMES BRUNER**  
Jacksonville



**SHARON  
LEGGETT**  
Evanston



**JAN CLEVELAND**  
Carmi



**STUART LEVINE**  
Highland Park



**MICHAEL  
COLSCH**  
Springfield



**CYNTHIA O'NEILL**  
Carlyle



**JOHN E.  
GLENNON**  
Lake Forest

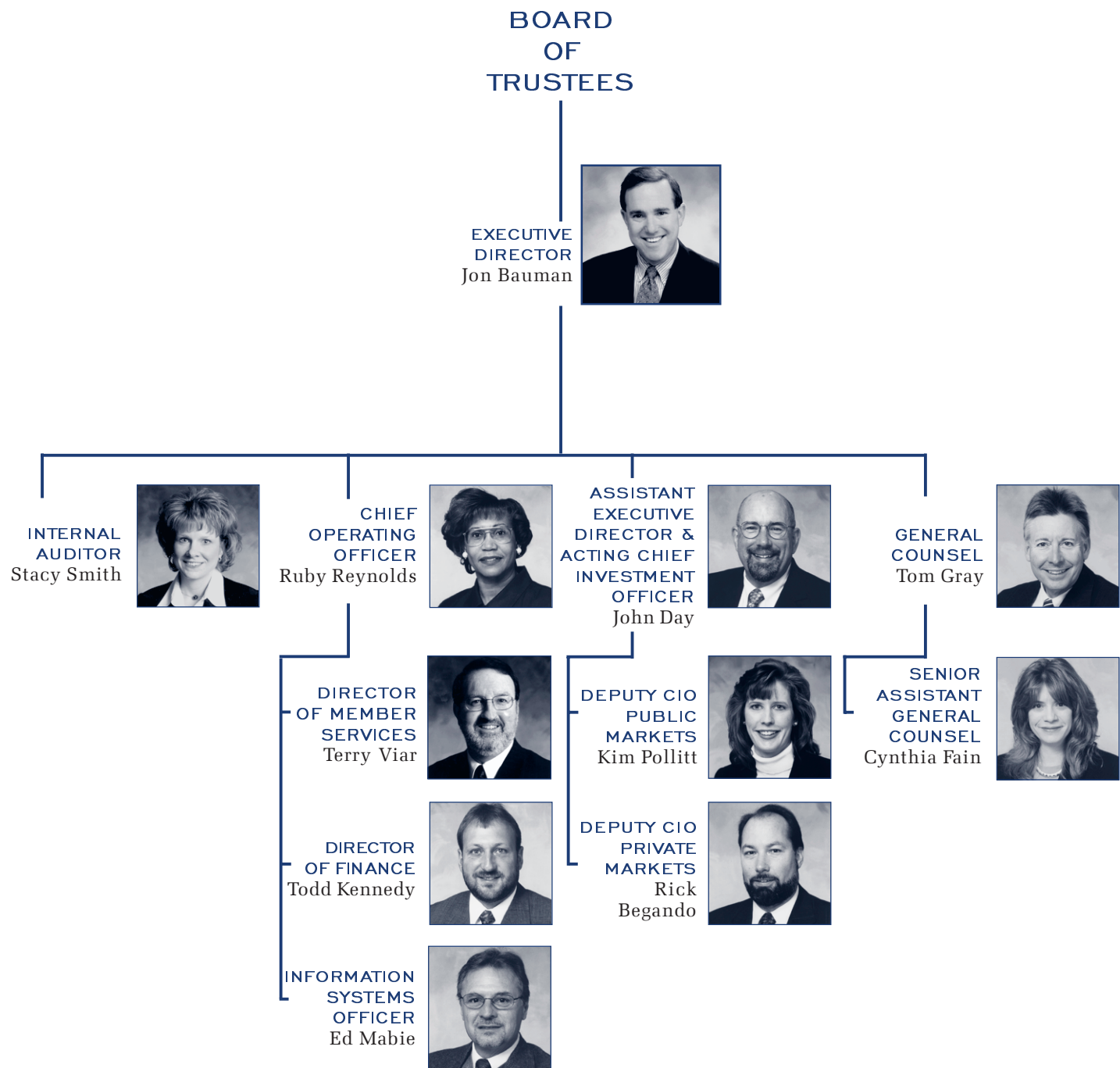


**MOLLY PHALEN**  
Rockford



# ORGANIZATIONAL STRUCTURE

As of December 1, 2002



# CONSULTING AND PROFESSIONAL SERVICES

## ACTUARY

Buck Consultants, Inc.  
*Chicago, Illinois*

## EXTERNAL AUDITORS

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

McGladrey & Pullen, LLP  
*Chicago, Illinois*

## INFORMATION SYSTEMS

Ashbaugh and Associates  
*Springfield, Illinois*

Ciber (formerly Metamor)  
*Springfield, Illinois*

Engineered Designed Facilities  
*Maryland Heights, Missouri*

Hupp Information Technologies  
*Springfield, Illinois*

Kestner Consulting Inc.  
*Springfield, Illinois*

Sentinel Technologies  
*Chicago, Illinois*

Sikich Gardner & Company, LLP  
*Springfield, Illinois*

## INVESTMENT CONSULTANTS

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

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

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

Risk Resources  
(real estate insurance)  
*Elmhurst, Illinois*

## EXTERNAL LEGAL COUNSEL

Calhoun Law Group, P.C.  
*Washington, D.C.*

Heyl Royster Voelker & Allen  
*Springfield, Illinois*

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

Piper Rudnick  
*Chicago, Illinois*

## MASTER TRUSTEE

The Northern Trust Company  
*Chicago, Illinois*



*Liberty High/  
Elementary School  
Liberty*



*Lincoln Elementary School  
River Forest*



*West Side Primary School  
Harrisburg*



# FINANCIAL



The future belongs  
to those who believe  
in the beauty of their  
dreams.  
- Eleanor Roosevelt



**INDEPENDENT AUDITOR'S REPORT**

Honorable William G. Holland  
Auditor General  
State of Illinois

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statement of plan net assets of the Teachers' Retirement System of the State of Illinois (the System), a component unit of the State of Illinois, as of June 30, 2002 and 2001, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of the State of Illinois as of June 30, 2002 and 2001, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 18 through 21 and the schedules of funding progress and contributions from employers and other contributing entities on pages 38 and 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP is an independent member firm of  
RSM International, an affiliation of independent accounting and consulting firms.

As discussed in Note B to the financial statements, the System adopted GASB Statements No. 34, 37 and 38, effective July 1, 2001.

In accordance with Government Auditing Standards, we will also issue, under separate cover, our report dated November 14, 2002 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the System. The introduction section, other supplementary information on page 40, investments section, actuarial section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The other supplementary information on page 40 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introduction, investments, actuarial and statistical information sections listed in the table of contents were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mc Gladrey & Pullen, LLP*

Chicago, Illinois  
November 14, 2002



*We shall neither  
fail nor falter; we  
shall not weaken  
or tire...Give us  
the tools and we  
will finish the  
job.*

**- Winston  
Churchill**



## MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Teachers' Retirement System of the State of Illinois provides an overview of the System's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter in the Introduction Section on page 5, and the Basic Financial Statements and related notes that follow this discussion.

### FINANCIAL HIGHLIGHTS

- TRS's net assets at June 30, 2002, were \$22.4 billion.
- During FY02, the System's net assets decreased \$949 million.
- Contributions from members, employers, and the State of Illinois were \$1,589 million, an increase of \$123 million or 8.4 percent during the fiscal year.
- Net investment loss was (\$724) million, an increase of \$291 million or 28.7 percent compared to FY01.
- Benefits and refunds paid to members and annuitants were \$1,799 million, an increase of \$196 million or 12.2 percent compared to FY01.
- The System's pension benefit obligation or total actuarial accrued liability was \$43 billion at June 30, 2002.
- The System's unfunded actuarial accrual liability increased from \$15.85 billion at June 30, 2001 to \$20.68 billion at June 30, 2002. The funded ratio decreased from 59.5 percent at June 30, 2001 to 52.0 percent at June 30, 2002.



*Manteno Elementary  
School  
Manteno*

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

**Statement of Plan Net Assets.** This section reports the pension trust funds assets, liabilities, and resultant net assets available to pay benefits at the end of the fiscal year. It is the balance sheet of TRS and reflects the financial position of the Teachers' Retirement System as of June 30, 2002.

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

**Notes to the financial statements.** The notes are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The required supplementary information and other



schedules following the notes to the financial statements provide historical and additional detailed information considered useful in evaluating the financial condition of the Teachers' Retirement System. The following are condensed comparative financial statements of TRS's pension trust fund.

#### CONDENSED COMPARATIVE STATEMENT OF PLAN NET ASSETS

	As of June 30, 2002	As of June 30, 2001	Decrease/Increase Amount	Percentage Change
Cash	\$6,039,088	\$7,889,353	(\$1,850,265)	(23.5%)
Receivables and prepaid expenses	393,200,477	402,597,459	(9,396,982)	(2.3)
Investments	22,944,918,073	24,010,566,743	(1,065,648,670)	(4.4)
Invested securities lending collateral	1,897,635,461	2,288,995,477	(391,360,016)	(17.1)
Fixed assets	3,113,533	3,658,427	(544,894)	(14.9)
<b>Total assets</b>	<b>25,244,906,632</b>	<b>26,713,707,459</b>	<b>(1,468,800,827)</b>	<b>(5.5)</b>
<b>Total liabilities</b>	<b>2,878,621,920</b>	<b>3,398,061,376</b>	<b>(519,439,456)</b>	<b>(15.3)</b>
<b>Net assets</b>	<b>\$22,366,284,712</b>	<b>\$23,315,646,083</b>	<b>(\$949,361,371)</b>	<b>(4.1%)</b>

#### CONDENSED COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year Ended June 30, 2002	Year Ended June 30, 2001	Decrease/Increase Amount	Percentage Change
Contributions	\$1,588,509,682	\$1,465,188,709	\$123,320,973	8.4%
Net investment loss	(723,987,045)	(1,015,255,237)	291,268,192	28.7
Total additions	864,522,637	449,933,472	414,589,165	92.1
Benefits and refunds	1,798,504,272	1,602,642,310	195,861,962	12.2
Administrative expenses/transfers	15,379,736	13,057,686	2,322,050	17.8
Total deductions	1,813,884,008	1,615,699,996	198,184,012	12.3
<b>Net decrease in net assets</b>	<b>(949,361,371)</b>	<b>(1,165,766,524)</b>	<b>216,405,153</b>	<b>18.6</b>
<b>Net assets beginning of year</b>	<b>23,315,646,083</b>	<b>24,481,412,607</b>	<b>(1,165,766,524)</b>	<b>(4.8)</b>
<b>Net assets end of year</b>	<b>\$22,366,284,712</b>	<b>\$23,315,646,083</b>	<b>(\$949,361,371)</b>	<b>(4.1%)</b>

### FINANCIAL ANALYSIS

TRS was created to provide retirement, survivor, and disability benefits to qualified members. Increases or decreases in plan net assets serve as useful indicators of the System's financial position. Net assets available to pay benefits were \$22.4 billion at June 30, 2002. However, net assets decreased \$949 million during the fiscal year.

### CONTRIBUTIONS

Contributions increased \$123 million during FY02. Member contributions increased \$38 million while employer contributions decreased \$5 million. The decrease in the employer contribution is attributable to the mid-year decrease in the employer contribution rate. Contributions from the State of Illinois increased \$91 million. The State of Illinois provides contributions through state

appropriations. The increase in the state contributions were in accordance with actuarial funding requirements determined under Public Act 90-582 which provides for a 50-year funding plan that includes a 15-year phase in period.

## **INVESTMENTS**

For FY02, investments had a (3.2) percent rate of return, net of fees. Total investments declined \$1.1 billion from \$24.0 billion at June 30, 2001 to \$22.9 billion at June 30, 2002. TRS experienced its first back-to-back decline in market value ever. The impact of the equity market declines on the TRS portfolio was lessened by the System's investment diversification. While the recent declines in the equity markets are disappointing, TRS's five and 10-year returns are 5.8 percent and 9.1 percent, respectively. The 10-year return compares favorably to the actuarial investment rate of return assumption of 8.5 percent.

Fiscal year 2002 was another challenging year for world financial markets. U.S. and international fixed income markets provided a safe haven for investors while equity markets declined significantly. Due to TRS's solid, conservative investment approach and broad diversification, the TRS investment portfolio performed well compared to its peers. TRS surpassed the returns of over 80 percent of public retirement funds with assets over \$1 billion.

Diversification is the cornerstone to the TRS investment philosophy. Investing in a number of broad asset classes helps to minimize the risk associated with a downturn in any single asset class, such as that seen in the equity markets over the past year. In particular, TRS investments in fixed income and real estate served to partially offset the negative returns experienced by equity markets in fiscal year 2002. An additional layer of diversification is provided by employment of multiple investment managers of varying investment styles within each asset class. This broad exposure to markets serves as the portfolio's best defense against market volatility.

## **BENEFITS AND REFUNDS**

Survivor, disability, and retirement benefit payments increased \$193 million, from \$1,567 million with 64,877 recipients during FY01 to \$1,760 million with 67,949 recipients during FY02. The increase in benefit payments is due mainly to an increase in retirement benefit payments. Retirement benefits increased as a result of an automatic 3 percent annual increase in retirement benefits, an increase in the number of retirees from 56,549 as of June 30, 2001 to 59,360 as of June 30, 2002, and an increase in the final average salaries of teachers that retired during the fiscal year.

Refunds of contributions increased \$3 million, from \$36 million during FY01 to \$39 million during FY02. The increase in refunds is a result of increases in 2.2 upgrade contribution refunds, withdrawal of contributions by members leaving teaching, and an increase in survivor benefit refunds.

## ACTUARIAL

The annual actuarial valuation measures the total liability for all benefits earned to date. The accrued liability is a present value estimate of all the benefits that have been earned to date. The actuarial accrued liability increased from \$39.17 billion at June 30, 2001 to \$43.05 billion at June 30, 2002. The unfunded liability is the present value of future benefits payable that are not covered by assets as of the valuation date. The unfunded liability increased from \$15.85 billion at June 30, 2001 to \$20.68 billion at June 30, 2002. The funded ratio reflects the percentage of the accrued liability covered by net assets at market value. The funded ratio decreased from 59.5 percent at June 30, 2001 to 52.0 percent at June 30, 2002. Increases in the unfunded liability and decreases in the funded ratio indicate a decline in a system's financial position.

In FY02, the System's actuaries conducted an experience analysis of the previous five-year period ended June 30, 2001. The analysis resulted in the following changes in assumptions.

- Decrease in the salary increase assumption from 7.0 percent to 6.5 percent.
- Decrease in the inflation rate assumption from 4.0 percent to 3.5 percent.
- Higher rates of retirement.
- Minor changes in several other assumptions.

The net effect of all the actuarial changes decreased the June 30, 2002, actuarial accrued liability by approximately \$346 million compared to the accrued liability that would have been calculated under the old assumptions.



*Robinson High School  
Robinson*



*Mahomet-Seymour High School  
Mahomet*

# BASIC FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
STATEMENT OF PLAN NET ASSETS AS OF  
JUNE 30, 2002, AND 2001

	2002	2001
<b>Assets</b>		
Cash	\$6,039,088	\$7,889,353
<b>Receivables and prepaid expenses</b>		
Member payroll deduction	111,106,770	160,440,980
Member contributions	38,806,046	31,052,076
Employer contributions	8,811,602	7,379,527
State of Illinois	651,505	0
Investment income	233,414,394	202,756,810
Prepaid expenses	410,160	968,066
Total receivables and prepaid expenses	393,200,477	402,597,459
<b>Investments, at fair value</b>		
Fixed income	8,795,239,241	8,817,862,697
Equities	10,126,648,199	11,015,551,513
Real estate	2,202,925,998	2,424,554,513
Short-term investments	1,201,995,818	1,036,104,680
Private equity investments	594,153,359	689,740,876
Foreign currency	23,955,458	26,752,464
Total investments	22,944,918,073	24,010,566,743
Collateral from securities lending	1,897,635,461	2,288,995,477
Property and equipment, at cost, net of accumulated depreciation of \$6,216,008 and \$5,780,569 in 2002 and 2001, respectively	3,113,533	3,658,427
<b>Total assets</b>	<b>25,244,906,632</b>	<b>26,713,707,459</b>
<b>Liabilities</b>		
Benefits and refunds payable	7,204,169	5,694,934
Administrative and investment expenses payable	81,017,997	71,323,165
Payable to brokers for unsettled trades, net	892,764,293	1,032,047,800
Securities lending transactions	1,897,635,461	2,288,995,477
<b>Total liabilities</b>	<b>2,878,621,920</b>	<b>3,398,061,376</b>
<b>Net assets held in trust for pension benefits</b>	<b>\$22,366,284,712</b>	<b>\$23,315,646,083</b>

(A schedule of funding progress is presented on page 38.)

*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, 2002, AND 2001

	2002	2001
<b>Additions</b>		
<b>Contributions</b>		
Members	\$681,151,770	\$643,563,304
State of Illinois	814,739,766	724,007,792
Employers		
Early retirement	41,347,938	38,632,385
Federal funds	26,282,792	23,175,955
2.2 benefit formula	24,987,416	35,809,273
Total contributions	<u>1,588,509,682</u>	<u>1,465,188,709</u>
<b>Investment income</b>		
Net depreciation in fair value	(1,461,163,444)	(1,860,498,992)
Interest	463,758,715	565,646,688
Real estate operating income, net	174,430,870	190,286,928
Dividends	132,356,304	137,819,508
Private equity income	28,036,960	18,741,785
Securities lending income	56,498,682	145,941,616
Other investment income	13,640,070	3,193,440
	<u>(592,441,843)</u>	<u>(798,869,027)</u>
Less investment expense		
Securities lending expense	45,237,012	133,283,965
Investment activity expenses	86,308,190	83,102,245
Net investment loss	<u>(723,987,045)</u>	<u>(1,015,255,237)</u>
<b>Total additions</b>	<u><b>864,522,637</b></u>	<u><b>449,933,472</b></u>
<b>Deductions</b>		
Retirement benefits	1,660,997,776	1,475,489,564
Survivor benefits	80,461,343	74,630,874
Disability benefits	18,289,549	16,672,793
Refunds	38,755,604	35,849,079
Administrative expenses	13,487,393	12,640,595
Prior service credits and transfers	1,892,343	417,091
<b>Total deductions</b>	<u><b>1,813,884,008</b></u>	<u><b>1,615,699,996</b></u>
<b>Net decrease</b>	<u><b>(949,361,371)</b></u>	<u><b>(1,165,766,524)</b></u>
<b>Net assets held in trust for pension benefits</b>		
Beginning of year	<u>23,315,646,083</u>	<u>24,481,412,607</u>
<b>End of year</b>	<u><b>\$22,366,284,712</b></u>	<u><b>\$23,315,646,083</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 contributions. Effective July 1, 1998, Public Act 90-582 required employers to pay an employer contribution equal to 0.3 percent of covered payroll in FY99 and 0.58 percent of covered payroll through December 31, 2001. Effective January 1, 2002, the employer contribution was reduced to 0.18 percent of covered payroll. In addition, the State of Illinois provides employer contributions. For information about employer contributions made by the State of Illinois, see "Funding" on page 26.

NUMBER OF EMPLOYERS (AS OF JUNE 30)

	2002	2001
Local school districts	890	892
Special districts	140	134
State agencies	27	28
<b>Total</b>	<b>1,057</b>	<b>1,054</b>



*Dakota Elementary School  
Dakota*

### 3. Members

TRS MEMBERSHIP (AS OF JUNE 30)


	2002	2001
Retirees and beneficiaries receiving benefits	67,949	64,877
Inactive members entitled to but not yet receiving benefits	66,971	69,512
Active members	155,979	150,783
<b>Total</b>	<b>290,899</b>	<b>285,172</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 0.50 percent for each month the member is under age 60. A member who is age 55 and has fewer than 35 years of service credit may use the Early Retirement Option (ERO) to avoid a discount for early retirement if retirement occurs before July 1, 2005, and within six months of the last day of service requiring contributions, and if the member and employer both make a one-time contribution to TRS. However, both member and employer contributions are waived with 34 years of service. A member with fewer than five years of creditable service and service on or after July 1, 1947, is entitled to a single-sum benefit payable once he or she reaches age 65.

A retirement benefit is determined by the average salary of the four highest consecutive salary rates within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. This percentage is determined by the following formula for service earned before July 1, 1998: 1.67 percent for each of the first 10 years, plus 1.9 percent for each of the next 10 years, plus 2.1 percent for each of the next 10 years, plus 2.3 percent for each year over 30 years. The maximum retirement benefit, 75 percent of average salary, is achieved with 38 years of service under the graduated formula.

Public Act 90-582 improved retirement benefits for TRS members by changing the rate at which members accrue benefits beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. Members may attain the maximum 75 percent benefit with



34 years of service under the 2.2 benefit formula. Members retiring on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

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

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

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

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

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

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

## **5. Funding**

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

Effective July 1, 1998, member contributions increased from 8 percent to 9 percent of salary. These contributions are allocated as follows: 7.5 percent for retirement, 0.50 percent for post-retirement increases, and 1 percent for death benefits.

Employer contributions are made by or on behalf of the employers from several sources. The State of Illinois provides a large source of contributions through state appropriations from the Common School Fund and Education

Assistance Fund. Additional sources of state contributions are the State Pensions Fund and the General Revenue Fund. Effective July 1, 1998, the state began making contributions for the 2.2 benefit formula that are included in statutorily specified minimum state contribution rates. Employers also make contributions for the 2.2 benefit formula and for teachers who are paid from federal funds. Additionally, employers contribute their portion of the cost of the Early Retirement Option.

The actuarial funding requirements for FY02 and FY01 were determined under Public Act 90-582. State funding law provides for a 50-year funding plan that includes a 15-year phase-in period. Minimum state contribution rates are specified in the statute for FY99 through FY10. 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's funded ratio will be 90 percent at the end of the 50-year period. Beginning July 1, 1995, state contributions have been made through a continuing appropriation instead of through the appropriations process.

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

## **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

### ***2. Use of Estimates***

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

### ***3. New Accounting Pronouncements***

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34). In June 2001, the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, which amended certain provi-



*Beecher High School  
Beecher*





sions of GASB 34. Also in June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified, established, and rescinded certain financial statement note disclosures. The adoption of GASB 34 required TRS to present Management's Discussion and Analysis. The Management's Discussion and Analysis is considered to be required supplementary information and precedes the financial statements. The adoption of GASB 34, 37, and 38, effective July 1, 2001, had no impact on TRS's basic financial statements or its net assets.

#### **4. Method Used to Value Investments**

TRS reports investments at fair value. Fair value for equities is determined by using the closing price listed on national and over-the-counter securities exchanges as of June 30. Fair value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. Fair value for real estate investments is determined by appraisals. Fair value for private equity assets is determined by the general partner in accordance with the provisions of the individual equity agreements.

#### **5. Property and Equipment**


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

#### **6. Accrued Compensated Absences**

When they terminate employment, TRS employees are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned through December 31, 1997. (Lump-sum payments for sick leave earned prior to January 1, 1984, are subject to a maximum of 60 days or 420 hours.) Accrued compensated absences as of June 30, 2002, and 2001 totaled \$1,360,953 and \$1,357,443, respectively, and are included as administrative and investment expenses payable.

#### **7. Receivables**

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



TRS assesses penalties for late payment of contributions and may collect any unpaid amounts from the employing districts by filing a claim with the regional superintendent of education or the Office of the Comptroller against future state aid payments to the employer. TRS considers these amounts to be fully collectible.

Members may enter into Payroll Deduction Program agreements with their employers to pay for their optional service balances, to repay refunds previously taken from TRS, 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 \$111,106,770 and \$160,440,980 as of June 30, 2002, and 2001, respectively.

### ***8. Prior Period Reclassification***

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

## **C. CASH**

The bank balance and carrying amount of TRS's deposits were \$2,281,489 and \$6,039,088 at June 30, 2002, and \$2,009,923 and \$7,889,353 at June 30, 2001. Of the bank balance, \$303,041 and \$107,531 were on deposit with the state treasurer at June 30, 2002, and 2001, 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

	2002	<u>Fair Value</u> 2001
<b>Category 1</b>		
Government obligations	\$4,943,310,948	\$3,889,687,839
Corporate obligations	2,345,278,328	2,960,222,604
Preferred stock	100,963,556	112,594,835
Short-term investments		
Commercial paper		
(including short-term collateral and other)	38,255,078	39,179,749
U.S. Treasury bills	77,397,673	98,932
Common stock	4,843,826,185	6,659,594,148
	<b>12,349,031,768</b>	<b>13,661,378,107</b>
<b>Not Categorized</b>		
Investments held by broker-dealers under securities loans		
Government obligations	1,201,846,412	1,193,721,879
Corporate obligations	229,571,417	168,941,773
Common stock	894,790,840	1,373,267,578
Real estate equity	2,134,439,485	2,302,779,529
Mutual funds	4,355,554,131	3,601,165,085
Private equity investments		
Limited partnerships	594,153,359	689,740,876
Foreign currency	23,955,458	26,752,464
Collective investment funds (U.S. dollars)	1,163,740,739	996,924,930
Security lending short-term collateral investment pool	1,895,469,925	2,284,889,999
Investments and collateral		
from securities lending	24,842,553,534	26,299,562,220
Less collateral from securities lending	(1,897,635,461)	(2,288,995,477)
<b>Total investments*</b>	<b>\$22,944,918,073</b>	<b>\$24,010,566,743</b>

\* This total does not include accrued income.

## D. INVESTMENTS

### 1. Investment Policies

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

### 2. Investment Summary

The Investment Summary table presents a summary of TRS's investments and related category of custodial credit risk at June 30, 2002, and 2001.

TRS's investments are categorized to give an indication of the level of risk at year end.

Category 1 includes investments that are insured or registered, or for which the securities are held by TRS or its agent in the name of TRS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department in TRS's name. Category 3

includes uninsured and unregistered investments for which the securities are held by the counterparty but not in TRS's name. As of June 30, 2002, and 2001, TRS holds no securities classified in either Category 2 or Category 3.

TRS has nonrecourse mortgages totalling \$292,888,883 and \$294,646,716 on real estate equities at June 30, 2002, and 2001, 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 \$31,212,240 and \$50,374,838 of mortgages receivable which are fully secured by the properties at June 30, 2002, and 2001, respectively.

At June 30, 2002, and 2001, TRS did not have any investments with one organization that exceeded 5 percent of net assets held in trust for pension benefits.



*Cary Grove High School  
Cary*

### ***3. Securities Lending Program***

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

At year-end, TRS has no credit risk exposure to borrowers because the amount TRS owes the borrowers exceeds the amount the borrowers owe TRS. The contract with TRS's lending agent requires the agent to indemnify TRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay TRS for income distributions by the securities issuers while the securities are on loan. All securities loans can be terminated on demand either by TRS or the borrower, although the average term of the loans is 104 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 48 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, 2002, and 2001, TRS had outstanding loaned investment securities having a market value of \$2,326,208,668 and \$2,735,931,230, respectively, against which it had received collateral of \$2,419,253,253 and

\$2,880,112,714, 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's 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's 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 agreements 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's financial statements as incurred rather than at the maturity or settlement date of the contract. Foreign currency forward contracts represent an off-balance sheet obligation because there are no balance sheet assets or liabilities associated with those contracts.



*Centennial Elementary School  
Polo*

Financial futures are agreements 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 agreements 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's financial statements as incurred rather than at the time the options are exercised or when they expire. As of June 30, 2002, and 2001, the fair value of option contracts written was (\$664,528) and (\$793,894), 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's outstanding contracts at June 30, 2002, and 2001. 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.

#### DERIVATIVES CONTRACTS

Type	FY02 No. of Contracts	FY02 Contractual Principal*	FY01 No. of Contracts	FY01 Contractual Principal*
<b>Domestic Interest Rate Products</b>				
Index fixed income futures (net)	2,087	\$224,125,141	765	\$78,699,926
Fixed income written call options	343	14,110,800	1,690	33,188,100
Fixed income written put options	3,300	0	3,300	10,312,500
<b>Domestic Equity Products</b>				
S&P 500 Index futures (net)	3,175	785,891,875	2,298	707,611,650
<b>Foreign Currency Products</b>				
Currency futures (net)	461	112,576,600	2,121	502,302,575
Currency written put options	6,161	84,581,500	1,665	73,994,750

\* 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.

## **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**

	<b>2002</b>	<b>2001</b>
Balances at June 30	\$9,167,409,595	\$8,271,682,135

This reserve accumulates, with 6 percent interest, the contributions by members prior to retirement. Contributions have been 7.5 percent of salary since July 1, 1998. Contributions are fully refundable upon withdrawal from TRS, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest is credited as of the date of retirement or death of those retiring or dying during the year and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member's balance in the reserve at the beginning of the fiscal year. This reserve is fully funded.

### **2. Minimum Retirement Annuity**

	<b>2002</b>	<b>2001</b>
Balances at June 30	\$3,479,416	\$3,269,192

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**

	<b>2002</b>	<b>2001</b>
Balances at June 30	\$0	\$893,336

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 was credited to the reserve annually based upon the average reserve balance. The annuity expenses resulting from this legislation were charged to the reserve.

During fiscal year 2002, this reserve was dissolved and the remaining funds were transferred to the Employer's Contribution Reserve. Beginning July 1, 2001, the supplementary annuity expenses were charged to the Employer's Contribution Reserve.



*Eastland High School  
Lanark*

#### **4. Employer's Contribution**

	<b>2002</b>	<b>2001</b>
Balances at June 30	\$13,195,395,701	\$15,039,801,420

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 \$20,681,389,000 in 2002 and \$15,851,051,000 in 2001.

## **F. TRS EMPLOYEE PENSION BENEFITS**

### **1. Plan Description**

All full-time TRS employees who are not eligible to participate in TRS participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in



which state employees participate, except those who are covered by the State Universities Retirement System, Teachers' Retirement System, General Assembly Retirement System, and Judges' Retirement System. SERS's financial position and results of operations for fiscal years 2002 and 2001 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2002, and 2001, respectively. SERS also issues a separate CAFR that may be obtained by writing to SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255 or by calling (217) 785-7444. The State of Illinois CAFR may be obtained by writing to Office of the Comptroller, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1858 or by calling (217) 782-2053.

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

## ***2. Funding Policy***

TRS pays employer retirement contributions to SERS based on an actuarially determined percentage of the TRS employee payroll representing TRS employees who are members of SERS. For FY02, FY01, and FY00, the SERS employer contribution rates were 10.040 percent, 9.944 percent, and 9.714 percent, respectively. TRS contributions for the years ending FY02, FY01, and FY00 were \$529,400, \$523,129, and \$484,575, respectively. Effective for pay periods beginning after July 1, 1993, the TRS Board of Trustees opted to pay the employee contribution for all employees. The contribution pickup (4 percent for SERS members, 9 percent for TRS members beginning in FY01 and 8 percent for TRS members in prior years) was included in the FY02 and FY01 administrative budgets approved by the board.

TRS pays an 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, 2002, and 2001. However, post-employment costs for the state as a whole for all state agencies or departments for dependent health, dental, and life insurance for annuitants and their dependents are disclosed in the state's Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis.

### G. SUBSEQUENT EVENTS

TRS suffered a decline in its investment portfolio subsequent to year end. As of October 31, 2002, TRS has incurred an approximate \$1,221,079,000, 4.9 percent, decrease in its investment portfolio since June 30, 2002.



*Happiness lies in the joy of achievement and the thrill of creative effort.*

**- Franklin D. Roosevelt**



# 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)
6/30/96	\$15,103,927,000	\$26,141,794,000	57.8%	\$11,037,867,000	\$4,734,250,000	233.1%
6/30/97	17,393,108,000	26,951,585,000	64.5	9,558,477,000	5,013,583,000	190.7
6/30/98	19,965,887,000	29,908,241,000	66.8	9,942,354,000	5,323,403,000	186.8
6/30/99	22,237,709,000	33,205,513,000	67.0	10,967,804,000	5,698,117,000	192.5
6/30/00	24,481,413,000	35,886,404,000	68.2	11,404,991,000	6,062,884,000	188.1
6/30/01	23,315,646,000	39,166,697,000	59.5	15,851,051,000	6,430,612,000	246.5
<b>6/30/02</b>	<b>22,366,285,000</b>	<b>43,047,674,000</b>	<b>52.0</b>	<b>20,681,389,000</b>	<b>6,785,236,000</b>	<b>304.8</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 <sup>2</sup> Contributions	Total	Annual Required Contribution per GASB Statement #25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1996	\$324,276,000	\$16,997,000	\$341,273,000	\$1,350,997,000	25.3%	\$341,276,000	100.0%
1997	377,969,000	17,379,000	395,348,000	927,842,000	42.6	395,269,000	100.0
1998	460,439,000	17,246,000	477,685,000	983,312,000	48.6	478,439,000	99.8
1999	567,068,000	36,535,000	603,603,000	932,909,000	64.7	592,547,000	101.9
2000	634,039,000	54,547,000	688,586,000	1,003,612,000	68.6	686,384,000	100.3
2001	719,357,000	58,985,000	778,342,000	1,102,441,000	70.6	775,732,000	100.3
<b>2002</b>	<b>810,619,000</b>	<b>51,270,000</b>	<b>861,889,000</b>	<b>1,163,262,000</b>	<b>74.1</b>	<b>872,283,000</b>	<b>98.8</b>

<sup>1</sup> For consistency with figures reported by TRS's actuaries, the amounts have been rounded to the nearest thousand. Actual contributions varied slightly from contributions that are required by statute mainly because of differences between estimated and actual federal contributions.

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

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

See accompanying Independent Auditors' Report.



Hickory Hills Conrady  
Junior High School  
Hickory Hills

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Dates	June 30, 2002	June 30, 2001
<b>Actuarial cost method:</b>	Projected unit credit	Projected unit credit
<b>Amortization method:</b>		
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 2.2 benefit formula change as a level percent of payroll
<b>Remaining amortization period:</b>		
a) For GASB Statement #25 reporting purposes	40 years, open	40 years, open
b) Per state statute	43 years, closed	44 years, closed
<b>Asset valuation method:</b>	Fair value	Fair value
<b>Actuarial assumptions:</b>		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.9-10.1% composite 6.5%	6.0-9.3%, composite 7.0%
Group size growth rate	0%	0%
Assumed inflation rate	3.5%	4%
Post-retirement increase	3% compounded	3% compounded
Mortality table	1995 Buck Mortality Tables (rated forward three years for male benefit recipients only)	1995 Buck Mortality Tables (rated forward one year for beneficiaries only)

*See accompanying Independent Auditors' Report.*



*Roscoe Middle School  
Roscoe*

## OTHER SUPPLEMENTARY INFORMATION

### SCHEDULE OF ADMINISTRATIVE EXPENSES (FOR YEARS ENDED JUNE 30)

	2002	2001
Personal services	\$9,328,695	\$9,195,997
Professional services	1,434,574	844,265
Postage	390,748	414,273
Machine repair and rental	473,750	409,675
Other contractual services	657,504	769,075
Commodities	396,268	270,924
Occupancy expense	174,040	168,563
Depreciation	631,520	561,158
Loss on disposal of equipment	294	6,665
<b>Total administrative expenses</b>	<b>\$13,487,393</b>	<b>\$12,640,595</b>

### SCHEDULE OF INVESTMENT ACTIVITY EXPENSES (FOR YEARS ENDED JUNE 30)

	2002	2001
Investment manager fees	\$62,293,193	\$71,154,807
Private equity investment expense	22,606,797	10,192,514
Miscellaneous	1,408,200	1,754,924
<b>Total investment activity expenses</b>	<b>\$86,308,190</b>	<b>\$83,102,245</b>

### SCHEDULE OF PAYMENTS TO CONSULTANTS (FOR YEARS ENDED JUNE 30)

	2002	2001
Actuarial services	\$187,558	\$94,273
External auditors	108,127	104,882
Legal services	244,016	141,820
Management consultants		
Information systems	774,452	428,881
TRS STAR audit	61,989	0
Benchmarking	0	25,000
Salary review	15,190	0
Executive search	37,708	42,999
Other	5,534	6,410
<b>Total payments to consultants</b>	<b>\$1,434,574</b>	<b>\$844,265</b>

*See accompanying Independent Auditors' Report.*



*Woodlawn School  
Woodlawn*

# INVESTMENTS



They build too low  
who build beneath  
the skies.  
- Edward Young



## INTRODUCTION

World financial markets again experienced a tumultuous year in fiscal year 2002. U.S. and international fixed income markets provided a safe haven for investors while equity markets declined significantly. The TRS investment portfolio declined by 3.2 percent, net of fees. When compared to its peers, however, the TRS investment portfolio performed quite well, surpassing the returns of over 80 percent of public retirement funds with assets over \$1 billion. This strong relative performance is due, in large part, to TRS's solid, conservative investment approach and broad diversification.

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

While the recent declines in world markets are disappointing, the long-term time horizon of the pension fund calls for a long-term investment focus. The 10-year return of the portfolio remains strong and compares favorably to both the actuarial return assumption and the real rate of return expectation.

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, 2002, TRS's total investments, including accrued investment income, at market value totaled \$23,178,332,467.

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

As Master Trustee, the Northern Trust Company has provided to TRS, unless otherwise noted, detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities, and other transactions pertinent to the Fund for the period July 1, 2001 through June 30, 2002. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2002. Additionally, The Northern Trust Company calculated, in accordance with the Association of Investment Management and Research (AIMR) Performance Presentation Standards, performance rates of return by portfolio, composite, and for all respective indices utilized throughout this section. TRS staff, in collaboration with the staff of The Northern Trust Company, prepared the Investment Section.

A complete listing of investment holdings is available on request.



## SUMMARY DATA JUNE 30, 2002

<b>Total Fund Market Value</b>	<b>\$23.178 billion</b>
One-Year Return (net of fees)	(3.2%)
Five-Year Return (net of fees)	5.8%
10-Year Return (net of fees)	9.1%
Percent Externally Managed	100.0%
Number of External Managers	52

Currently, TRS is ranked 44<sup>th</sup> out of the largest 200 plan sponsor funds in the United States, including corporate, government, and endowment funds. Source: *Pensions & Investments*, January 21, 2002. (Based on market value of total assets.)

## FUND PERFORMANCE VS. BENCHMARKS AND MARKET VALUES

As of June 30, 2002, TRS's total investments, including accrued investment income, at market value totaled \$23.178 billion, a decrease of \$1.035 billion from 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 22 and 23.

TRS had a total fund annualized return of (2.9) percent, gross of fees, and (3.2) percent, net of fees, for the one-year period ending June 30, 2002. The Performance Summary table on the following page shows the performance of the total investment portfolio, including accrued income and miscellaneous assets, versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS's total return for FY02 surpassed the policy index return for the year ended June 30, 2002. The total return for FY02, however, did not meet the 8.5 percent actuarial investment return assumption or the real rate of return expectations, which are to exceed the rate of inflation, as measured by the Consumer Price Index, by 4.5 percent. Nevertheless, TRS outperformed these return assumptions for the longer term, 10-year period.



*Meadowbrook Elementary School  
Bethalto*



*Millennium Elementary School  
Tinley Park*

## PERFORMANCE SUMMARY (NET OF FEES)

Asset Class/Index	Years ended June 30					Annualized		
	1998	1999	2000	2001	2002	3 Years	5 Years	10 Years
<b>TRS Total Fund</b>	<b>16.6%</b>	<b>10.8%</b>	<b>10.6%</b>	<b>(4.2%)</b>	<b>(3.2%)</b>	<b>0.9%</b>	<b>5.8%</b>	<b>9.1%</b>
TRS Weighted Policy Index	14.4	11.5	9.7	(6.8)	(4.2)	(0.6)	4.6	9.0
CPI (Inflation)	1.7	2.0	3.7	3.2	1.1	2.7	2.3	2.5
<b>TRS Equity - U.S.</b>	<b>26.6</b>	<b>17.1</b>	<b>6.5</b>	<b>(12.0)</b>	<b>(15.2)</b>	<b>(7.4)</b>	<b>3.3</b>	<b>10.2</b>
Russell 3000 Index	28.8	20.1	9.6	(13.9)	(17.2)	(7.9)	3.8	11.3
<b>TRS Fixed Income - U.S.</b>	<b>12.2</b>	<b>3.9</b>	<b>4.4</b>	<b>11.3</b>	<b>8.1</b>	<b>7.9</b>	<b>8.0</b>	<b>7.6</b>
Salomon BIG Index	10.6	3.1	4.5	11.3	8.5	8.1	7.6	7.4
<b>TRS Fixed Income - International</b>	<b>2.4</b>	<b>4.3</b>	<b>(0.7)</b>	<b>(7.7)</b>	<b>15.9</b>	<b>2.0</b>	<b>2.6</b>	<b>5.9</b>
Non-U.S. Bond Index	0.9	4.9	2.4	(7.5)	15.8	3.1	3.0	5.6
<b>TRS Equity - International</b>	<b>2.8</b>	<b>8.4</b>	<b>19.9</b>	<b>(19.5)</b>	<b>(6.8)</b>	<b>(3.5)</b>	<b>0.0</b>	<b>6.0</b>
Non-U.S. Equity Index	0.6	10.3	18.1	(23.8)	(8.2)	(6.2)	(1.7)	5.5
<b>TRS Real Estate Property</b>	<b>14.7</b>	<b>13.5</b>	<b>8.8</b>	<b>9.8</b>	<b>2.4</b>	<b>7.0</b>	<b>9.8</b>	<b>9.5</b>
Real Estate Property Index	17.5	12.8	11.6	11.2	5.6	9.6	11.7	8.5
<b>TRS Private Equity</b>	<b>35.3</b>	<b>22.7</b>	<b>137.7</b>	<b>(5.4)</b>	<b>(12.7)</b>	<b>25.2</b>	<b>26.6</b>	<b>27.3</b>
Russell 3000 Index + 3.0%	31.8	23.1	12.6	(11.3)	(14.7)	(5.1)	7.0	14.6
<b>TRS Short-Term Investments</b>	<b>5.9</b>	<b>5.4</b>	<b>5.9</b>	<b>6.2</b>	<b>2.7</b>	<b>4.9</b>	<b>5.2</b>	<b>n/a</b>
90-Day T-Bill Index	5.3	4.7	5.6	5.4	2.2	4.4	4.6	n/a

*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 April 2002, compared to the total assets assigned to each particular asset class at June 30.

The newly adopted asset allocation resulted in a shift in assets from fixed income and international equity to real estate and domestic equity. TRS has already begun the process of reallocating assets to reach the new asset allocation targets. Due to the nature of the real estate and private equity asset classes, prudence requires that the increases in the allocations to these asset classes be



*Glenwood High School  
Chatham*

implemented in a very measured fashion. TRS anticipates reaching the asset allocation targets to real estate in fiscal year 2004 and to private equity in fiscal year 2006.

#### ALLOCATION TARGETS VS. TOTAL ASSETS

	6/30/02 Total Fund \$ Million	Percent of Portfolio	Policy Target	Band Width	Rebalance Percentage	
					Lower Trigger Point	Upper Trigger Point
U.S. Equities	\$7,704	34.7%	41%	+/-7.0%	34.0%	48.0%
Fixed Income	7,784	35.0	23	+/-2.0	21.0	25.0
Real Estate	2,203	9.9	14	+/-3.0	11.0	17.0
International Equities	3,318	14.9	15	+/-3.0	12.0	18.0
Private Equity	595	2.7	6	+/-2.0	4.0	8.0
Short-Term Investments	618	2.8	1	+/- 1.0	0.0	2.0
Pending Settlements/Expenses*	956	NA	NA			
<b>Total Fund</b>	<b>\$23,178</b>	<b>100.0%</b>	<b>100.0%</b>			

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



*The empires of the future are the empires of the mind.*

**- Winston Churchill**

## 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 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

	<u>2002</u>		<u>2001</u>	
	Market Value	% of Total	Market Value	% of Total
<b>Bonds, Corporate Notes, and U.S. Government Obligations</b>				
U.S. Government	\$1,138,944,044	4.9%	\$895,660,735	3.7%
Federal Agency	3,046,696,328	13.1	2,989,301,898	12.3
Municipals (Taxable)	16,743,344	0.1	10,521,505	0.1
<b>Total Government Obligations</b>	<b>4,202,383,716</b>	<b>18.1</b>	<b>3,895,484,138</b>	<b>16.1</b>
<b>Corporate Obligations</b>				
Basic Industries	128,594,228	0.6	179,360,178	0.7
Capital Goods	42,355,656	0.2	33,172,878	0.1
Consumer Durables	59,845,742	0.2	48,239,405	0.2
Consumer Nondurables	228,763,077	1.0	210,629,216	0.9
Energy	162,989,075	0.7	108,782,936	0.4
Financial	1,622,050,647	7.0	1,549,287,077	6.4
Miscellaneous	42,571,114	0.2	629,832,801	2.6
Technology	131,391,192	0.6	149,331,981	0.6
Transportation	84,391,314	0.3	110,858,297	0.5
Utilities	69,732,163	0.3	105,564,129	0.5
<b>Total Corporate Obligations</b>	<b>2,572,684,208</b>	<b>11.1</b>	<b>3,125,058,898</b>	<b>12.9</b>
<b>Foreign Obligations</b>				
Foreign Government Obligations	1,687,939,402	7.3	1,494,960,315	6.2
Foreign Corporate Obligations	332,231,915	1.4	302,359,346	1.2
<b>Total Bonds, Corporate Notes, and Government Obligations</b>	<b>8,795,239,241</b>	<b>37.9</b>	<b>8,817,862,697</b>	<b>36.4</b>
<b>Equities</b>				
Common Stock - U.S.	6,732,052,482	29.1	6,301,664,623	26.1
Preferred Stock-U.S.	52,445,277	0.2	57,086,211	0.2
Common Stock - International	3,293,632,161	14.2	4,601,292,055	19.0
Preferred Stock-International	48,518,279	0.2	55,508,624	0.2
<b>Total Equities</b>	<b>10,126,648,199</b>	<b>43.7</b>	<b>11,015,551,513</b>	<b>45.5</b>
Short-Term Investments*	1,435,410,212	6.2	1,238,861,490	5.2
Foreign Currency	23,955,458	0.1	26,752,464	0.1
Private Equity	594,153,359	2.6	689,740,876	2.8
Real Estate Equity	2,202,925,998	9.5	2,424,554,513	10.0
<b>TRS Total Portfolio</b>	<b>\$23,178,332,467</b>	<b>100.0%</b>	<b>\$24,213,323,553</b>	<b>100.0%</b>

\*Includes accrued income and dividends totaling \$233,414,394 and \$202,756,810 for FY02 and FY01, respectively. Also includes U.S. dollar cash held within individual portfolios.



## 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.

### ASSET ALLOCATION (FOR YEARS ENDING JUNE 30)

Asset Type	2002	2001	2000	1999	1998
Bonds - U.S.	29.2%	29.0%	28.0%	32.5%	32.3%
Bonds - International	8.7	7.4	7.4	6.5	6.7
Equities - International	14.4	19.2	19.9	11.6	10.2
Equities - U.S.	29.3	26.3	26.1	32.5	30.5
Private Equity	2.6	2.8	3.5	2.6	2.2
Real Estate Equity	9.5	10.0	9.7	10.7	11.8
Short-Term Investments	6.3	5.3	5.4	3.6	6.3
<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, the TRS asset allocation has provided consistent overall returns, as represented by the following chart showing the growth of \$10,000 over the last 20 years.

### GROWTH OF \$10,000



Source: TRS



The following sections provide a brief, informative overview of the various asset classes utilized by TRS for the period ending June 30, 2002.

## U.S. EQUITY



*Grayslake Community  
High School  
Grayslake*

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 potential for appreciation.

For the fiscal year, TRS's U.S. common stock portfolio returned (15.2) percent, net of fees, compared to the Russell 3000 Index return of (17.2) percent. One-, three-, five-, and 10-year comparisons to this benchmark are noted below:

	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS, net of fees</b>	<b>(15.2%)</b>	<b>(7.4%)</b>	<b>3.3%</b>	<b>10.2%</b>
Russell 3000 Index	(17.2)	(7.9)	3.8	11.3

At June 30, 2002, 34.7 percent of TRS's investment portfolio was assigned to U.S. equity managers. TRS employed U.S. equity managers to use active, index or enhanced index management strategies during FY02.

The top 10 domestic equity holdings, excluding commingled funds, at June 30, 2002, are listed below and represent 5.0 percent of total U.S. equity holdings.

### TOP 10 U.S. EQUITY HOLDINGS

<b>Firm</b>	<b>Market Value</b>
General Electric Co.	\$49,292,040
Microsoft Corp.	49,027,063
Pfizer, Inc.	35,934,500
Dow Chemical Co.	32,061,963
Bank One Corp.	30,906,905
Golden W. Financial Corp.	29,080,184
ChevronTexaco Corp.	28,847,726
Cisco Systems, Inc.	27,957,195
AT & T Corp.	27,562,130
Intel Corp.	27,496,350
<b>Total</b>	<b>\$338,166,056</b>

*Source: The Northern Trust Company*

As of June 30, 2002, TRS employed 11 domestic equity managers. The following chart lists the managers and assets under management.

U.S. EQUITY MANAGERS AND ASSETS UNDER MANAGEMENT  
(INCLUDES INCEPTION DATE OF ACCOUNT)

**Domestic Equity**

**Index Account**

State Street Global Advisors (11/98)	\$3,780,431,138
--------------------------------------	-----------------

**All Cap Growth Accounts**

Geewax, Terker & Company (3/00)	346,527,025
---------------------------------	-------------

Oak Associates, Ltd. (3/00)	111,631,314
-----------------------------	-------------

**Large Cap Value Accounts**

Alliance Bernstein Institutional Investment Management (4/98)	780,025,130
---	-------------

Dodge & Cox (4/00)	803,204,358
--------------------	-------------

EARNEST Partners (2/02)	87,414,277
-------------------------	------------

**Enhanced Core Account**

Pacific Investment Management Co. (8/91)	803,033,112
--	-------------

**Large Cap Growth Account**

Holland Capital Management (2/02)	86,505,614
-----------------------------------	------------

**Small Cap Growth Account**

Neuberger Berman, L.L.C. (3/00)	203,898,379
---------------------------------	-------------

**Small Cap Value Account**

Ariel Capital (8/01)	225,724,525
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NorthPointe Capital (8/01)	292,015,292
----------------------------	-------------

**Small/Mid Cap Core Account**

State Street Global Advisors (5/02)	189,432,290
-------------------------------------	-------------

**STATISTICAL DATA**

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

U.S. EQUITY PROFILE AS OF JUNE 30, 2002

Category	TRS	Russell 3000 Index
Market Cap (billions)	\$66.2	\$70.3
P/E	23.3x	26.0x
Dividend Yield	1.8%	1.6%
Beta	0.9	0.9
5-Year EPS Growth	8.2%	9.8%
Price/Book Ratio	2.83x	2.97x

Source: Northern Trust Company and Mellon Russell

U.S. EQUITY – DIVERSIFICATION BY INDUSTRY SECTOR  
FOR YEAR ENDING JUNE 30, 2002

<b>Sector</b>	<b>Weighting TRS Domestic Equity</b>	<b>Weighting Russell 3000 Index</b>
Autos/Transportation	3.6%	2.6%
Consumer Discretionary	14.5	14.0
Consumer Durables	6.9	7.7
Energy	1.4	1.6
Financial Services	20.9	23.1
Health Care	12.9	13.9
Integrated Oils	5.8	4.5
Materials/Processing	6.3	3.9
Miscellaneous/Other	3.8	4.3
Producer Durables	4.6	4.1
Technology	12.8	13.0
Utilities	6.5	7.3
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: The Northern Trust Company*

TRS U.S. EQUITY VS. THE RUSSELL 3000 INDEX ECONOMIC SECTORS  
ANNUAL RETURN AS OF JUNE 30, 2002

	<b>TRS U.S. Equity</b>	<b>Russell 3000 Index</b>
<b>Total</b>	<b>(15.2%)</b>	<b>(17.2%)</b>
<b>Sector</b>		
Autos/Transportation	(2.7)	(6.4)
Consumer Discretionary	(8.9)	(15.0)
Consumer Durables	10.2	10.3
Energy	(31.0)	(34.7)
Financial Services	(6.0)	(6.2)
Health Care	(12.5)	(16.8)
Integrated Oils	0.5	(1.3)
Materials/Processing	8.7	7.0
Miscellaneous/Other	(31.5)	(28.8)
Producer Durables	(4.9)	(6.6)
Technology	(38.7)	(39.8)
Utilities	(32.3)	(34.4)

*Source: The Northern Trust Company*



*Antioch Community High School  
Antioch*

## DISCUSSION OF U.S. EQUITY

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

### U.S. EQUITY MANAGER STRUCTURE

	Target
<b>U.S. Equity Total</b>	<b>41.0%</b>
<b>Subclasses</b>	
Large Cap Core	50.0
Large Cap Growth	10.0
Large Cap Value	20.0
Small/Mid Cap Core	2.0
Small/Mid Cap Growth	6.6
Small/Mid Cap Value	6.6
Small Cap Growth	2.4
Small Cap Value	2.4
<b>Total</b>	<b>100.0%</b>

As of June 30, 2002, the TRS U.S. equity portfolio was in the midst of restructuring in order to align with the newly adopted asset allocation and manager structure. Assets were reallocated from the international equity and U.S. fixed income asset classes in order to move the U.S. equity portfolio closer to its strategic target. In order to complete the U.S. equity manager structure, investment firm searches will be conducted for large cap growth, large cap value, small/mid cap growth, and small/mid cap value active management strategies.

The year ended June 30, 2002, was a difficult one for the U.S. equity markets. The one-year return as measured by the Russell 3000 Index was the worst performing year in the 23-year history of the index. Despite strong returns in the second quarter, negative returns in the first and fourth quarter proved difficult to overcome as investors were shaken by September 11<sup>th</sup> and a series of accounting scandals in the market.



*Highland Middle School  
Highland*

## INTERNATIONAL EQUITY

International equity, otherwise known as international common stock, represents shares or units of ownership in a public corporation outside the United States. Owners of these shares typically are entitled to vote via proxy on the selection of directors and other important matters pertaining to the company. In addition, owners can receive dividends, in the form of cash or additional shares, 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. Owning international common stocks involves additional protocol due to accounting for foreign currency fluctuations, foreign tax reclamations from dividend distribution, and the rules and regulations of the varying exchanges and regulatory authorities in numerous countries.

For the year ended June 30, 2002, the international equity asset class returned (6.8) percent compared to the MSCI All Country World Excluding U.S. Free Index (identified as Non-U.S. Equity Index below and in future references) return of (8.2) percent. One, three-, five-, and 10-year comparisons to this benchmark are in the following table:

	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS, net of fees</b>	<b>(6.8%)</b>	<b>(3.5%)</b>	<b>0.0%</b>	<b>6.0%</b>
Non-U.S. Equity Index	(8.2)	(6.2)	(1.7)	5.5

At June 30, 2002, 14.9 percent of the TRS investment portfolio was assigned to international equity managers. The international equity managers employed by TRS during FY02 used fully active or index management strategies. Listed below are the top 10 international equity holdings, excluding commingled funds, as of June 30, 2002. These securities represent 11.9 percent of the total international equity holdings.

### TOP 10 INTERNATIONAL EQUITY HOLDINGS

<b>Firm</b>	<b>Market Value</b>
Total Fina Elf	\$66,513,192
Canon, Inc.	42,673,311
BAE Systems	42,455,028
ING Groep	39,428,044
National Australia Bank	36,953,616
ENI	36,545,932
Michelin	34,904,837
Nestle	33,239,254
Cie de St-Gobain	33,032,315
GlaxoSmithKline	32,771,155
<b>Total</b>	<b>\$398,516,684</b>

*Source: The Northern Trust Company*



As of June 30, 2002, TRS employed six international equity managers. The chart below lists these managers and the assets under management.

INTERNATIONAL EQUITY MANAGERS AND ASSETS UNDER MANAGEMENT  
(INCEPTION DATE OF ACCOUNT)

**Index Account**

State Street Global Advisors (5/99)	\$157,786,528
-------------------------------------	---------------

**Active/Core Accounts**

Brandes Investment Partners, L.P. (2/98)	639,924,271
Capital Guardian Trust Company (2/98)	581,721,804
Delaware International Advisers Ltd. (4/93)	699,419,696
INVESCO Global Asset Management, Inc. (6/00)	648,425,219
Martin Currie, Inc. (6/00)	583,438,923

**PORTFOLIO CHARACTERISTICS**

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

INTERNATIONAL EQUITY FUNDAMENTAL CHARACTERISTICS

Characteristic	TRS	Non-U.S. Equity Index
Market Cap (billions)	\$28.1	\$37.9
P/E	17.7x	29.0x
Dividend Yield	2.7%	2.3%
EPS Growth	10.7%	13.4%
Price/Book Ratio	2.2x	1.9x

Source: The Northern Trust Company

INTERNATIONAL EQUITY – COUNTRIES OF EXPOSURE

Country	TRS	Non-U.S. Equity Index
United Kingdom	20.8%	23.5%
Japan	18.6	19.1
France	8.8	8.4
Switzerland	4.9	7.1
Germany	4.7	6.2
Netherlands	6.1	5.2
Canada	2.4	4.6
Australia	3.9	3.7
Italy	4.0	3.2
Spain	3.8	2.6
Other Countries	22.0	16.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: TRS and The Northern Trust Company



Peoria Heights Grade School  
Peoria Heights

## DISCUSSION OF INTERNATIONAL EQUITY

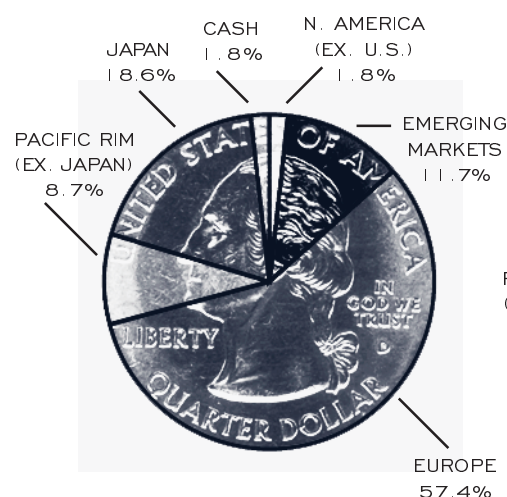
The target for international equities was reduced from 20 percent to 15 percent of total assets. Within the international equity asset class, the indexing component was reduced to 2 percent from its previous target of 14.3 percent. TRS will be working towards aligning the international equity asset class to its new target during FY03.

For FY02, the TRS international equity managers outperformed the Non-U.S. Equity Index by 1.4 percent for the year on a net of fees basis. The TRS portfolio benefited from an overweight allocation to the emerging markets, which returned 1.3 percent compared to the developed market return of (9.2) percent.

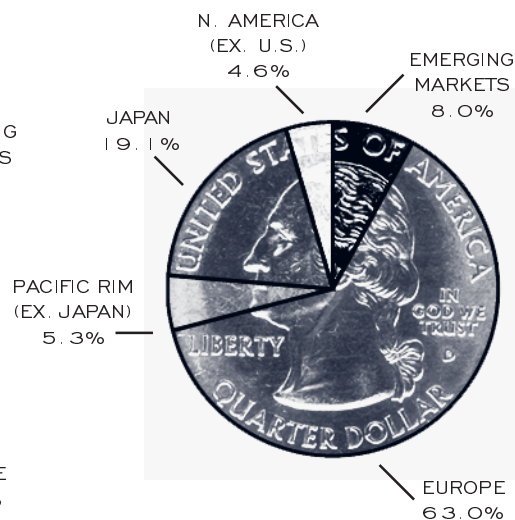
Following is the regional allocation comparison of the TRS portfolio and the Non-U.S. Equity Index.

### REGIONAL ALLOCATION COMPARISON JUNE 30, 2002

#### TRS International Equity Exposure



#### Non-U.S. Equity Index



The portfolio, as illustrated in the charts above, continues to contain underweight allocations to Europe, Japan and North America (Canada), and overweight allocations to the Pacific Rim Ex-Japan, emerging markets and in 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. There can be numerous provisions, and various types of bonds that can be issued.

For the year ended June 30, 2002, TRS U.S. fixed income managers earned an 8.1 percent (net of fees) rate of return, compared to its benchmark, the Salomon Smith Barney Broad Investment Grade (Salomon BIG) Index return of 8.5 percent.

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

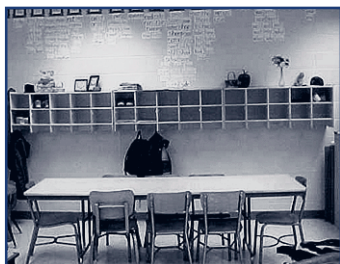
	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS, net of fees</b>	<b>8.1%</b>	<b>7.9%</b>	<b>8.0%</b>	<b>7.6%</b>
Salomon BIG Index	8.5	8.1	7.6	7.4

The following table lists the top ten U.S. fixed income holdings as of June 30, 2002. These securities represent 12.5 percent of the total U.S. fixed income holdings.

### TOP 10 U.S. FIXED INCOME HOLDINGS

<b>Security/Position</b>	<b>Rate</b>	<b>Maturity</b>	<b>Market Value</b>
Federal National Mortgage Association TBA	6.00%	7/1/2015	\$131,703,160
Federal National Mortgage Association TBA	6.50	7/2/2017	91,617,686
U.S. Treasury Bonds	8.50	2/15/2020	90,575,160
Government National Mortgage Association	6.50	7/15/2028	89,151,497
Federal National Mortgage Association TBA	7.00	7/2/2032	81,216,450
Federal National Mortgage Association Discount Notes	1.87	7/15/2002	80,496,613
U.S. Treasury Notes	4.88	2/15/2012	74,081,769
Federal Home Loan Mortgage Corp. TBA	7.00	7/2/2032	73,196,417
U.S. Treasury Notes	5.88	11/15/2004	68,088,543
U.S. Treasury Notes	6.75	5/15/2005	63,845,730
<b>Total</b>			<b>\$843,973,025</b>

Source: The Northern Trust Company



*Lake Crest Elementary School  
Oakland*



*Pleasant Plains Middle School  
Pleasant Plains*

As of June 30, 2002, TRS employed eight active core U.S. fixed income managers, 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)

BlackRock Financial Management, Inc. (6/97)	\$1,642,578,774
Chicago Capital Management, Inc. (12/95)	650,635,561
EARNEST Partners Limited, LLC (2/02)	129,704,283
MDL Capital Management, Inc. (2/02)	129,398,335
Morgan Stanley Investment Management, Inc. (3/98)	657,093,467
Payden & Rygel Investment Counsel (6/97)	658,946,349
Pacific Investment Management Company (7/82)	1,426,851,381
Weiss, Peck & Greer Investments (12/91)	664,655,314

### STATISTICAL DATA

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

U.S. FIXED INCOME PROFILE AS OF JUNE 30, 2002

Characteristic	TRS	Salomon BIG Index
Average Maturity (years)	7.2	6.9
Effective Duration (years)	4.4	4.4
Average Coupon (%)	6.0	6.4
Average Quality Rating	Aa+	Aa+
Yield to Maturity (%)	5.1	5.2

Source: The Northern Trust Company, Salomon Smith Barney, and TRS.

U.S. FIXED INCOME SECTOR DIVERSIFICATION AT JUNE 30, 2002

Fixed Income Type	TRS	Salomon BIG Index
Treasury	20.1%	22.6%
Federal Agency	5.0	13.6
Corporates (Credit)	20.2	23.0
Mortgage Backed Securities	37.9	37.2
Asset Backed Securities	5.3	0.9
Other	11.5	2.7
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Wilshire Compass, Salomon Smith Barney, and TRS.



*Rochester Middle School  
Rochester*



*Central Elementary School  
Lewistown*

## DIVERSIFICATION BY QUALITY RATING FOR FIXED INCOME MANAGER PORTFOLIOS

Moody's Quality Rating	06/30/02	06/30/01
Aaa	71.6%	68.4%
Aa1 through Aa3	4.8	4.0
A1 through A3	10.3	14.2
Baa1 through Baa3	10.1	9.2
Ba1 through Ba3	2.2	2.2
Other*	1.0	2.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\*Other includes under Ba and NR ratings.

Source: Wilshire Compass

## DISCUSSION OF U.S. FIXED INCOME

At June 30, 2002, 26.9 percent of TRS's 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 FY02.

In conjunction with the new asset allocation adopted by the TRS Board of Trustees, the U.S. fixed income asset class was combined, in the latter part of FY02, with the international fixed income asset class to create a total fixed income asset class. TRS will be working diligently towards meeting the total fixed income target of 23.0 percent during FY03.

The majority of the U.S. fixed income market produced excellent returns during FY02. The continued downturn in the U.S. equity market continued to bolster the fixed income returns of the market and TRS. The returns of the TRS U.S. fixed income portfolio were slightly under the index, 8.1 percent versus 8.5 percent, for the one-year period ending June 30, 2002. However, over the long-term, fixed income returns still exceeded their respective indices. The slight underperformance for the year is in large part due to exposure to the credit and high yield sectors that are correlated to the equity market.

Following a strong performance by mortgages and treasuries during FY02, most TRS managers have begun shifting back to index weight or overweight in the credit market in anticipation of an economic recovery. In addition, the overall portfolio duration is equal to that of the index, compared to a slightly longer than index duration as of June 30, 2001. As interest rates fell throughout the year, TRS managers reduced their portfolio durations to reflect their changing views on the magnitude and direction of future interest rate moves.



*Rochelle Middle School  
Rochelle*



## 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 throughout the world. There can be numerous provisions, and various types of bonds can be issued. Owning international fixed income securities requires consideration of such issues as foreign currency fluctuations and the rules and regulations of the various exchanges and regulatory authorities in other countries.

TRS's international fixed income managers returned 15.9 percent, net of fees, in FY02, outperforming the benchmark, the Salomon Smith Barney Non-U.S. World Government Bond Index (identified below and in future references as Non-U.S. Bond Index) which returned 15.8 percent. One-, three-, five-, and 10-year comparisons to this benchmark are as follows:

	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS, net of fees</b>	<b>15.9%</b>	<b>2.0%</b>	<b>2.6%</b>	<b>5.9%</b>
Non-U.S. Bond Index	15.8	3.1	3.0	5.6

At June 30, 2002, TRS employed three international fixed income managers, identified below in the International Fixed Income Managers and Assets Under Management table.

### INTERNATIONAL FIXED INCOME MANAGERS AND ASSETS UNDER MANAGEMENT (INCEPTION DATE OF ACCOUNT)

#### Active Core

Julius Baer Investment Management, Inc. (7/92)	\$597,220,287
Rogge Global Partners (6/00)	593,983,641
UBS Global Asset Management, Inc. (8/90)	614,060,151

## STATISTICAL DATA

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

### INTERNATIONAL FIXED INCOME PROFILE AS OF JUNE 30, 2002

<b>Category</b>	<b>TRS</b>	<b>Non-U.S. Bond Index</b>
Average Coupon	4.9%	4.3%
Effective Duration	4.8 years	5.5 years
Average Maturity	6.1 years	7.2 years

*Source: The Northern Trust Company, Salomon Smith Barney, and TRS.*

## INTERNATIONAL FIXED INCOME - COUNTRIES OF EXPOSURE

<b>Country</b>	<b>% Weight TRS</b>	<b>% Weight Non-U.S. Bond Index</b>
Australia	2.3%	0.6%
Austria	0.0	1.8
Belgium	0.6	3.6
Canada	1.5	3.2
Denmark	3.6	1.4
Finland	1.1	0.8
France	9.5	10.6
Germany	21.0	10.9
Greece	0.2	1.8
Ireland	0.2	0.4
Italy	7.6	11.3
Japan	23.6	37.7
Netherlands	4.4	2.7
Portugal	0.0	0.8
Spain	3.7	4.5
Sweden	5.1	1.0
Switzerland	1.1	0.8
United Kingdom	10.0	6.1
Other*	4.5	0.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

*\*Other consists of bonds held outside the Index.*

*Source: The Northern Trust Company, Salomon Smith Barney, and TRS.*

## DISCUSSION OF INTERNATIONAL FIXED INCOME

In conjunction with the new asset allocation adopted by the TRS Board of Trustees, international fixed income was eliminated as a separate asset class in the latter part of FY02. During FY03, it will be combined with U.S. fixed income to create a total fixed income asset class. TRS will be working diligently towards meeting the total fixed income target of 23.0 percent in FY03.

FY02 was a stellar year for international fixed income (unhedged), primarily over the last six months. Due in part to the depreciation of the U.S. dollar, TRS's international fixed income investments returned 15.9 percent for the year. TRS clearly reaped the benefits of diversification with its investment in the international fixed income asset class.



*Lincoln Elementary School  
Oglesby*



*Mt. Vernon City Schools  
Primary Center  
Mt. Vernon*

## 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 private equities include pension funds, university and college endowments, insurance companies, banks, and high net-worth individuals.

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

For the year ended June 30, 2002, private equity outperformed its benchmark by 2.0 percentage points. The asset class maintains strong long-term returns, outperforming the benchmark by 30.3 percent and 19.6 percent for the three- and five-year periods, respectively. One, three-, five-, and 10-year comparisons to this benchmark are noted below:

	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS</b>	<b>(12.7%)</b>	<b>25.2%</b>	<b>26.6%</b>	<b>27.3%</b>
Russell 3000 Index + 3.0%	(14.7)	(5.1)	7.0	14.6

The internal rate of return (IRR), widely used throughout the industry, is a more appropriate return measure for this asset class. At June 30, 2002, the IRR for the private equity asset class since inception of the portfolio, was 21.3 percent.

At June 30, 2002, 2.7 percent of the System's investment portfolio was assigned to the private equity asset class. As of June 30, 2002, TRS invested in numerous private equity partnerships/funds.



*Bradley East Elementary School  
Bradley*

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

PRIVATE EQUITY PARTNERSHIPS AND ASSETS UNDER MANAGEMENT  
(INCEPTION DATE OF ACCOUNT)

**Buyout Accounts**

Apollo Investment Fund V, L.P. (5/01)	\$26,174,104
DLJ Merchant Banking Partners, L.P. (9/92)	8,296,024
DLJ Merchant Banking Partners II, L.P. (3/97)	57,456,345
DLJ Merchant Banking Partners III, L.P. (9/00)	40,202,585
GTCR Fund VII/VIIA, L.P. (3/00)	31,198,375
KKR 1996 Fund, L.P. (5/97)	67,502,978
Mesirow Capital Partners VII, L.P. (6/97)	7,867,891
Trivest Fund II, Ltd. (6/96)	28,000,978
VS&A Communications Partners II, L.P. (9/95)	24,462,047
WPG Corporate Development Associates V, L.P. (11/97)	12,503,558

**International Accounts**

Periscope I Fund, L.P. (6/97)	971,968
TCW/Latin America Private Equity Partners, L.P. (5/97)	22,636,162
Warburg Pincus International Partners, L.P. (9/00)	20,683,104

**Debt-Related Accounts**

Banc Fund VI, L.P. (6/02)	500,000
William Blair Mezzanine Capital Fund II, L.L.C. (5/97)	31,392,938
William Blair Mezzanine Capital Fund III, L.L.C. (1/00)	31,346,880

**Venture Capital Accounts**

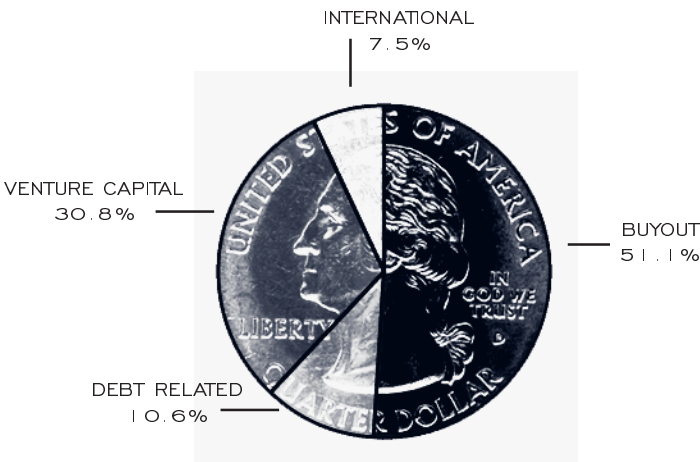
Apex Investment Fund III, L.P. (6/96)	14,959,821
Frontenac Venture V, L.P. (4/87)	73,982
Frontenac VI, L.P. (6/93)	577,067
Penman Private Equity & Mezzanine Fund, L.P. (10/94)	8,343,603
21st Century Communication T-E Partners, L.P. (2/95)	9,176,280
SCP Private Equity Partners, L.P. (5/97)	14,810,978
SCP Private Equity Partners II, L.P. (6/00)	35,816,426
VantagePoint Venture Partners IV, L.P. (6/00)	5,840,760
WPG Enterprise Fund, L.P. (11/89)	2,589,052
WPG Enterprise Fund II, L.P. (8/94)	23,774,863
WPG Enterprise Fund III, L.P. (3/97)	66,995,318



*O'Fallon Township High School*  
*O'Fallon*

As of June 30, 2002, the breakdown of the private equity subclasses were as follows:

PRIVATE EQUITY BREAKDOWN



Source: TRS

DISCUSSION OF PRIVATE EQUITY

The TRS Board of Trustees adopted a target for private equities of 6.0 percent, down from the previous target of 7.0 percent. The chart below provides a further breakdown of the styles also adopted by the TRS Board.

PRIVATE EQUITY STYLES

	Target
Private Equity Total	6.0%
Subclasses	
Buyout	45.0
Debt-Related	10.0
International	10.0
Venture Capital	35.0
Total	100.0%

As of June 30, 2002, the TRS private equity asset class was underweight relative to its target. TRS will continue its efforts to implement the private equity structure and strive to reach the 6 percent target in fiscal year 2006.



Tri-Valley Middle School  
Downs



## REAL ESTATE

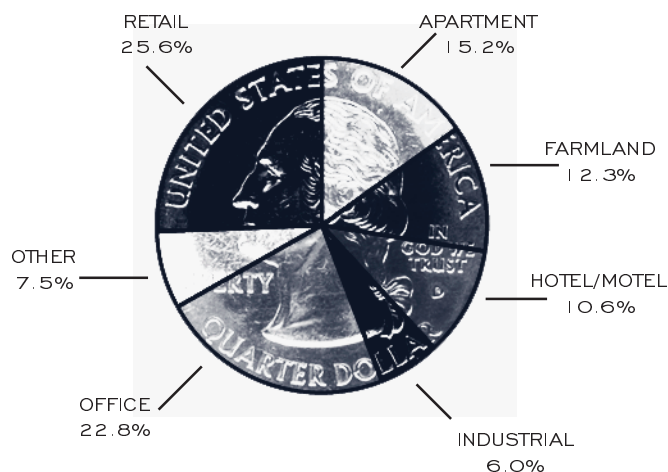
Real estate investments are direct investments or ownership in land and all physical property related to it, including but not limited to, residential, farmland, hotels/motels, industrial, office space, and retail. Additionally, there are limited partnerships that directly purchase real estate investments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

TRS real estate investments earned a 2.4 percent rate of return during FY02 as compared to the National Council of Real Estate Investment Fiduciaries Index (identified below as Real Estate Property Index) return of 5.6 percent. One-, three-, five-, and 10-year comparisons to this benchmark are noted in the following table:

	<b>FY02</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>TRS, net of fees</b>	<b>2.4%</b>	<b>7.0%</b>	<b>9.8%</b>	<b>9.5%</b>
Real Estate Property Index	5.6	9.6	11.7	8.5

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

REAL ESTATE HOLDINGS BY TYPE JUNE 30, 2002



*Sandwich Middle School  
Sandwich*

As of June 30, 2002, TRS employed a number of real estate managers. The chart below lists the managers and current assets under management.

REAL ESTATE MANAGERS AND ASSETS UNDER MANAGEMENT  
(INCEPTION DATE OF ACCOUNT)

<b>Separate Accounts</b>	
Capri/Capital Advisors, LLC (12/91)	\$802,363,978
Commonwealth Realty Advisors, Inc. I (9/91)	274,981,843
Commonwealth Realty Advisors, Inc. II (11/92)	246,868,276
Cozad/Westchester Asset Management, Inc. (5/91)	305,425,941
Koll Bren Schreiber Realty Advisors I (6/93)	84,434,984
Koll Bren Schreiber Realty Advisors II (5/96)	38,161,516
LPC Realty Advisors I, Ltd. (7/92)	140,865,621
Stone-Levy, LLC (4/95)	241,538,043
<b>Closed End Accounts</b>	
Capital Associates/Bear Stearns Realty Partners* (3/90)	9,183,325
DLJ Real Estate Capital Partners, Inc.* (3/96)	24,841,409
Heitman Capital Management * (7/85)	567,280
RREEF Capital II, L.L.C.* (11/96)	33,894,948

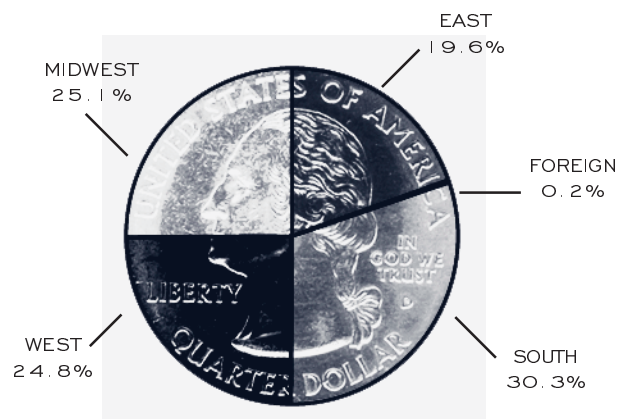
*\*Fund in liquidation mode*

## DISCUSSION OF REAL ESTATE

The TRS Board of Trustees established a target for real estate of 14.0 percent. Callan Associates will be assisting with the implementation strategy to move the portfolio to the new target allocation.

The TRS real estate portfolio has the following geographical representation:

GEOGRAPHIC DIVERSIFICATION OF REAL ESTATE HOLDINGS  
JUNE 30, 2002



## BROKERAGE ACTIVITY

The following table shows the top 50 listed brokers utilized by TRS external managers for the years ended June 30, 2002, and 2001. TRS utilizes a commission recapture and soft dollar program. For the year-ended June 30, 2002, TRS recaptured over \$1.4 million in commissions that were reinvested back into the fund. In addition, TRS received \$594,660 in soft dollar credits that were used to pay for fund research and consulting expenses. These amounts reduced the overall listed commissions to \$11.602 million, or by 15.1 percent. During FY02, TRS spent \$596,203 of soft dollar commission credits. At June 30, 2002, TRS had a remaining soft dollar credit balance of \$687,524. The commission credits and expenditures are not reflected in the financial statements.

### TOP 50 BROKERS USED BY TRS MANAGERS

<b>Broker</b>	<b>FY02 Commission</b>	<b>FY01 Commission</b>
Goldman Sachs & Company (Worldwide)	\$1,349,225	\$1,069,980
Merrill Lynch & Co., Inc. (Worldwide)	796,231	983,476
Credit Suisse First Boston (Worldwide)	680,536	674,633
Morgan Stanley (Worldwide)	670,908	849,380
Salomon Smith Barney, Inc. (Worldwide)	644,928	817,123
State Street Brokerage Services	632,222	10,393
UBS AG/UBS Warburg	574,980	390,371
Instinet/Lynch Jones & Ryan division	522,645	212,755
Credit Lyonnais (Worldwide)	457,128	102,391
J.P. Morgan Securities, Inc. (Worldwide)	400,222	477,128
Lehman Bros, Inc. (Worldwide)	383,113	515,416
Citation Group, The	337,167	260,317
Deutsche Bank Securities (Worldwide)	302,494	232,144
Merrill Lynch Pierce Fenner & Smith	302,373	265,198
Investment Technology Group, Inc.	272,526	112,512
Bear Stearns & Co. (Worldwide)	264,215	299,321
Morgan Greenfell & Co.	237,413	74,337
Frank Russell, Inc. (Worldwide)	187,710	147,406
Cheuvreux De Virieu (Worldwide)	158,799	176,480
BHF Securities Corp.	151,066	293
HSBC (Worldwide)	140,662	224,035
Jefferies & Company	132,293	178,402
ABN AMRO (Worldwide)	126,204	334,502
Nomura Securities, Inc. (Worldwide)	121,088	110,063
Bridge Trading Company	118,499	99,121
Kleinwort Benson (Worldwide)	118,206	153,443
Loop Capital Markets	109,684	258
Legg Mason Wood Walker, Inc.	106,109	108,386
Guzman & Company	102,998	403,717
Bernstein, Sanford C. & Co.	100,224	162,047
Instinet (Worldwide)	98,649	382,338
Cazenove & Co.	98,482	78,486
Banque Nationale de Paris	98,419	7,021

Continued from page 65

<b>Broker</b>	<b>FY02 Commission</b>	<b>FY01 Commission</b>
SBC Warburg & Co. (Worldwide)	88,929	185,951
Gardner Rich & Co.	81,661	0
Prudential Securities, Inc. (Worldwide)	79,578	85,470
Bank of New York/ESI (Worldwide)	79,248	177,314
Banc of America / Montgomery Division	69,016	87,821
JB Were & Sons (Worldwide)	64,978	31,987
Janney Montgomery Scott	63,174	31,981
Carnegie, Inc. (Worldwide)	58,676	54,172
SG Cowen & Company	58,591	59,297
Weeden & Co.	58,218	62,108
ING Barings (Worldwide)	56,841	101,462
RBC Dominion Securities	53,817	24,692
Citibank, Inc. (Worldwide)	51,669	43,222
Blair, William & Co.	49,366	39,532
McDonald and Company	48,758	7,597
SG Securities	46,462	3,828
Abel Noser Corporation	45,939	50,236
All Others (FY02, 174 Brokers)	1,806,806	2,730,894
<b>Totals</b>	<b>\$13,659,145</b>	<b>\$13,690,437</b>

Source: The Northern Trust Company and TRS



*Kenneth L. Hermanson  
Elementary School  
Romeoville*

## EXTERNAL MANAGER FEE PAYMENTS

For the year ended June 30, 2002, fee payments to external managers totaled \$65.274 million, a decrease of 2.7 percent from the year ended June 30, 2001. A summary is provided in the Schedule of Investment Manager Fees table.

### SCHEDULE OF INVESTMENT MANAGER FEES

<b>Investment Manager/Account</b>	<b>FY02</b>	<b>FY01</b>
Alliance Bernstein Institutional Investment Mgmt.	\$1,239,024	1,257,806
Apex Investment Fund III, L.P.	17,867	418,790
Apollo Investment Fund V, L.P.	1,923,093	562,500
Ariel Capital Management, Inc.	714,798	0
Bear Stearns/Capital Associates Realty Advisors	63,473	629,802
BlackRock Financial Management, Inc.	1,246,884	830,732
Brandes Investment Partners, L.P.	2,481,176	2,686,768
Capital Guardian Trust Company	2,380,256	2,600,985
Capri/Capital Advisors, LLC	3,750,089	3,527,219
Chicago Capital Management, Inc.	639,877	654,318
Commonwealth Realty Advisors, Inc.	2,423,324	2,417,482
Cozad/Westchester Asset Management, Inc.	1,367,775	1,225,331
Daystar Partners	0	112,076
Delaware International Advisers, Ltd.	1,327,703	1,255,398
DLJ Merchant Banking Partners II, L.P.	520,279	833,203
DLJ Merchant Banking Partners III, L.P.	2,259,237	1,228,702
DLJ Real Estate Capital Partners, L.P.	351,347	575,995
Dodge & Cox	1,558,012	1,584,858
Dresdner RCM Global Investors, L.L.C.	1,102,568	1,963,152

Continued from page 66

<b>Investment Manager/Account</b>	<b>FY02</b>	<b>FY01</b>
EARNEST Partners, LLC	105,458	0
Frontenac VI, L.P.	120,000	180,000
GE Asset Management, Inc.	1,268,943	1,532,984
Geewax, Terker & Company	1,481,689	1,464,707
Heitman Capital Management	51,433	67,006
Holland Capital Management	75,136	0
INVESCO Global Asset Management (N.A.), Inc.	1,760,227	1,866,679
Julius Baer Investment Management, Inc.	849,422	858,336
K/B Realty Advisors	2,539,818	2,181,771
KKR 1996 Fund, L.P.	702,728	641,058
Lazard Asset Management	0	597,855
Lincoln Capital Management Co.	606,094	1,988,783
LPC Realty Advisors I, Ltd.	3,069,667	2,472,050
Martin Currie Inc.	1,781,804	1,876,248
MDL Capital Management, Inc.	38,188	0
Mesirow Capital Partners VII, L.P.	747,373	747,500
Morgan Stanley Investment Management, Inc.	2,074,528	1,561,133
Neuberger Berman, L.L.C.	821,974	691,186
NorthPointe Capital	934,917	0
Oak Associates, Ltd.	520,884	222,361
Pacific Investment Management Company	3,479,419	2,996,701
Payden & Rygel Investment Counsel	771,184	776,243
Penman Private Equity & Mezzanine Fund, L.P.	0	90,227
Periscope I Fund, L.P.	135,000	135,000
Progress Investment Management Company	723,866	871,079
Rogge Global Partners	843,439	854,211
RREEF Real Estate Venture Capital Fund, L.P.	403,791	429,177
21st Century Communication T-E Partners, L.P.	69,785	79,108
SCP Private Equity Partners, L.P.	2,369,141	2,343,715
State Street Global Advisors	736,616	737,907
Stone-Levy, LLC	1,151,303	1,151,611
TCW/Latin American Private Equity Partners, L.P.	837,868	823,080
The Northern Trust Company (Custody)	675,000	675,000
Trivest Fund II, Ltd.	383,942	443,275
UBS Global Asset Management, Inc.	1,181,777	1,570,711
VantagePoint Venture Partners IV, L.P.	1,498,368	1,795,956
VS&A Communications Partners II, L.P.	117,592	111,850
WPG Corporate Development Associates V, L.P.	602,102	596,928
Weiss, Peck & Greer Investments	1,045,033	461,765
WPG Enterprise Fund, L.P.	78,532	182,245
WPG Enterprise Fund II, L.P.	378,958	1,563,169
WPG Enterprise Fund III, L.P.	1,940,015	4,176,435
William Blair Mezzanine Capital Fund II, L.L.C.	233,585	272,565
William Blair Mezzanine Capital Fund III, L.L.C.	700,809	656,424
<b>Total fees paid by TRS</b>	<b>\$65,274,190</b>	<b>\$67,109,156</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



## SECURITIES LENDING

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

### SECURITIES LENDING SUMMARY

<b>Income Source</b>	<b>Amount</b>
Income Earned FY02 Northern Trust	\$11,261,670
Income Earned FY02 SSGA	1,772,535
<b>Total Net Securites Lending Income</b>	<b>13,034,205</b>
Total Collateral Market Value - Northern Trust (6/30/02)	2,419,253,253
Total Market Value of Securities on Loan - Northern Trust (6/30/02)	2,326,208,668
<b>Total Collateralized Percentage</b>	<b>104%</b>

*Source: The Northern Trust Company and State Street Global Advisors.*



*We aim above the mark to hit the mark.  
- Ralph Waldo Emerson*

# ACTUARIAL



Everything is created  
twice - first mentally,  
then physically.  
- Greg Anderson



A Mellon Financial Company<sup>SM</sup>

One North Dearborn, Suite 1400  
Chicago, Illinois 60602-4336

November 11, 2002

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, 2002**

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 \$43,047,674,000 as of June 30, 2002. 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, 2002, and a census of active and inactive members as of June 30, 2001, 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, TRS Projected Funded Ratio, 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 43 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, 2002. 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 | 846-3000 Fax 312 | 846-3999



Board of Trustees  
Teachers' Retirement System  
of the State of Illinois  
November 11, 2002  
Page 2

The June 30, 2002 valuation reflects recommended revisions in actuarial assumptions that are used to anticipate:


- (1) termination from active employment
- (2) disability retirement
- (3) regular service retirement
- (4) pre- and post-retirement mortality
- (5) optional service purchases
- (6) sick leave service credit
- (7) annual salary increases
- (8) severance pay at retirement, and
- (9) new hires for the period of the funding projection.

The effect of these assumption changes was to decrease the pension benefit obligation of the System by \$346 million and to decrease the normal cost rate by .59 percentage points.

This valuation also reflects a change in the methodology of reporting recent retirements to the actuary. In prior years only retirements that were processed on or before the valuation date were reported to the actuary. Retirements effective on or before the valuation date that are processed after the valuation date are now also reported to the actuary. The effect of this reporting change was to increase the pension benefit obligation of the System by \$1 billion.

In our opinion, the amount of \$43,047,674,000 is a fair representation of the pension benefit obligation of the System as of June 30, 2002.

Respectfully submitted,

  
John W. Thompson  
Consulting Actuary

JWT:pl  
7228/C1481RET01-PBO2002.doc



*Hillcrest Elementary School  
Antioch*



*Calhoun Elementary/  
Junior High School  
Hardin*

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's unfunded liability. The unfunded liability is the difference between the accrued liability (the present value of benefits including the cost of annual increases) and the net assets that are available to cover the liability.

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

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

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

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

Sample annual percentage salary increases:

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



*Blue Ridge High School  
Farmer City*



**Retirement age:** Graduated rates based on age and gender of active members. Inactive members are assumed to retire at age 62. Adopted in the FY02 valuation.

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

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

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

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

**Disability:** Adopted in the FY02 valuation.

Sample annual rates per 1,000 participants:

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

**Termination from active service:** Adopted in the FY02 valuation.

Sample annual terminations per 1,000 participants:

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



*Country Meadows  
Elementary School  
Long Grove*

**Severance pay:** Increases with years of service at retirement. Adopted in the FY02 valuation.

Years of Service at Retirement	Percent of Retirees Who Receive Severance Pay	Severance Pay as a Percent of Final Salary
fewer than 20	0.0%	0.0%
20–24	51.0	12.93
25–29	65.0	14.92
30 or more	79.0	16.90

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

**Unused and uncompensated sick leave:** Equals 2.83 percent of regular service at retirement. Adopted in the FY02 valuation.

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

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

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

Also, measures of TRS's financial condition for both June 30, 2002, and June 30, 2001, are shown using market value of assets. These tests are consistent with TRS's financial statements, which are prepared in accordance with GASB Statement No. 25. The change to market value was first effective June 30, 1997, for determining state funding requirements for FY99.

The actuarial value of assets for FY02 and FY01 is equal to the “net assets held in trust for pension benefits” as shown in the financial statements.



*Trico Junior/Senior  
High School  
Campbell Hill*



*Waterloo Junior  
High School  
Waterloo*

## ANNUAL ACTUARIAL VALUATION

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

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

ACTUARIAL VALUATION WITH MARKET VALUE ASSETS  
(\$ IN THOUSANDS)

	<u>Years Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
<b>Total actuarial accrued liability</b>	<b>\$43,047,674</b>	<b>\$39,166,697</b>
Less actuarial value of assets (net assets at market value)	\$22,366,285	\$23,315,646
<b>Unfunded liability</b>	<b>\$20,681,389</b>	<b>\$15,851,051</b>
Funded ratio	52.0%	59.5%

## RECONCILIATION OF UNFUNDED LIABILITY

The net increase in the June 30, 2002, unfunded liability of \$4.830 billion was caused by a combination of factors.

The **employer cost in excess of contributions** is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 2002, this shortfall was \$1.074 billion.

A **change in actuarial assumptions** reduced the unfunded liability by \$346 million. These changes resulted from the actuarial experience review that the Illinois Pension Code requires to be conducted every five years.

A **change in data reporting methodology** increased the unfunded liability by \$1.041 billion. Under this change, all retirements with effective dates before July 1 each year will be included in the current year's reported liability. In past years, retirements that did not meet fiscal year processing deadlines were not reported to the actuary until the following year.

TRS experienced an actuarial loss under the **salary increase** assumption in FY02 with salary increases \$5 million higher than expected. Actuarial losses occurred under the **investment return** assumption. Assets were assumed to earn \$1.972 billion, but asset losses of \$0.724 billion were incurred. Therefore, the total actuarial loss due to investments was \$2.696 billion.

Actuarial losses also occurred under the **mortality** and **turnover** assumptions. Additionally, many members repaid refunds in FY02, 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 2001 or earlier that were not reported to TRS and the actuary until after June 30, 2001 and several other factors.

RECONCILIATION OF UNFUNDED LIABILITY (\$ THOUSANDS)

	<u>Years Ended June 30</u>	
	<u>2002</u>	<u>2001</u>
Unfunded liability at beginning of year	\$15,851,051	\$11,404,991
<b>Additions (Deductions)</b>		
Employer cost in excess of contributions	1,074,422	733,877
Change in actuarial assumptions	(346,000)	N/A
Change in data reporting methodology	1,040,736	N/A
<b>Actuarial losses (gains) compared to assumptions</b>		
Salary increases for continuing active members	4,934	(10,310)
Investment return <sup>1</sup>	2,696,199	3,089,764
New entrant loss	27,032	22,775
Mortality other than expected	(8,832)	1,569
Fewer terminations than expected	31,991	99,652
Repayments of refunded member contributions <sup>2</sup>	25,698	24,445
ERO costs waived for those with 34 years of service	273,219	134,951
Delayed reporting of retirements (effect on assets) <sup>3</sup>	77,536	69,559
Other <sup>4</sup>	(66,597)	279,778
Net actuarial losses	3,061,180	3,712,183
Net additions	4,830,338	4,446,060
<b>Unfunded liability at end of year</b>	<b>\$20,681,389</b>	<b>\$15,851,051</b>

**1** Assets are expected to earn 8.5 percent of market value. This item is the expected earnings minus the actual investment return. In fiscal year 2002, actuarial assumed earnings of \$1.972 billion plus the actual asset loss of \$0.724 billion equal the reported actuarial loss of \$2.696 billion.

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

**3** 1,876 retirements which occurred prior to 7/1/00 were not reported to the actuary until 6/30/01.

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

**4** Other includes items such as:

- (a) Retroactive benefits to individuals who delayed applying for retirement.
- (b) Differences between actual cost of benefits earned during the year and projected cost.
- (c) Retirements with reciprocal service credits.
- (d) 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's 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 retirement systems (State Employees', State Universities, Judges, and the General Assembly) have been made through a continuing appropriation. Because 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.



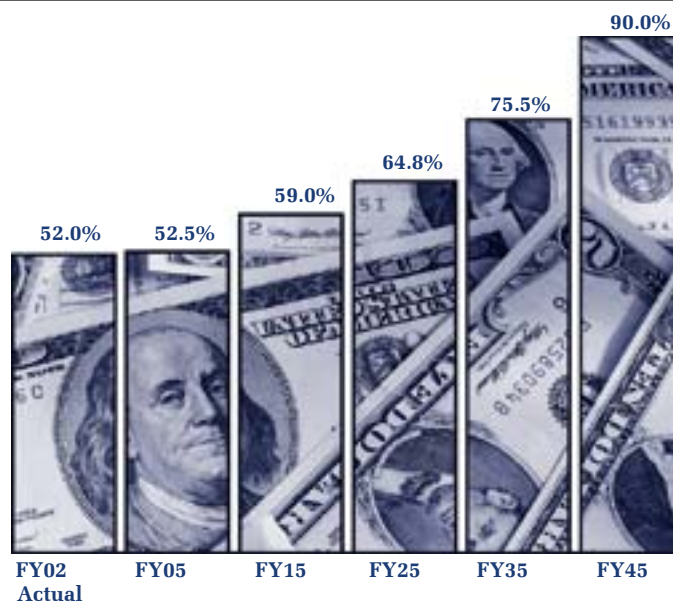
*White Oak Elementary School  
Morris*



*Prairieview School  
Downers Grove*



## TRS PROJECTED FUNDED RATIO



The FY02 actuarial valuation was used to determine the required state contributions for FY04 and the FY04 employer's normal cost. The FY01 actuarial valuation was used to determine FY03 state funding requirements and the FY03 employer's normal cost.

### STATE FUNDING AMOUNTS

	FY04	FY03
Employers' Contribution Reserve (excludes federal contributions; excludes school district contributions for 2.2)	\$1,027,259,000	\$926,050,000
Minimum benefit reserve	3,400,000	4,000,000
<b>Total state funding amount</b>	<b>\$1,030,659,000*</b>	<b>\$930,050,000</b>
Employer's normal cost as a percentage of active member payroll	8.15%	8.83%
State contribution to the Employers' Contribution Reserve as a percent of payroll	13.98%	13.01%

\* Public Act 92-0566 requires an additional \$1,000,000 state contribution in FY04. The act, which established an early retirement incentive for state employees, also covers state employees covered by TRS.



*Breese Middle School  
Breese*

## TESTS OF FINANCIAL CONDITION

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

### FUNDED RATIO TEST

As of June 30	Net Assets at Cost	Net Assets at Market	Actuarial Accrued Liability	Funded Ratio At Cost	At Market
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
2001	*	23,315,646	39,166,697	*	59.5
2002	*	22,366,285	43,047,674	*	52.0

\* 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 (\$ IN THOUSANDS)

Year Ended June 30	Approximate Member Payroll	Unfunded Liability	Percentage of Payroll
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
2001	6,431,000	15,851,051	246.5
2002	6,785,000	20,681,389	304.8

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

The **solvency test** measures TRS's ability to cover different types of obligations if the plan was terminated and is hypothetical. The columns are in the order that assets would be used to cover certain types of obligations. Employee contributions would be refunded first, amounts due for current beneficiaries would be covered next, and the employer's obligation for active members would be covered last. Columns 1 and 2 should be fully covered by assets. The portion of Column 3 that is covered by assets should increase over time. TRS passed the minimum standards of the solvency test from 1997 through 2001.

SOLVENCY TEST (\$ IN THOUSANDS)

Year Ended June 30	<u>Aggregate Accrued Liabilities for</u>			Actuarial Value of Assets*	Percentage of Benefits Covered by Net Assets		
	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)		(1)	(2)	(3)
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
2001	4,386,648	18,718,472	16,061,577	23,315,646	100	100	1
2002	4,688,042	22,105,192	16,254,440	22,366,285	100	80	0

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

## OTHER INFORMATION

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

- Retirees and Beneficiaries Added to and Removed from Rolls
- Average Annual Salary for Active Members by Years of Service (June 30, 1993, through June 30, 2002)
- Active Members by Age and Years of Service (as of June 30, 2002)

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

In preparing the annual actuarial valuation each June 30, the TRS actuaries use active and inactive member data as of the previous June 30, with active member salaries projected forward in accordance with the 4 percent inflation assumption. (The 3.5 percent inflation assumption, adopted in the June 30, 2002, valuation, will be used for this projection next year.) 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

<u>Year Ended June 30</u>	<u>Number at Beginning of Year</u>	<u>Added to Rolls</u>	<u>Removed from Rolls</u>	<u>Number at End of Year</u>	<u>End-of-Year Annual Allowances Amount % Increase</u>	<u>Average Annual Allowance Amount % Increase</u>
1995	54,888	6,822	2,076	59,634	\$1,074,305,808 22.2%	\$18,015 12.6%
1996	59,634	2,063	2,033	59,664	\$1,132,033,161 5.4%	\$18,973 5.3%
1997	59,664	1,847	2,159	59,352	\$1,173,889,332 3.7%	\$19,778 4.2%
1998	59,352	1,954	2,156	59,150	\$1,218,829,800 3.8%	\$20,606 4.2%
1999	59,150	3,445	2,287	60,308	\$1,322,451,864 8.5%	\$21,928 6.4%
2000	60,308	4,168	2,354	62,122	\$1,457,736,912 10.2%	\$23,466 7.0%
2001	62,122	5,197	2,442	64,877	\$1,643,900,223 12.8%	\$25,339 8.0%
2002	64,877	5,391	2,319	67,949	\$1,852,194,540 12.7%	\$27,259 7.6%

Please refer to the Statistical Section for the following information:

- Retired Members by Years of Service and Years in Retirement, June 30, 2002
- Schedules of Average Monthly Benefits, June 30, 2002
  - 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.



*Pioneer Elementary School  
Bolingbrook*



*Riverton Elementary School  
Riverton*

AVERAGE ANNUAL SALARY FOR ACTIVE MEMBERS BY YEARS OF SERVICE

<b>Years of Service</b>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0-5</b>	<b>Number</b>	<b>26,217</b>	<b>28,573</b>	<b>34,193</b>	<b>33,700</b>
	Average Salary	\$27,051	\$28,120	\$28,851	\$29,867
<b>6-10</b>	<b>Number</b>	<b>16,948</b>	<b>18,158</b>	<b>18,757</b>	<b>19,716</b>
	Average Salary	\$33,675	\$35,349	\$36,465	\$37,315
<b>11-15</b>	<b>Number</b>	<b>14,663</b>	<b>13,380</b>	<b>12,686</b>	<b>13,013</b>
	Average Salary	\$38,714	\$40,413	\$41,715	\$42,905
<b>16-20</b>	<b>Number</b>	<b>16,703</b>	<b>15,916</b>	<b>14,775</b>	<b>14,579</b>
	Average Salary	\$43,692	\$45,523	\$46,662	\$47,929
<b>21-25</b>	<b>Number</b>	<b>17,083</b>	<b>17,233</b>	<b>16,030</b>	<b>15,754</b>
	Average Salary	\$47,942	\$49,998	\$51,295	\$52,679
<b>26-30</b>	<b>Number</b>	<b>9,431</b>	<b>10,134</b>	<b>9,608</b>	<b>11,474</b>
	Average Salary	\$51,050	\$54,071	\$55,543	\$56,865
<b>31-35</b>	<b>Number</b>	<b>4,124</b>	<b>3,523</b>	<b>1,930</b>	<b>2,456</b>
	Average Salary	\$55,598	\$58,913	\$58,460	\$59,383
<b>35 +</b>	<b>Number</b>	<b>707</b>	<b>771</b>	<b>541</b>	<b>549</b>
	Average Salary	\$57,768	\$60,109	\$59,672	\$61,618
	<b>Total Number</b>	<b>105,876</b>	<b>107,688</b>	<b>108,520</b>	<b>111,241</b>
	Average Salary	\$39,177	\$40,618	\$40,455	\$41,903
	<b>% Change Average Salary</b>	<b>5.3%</b>	<b>3.7%</b>	<b>(0.4%)</b>	<b>3.6%</b>
	<b>Total Payroll Full &amp; Part-time</b>	<b>\$4,147,904,052</b>	<b>\$4,374,071,184</b>	<b>\$4,390,176,600</b>	<b>\$4,661,331,623</b>

*FY02 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.*



*Traugber Junior High School  
Oswego*



1997	1998	1999	2000	2001	2002
<b>33,134</b> \$30,717	<b>33,325</b> \$31,495	<b>34,831</b> \$32,430	<b>35,192</b> \$33,070	<b>38,585</b> \$34,614	<b>41,120</b> \$36,242
<b>20,340</b> \$38,170	<b>20,329</b> \$39,047	<b>21,540</b> \$40,320	<b>24,053</b> \$41,616	<b>24,351</b> \$43,457	<b>24,258</b> \$45,300
<b>13,830</b> \$44,258	<b>14,571</b> \$45,659	<b>15,461</b> \$47,430	<b>15,661</b> \$49,109	<b>16,367</b> \$50,875	<b>16,812</b> \$52,761
<b>14,295</b> \$49,309	<b>13,004</b> \$50,650	<b>11,969</b> \$52,477	<b>11,304</b> \$54,335	<b>11,692</b> \$56,521	<b>12,215</b> \$59,011
<b>15,235</b> \$54,096	<b>14,494</b> \$55,498	<b>14,006</b> \$57,256	<b>13,363</b> \$58,918	<b>13,091</b> \$61,188	<b>12,575</b> \$63,599
<b>12,977</b> \$58,168	<b>13,904</b> \$59,694	<b>14,541</b> \$61,866	<b>14,278</b> \$64,254	<b>13,885</b> \$65,913	<b>13,256</b> \$68,501
<b>3,525</b> \$61,434	<b>4,845</b> \$63,985	<b>6,018</b> \$67,373	<b>6,895</b> \$70,455	<b>7,555</b> \$73,433	<b>7,484</b> \$76,413
<b>611</b> \$62,841	<b>644</b> \$65,222	<b>692</b> \$67,453	<b>713</b> \$71,036	<b>809</b> \$75,469	<b>843</b> \$78,831
<b>113,947</b> \$43,398	<b>115,116</b> \$44,769	<b>119,058</b> \$46,306	<b>121,459</b> \$47,665	<b>126,335</b> \$49,230	<b>128,563</b> \$50,895
<b>3.6%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.4%</b>
<b>\$4,945,071,906</b>	<b>\$5,153,628,204</b>	<b>\$5,513,099,748</b>	<b>\$5,789,343,235</b>	<b>\$6,219,472,050</b>	<b>\$6,543,213,885</b>



*Kelvin Grove Junior High School  
Lockport*

ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE AS OF JUNE 30, 2002

Age		Subs	<u>Years of Service</u>			
			0-5	6-10	11-15	16-20
<b>20-24</b>	<b>Number</b>	<b>2,366</b>	<b>2,308</b>	<b>1</b>		
	Average Salary	\$3,537	\$30,409	\$43,266		
<b>25-29</b>	<b>Number</b>	<b>4,328</b>	<b>16,129</b>	<b>699</b>		
	Average Salary	\$4,146	\$34,614	\$41,065		
<b>30-34</b>	<b>Number</b>	<b>2,468</b>	<b>7,913</b>	<b>8,357</b>	<b>469</b>	
	Average Salary	\$3,964	\$37,375	\$43,274	\$48,942	
<b>35-39</b>	<b>Number</b>	<b>2,608</b>	<b>3,662</b>	<b>4,084</b>	<b>4,419</b>	<b>363</b>
	Average Salary	\$3,873	\$37,461	\$45,731	\$50,799	\$56,662
<b>40-44</b>	<b>Number</b>	<b>3,704</b>	<b>3,344</b>	<b>2,669</b>	<b>2,894</b>	<b>3,486</b>
	Average Salary	\$4,210	\$36,523	\$45,270	\$52,312	\$57,220
<b>45-49</b>	<b>Number</b>	<b>3,910</b>	<b>3,417</b>	<b>3,037</b>	<b>2,621</b>	<b>2,596</b>
	Average Salary	\$4,510	\$37,786	\$45,403	\$52,081	\$58,848
<b>50-54</b>	<b>Number</b>	<b>3,552</b>	<b>2,729</b>	<b>3,436</b>	<b>3,735</b>	<b>3,079</b>
	Average Salary	\$4,815	\$39,749	\$47,682	\$53,745	\$59,248
<b>55-59</b>	<b>Number</b>	<b>2,310</b>	<b>1,200</b>	<b>1,535</b>	<b>2,071</b>	<b>2,028</b>
	Average Salary	\$4,829	\$42,315	\$49,813	\$56,426	\$61,638
<b>60-64</b>	<b>Number</b>	<b>1,254</b>	<b>332</b>	<b>371</b>	<b>519</b>	<b>575</b>
	Average Salary	\$4,353	\$44,442	\$51,837	\$56,798	\$61,083
<b>65-69</b>	<b>Number</b>	<b>571</b>	<b>65</b>	<b>61</b>	<b>72</b>	<b>81</b>
	Average Salary	\$4,190	\$38,167	\$50,318	\$56,190	\$62,853
<b>70-74</b>	<b>Number</b>	<b>248</b>	<b>17</b>	<b>8</b>	<b>12</b>	<b>6</b>
	Average Salary	\$3,606	\$58,536	\$50,974	\$47,475	\$49,850
<b>74 +</b>	<b>Number</b>	<b>97</b>	<b>4</b>			<b>1</b>
	Average Salary	\$3,055	\$40,822			\$78,711
<b>Total Number</b>		<b>27,416</b>	<b>41,120</b>	<b>24,258</b>	<b>16,812</b>	<b>12,215</b>
<b>Average Salary</b>		<b>\$4,258</b>	<b>\$36,242</b>	<b>\$45,300</b>	<b>\$52,761</b>	<b>\$59,011</b>



*Worth Junior High School  
Worth*



*Army Trail Elementary School  
Addison*

<u>Years of Service</u>							Full and Part-time Member Totals
21-25	26-30	31-35	36-40	41-45	46-50	51-55	
							<b>2,309</b> \$30,414
							<b>16,828</b> \$34,882
							<b>16,739</b> \$40,644
							<b>12,528</b> \$45,418
<b>396</b> \$60,864							<b>12,789</b> \$48,316
<b>5,199</b> \$62,264	<b>735</b> \$66,569						<b>17,605</b> \$52,764
<b>3,950</b> \$63,757	<b>8,585</b> \$67,495	<b>1,395</b> \$71,243					<b>26,909</b> \$58,945
<b>2,204</b> \$65,661	<b>3,096</b> \$71,410	<b>5,193</b> \$78,121	<b>181</b> \$79,323				<b>17,508</b> \$65,967
<b>700</b> \$67,271	<b>695</b> \$70,034	<b>751</b> \$75,442	<b>481</b> \$79,133	<b>18</b> \$85,856			<b>4,442</b> \$65,425
<b>109</b> \$65,842	<b>128</b> \$68,689	<b>118</b> \$69,600	<b>68</b> \$73,449	<b>59</b> \$82,570	<b>3</b> \$77,160	<b>64,092</b>	<b>764</b>
<b>14</b> \$68,481	<b>14</b> \$65,172	<b>19</b> \$70,181	<b>14</b> \$65,221	<b>5</b> \$83,024	<b>7</b> \$66,353	<b>1</b> \$41,208	<b>117</b> \$62,480
<b>3</b> \$54,677	<b>3</b> \$71,081	<b>8</b> \$75,907		<b>3</b> \$68,222		<b>3</b> \$117,622	<b>25</b> \$71,362
<b>12,575</b> \$63,599	<b>13,256</b> 68,501	<b>7,484</b> \$76,413	<b>744</b> \$78,398	<b>85</b> \$82,786	<b>10</b> \$69,595	<b>4</b> \$98,518	<b>128,563</b> \$50,895
Total Full and Part-time Members							<b>128,563</b>
Total Substitutes							<b>27,416</b>
Total Active Members							<b>155,979</b>

## PLAN SUMMARY

### ADMINISTRATION

TRS was created and is governed by the Illinois Pension Code, Article 16. An 11-member Board of Trustees is authorized to carry out duties granted to it under the article. The board is comprised of the state superintendent of education, four persons appointed by the governor, four elected members of TRS, and two elected annuitants. One trustee position for an elected active member is currently vacant. The Board of Trustees appoints an executive director who is responsible for the detailed administration of TRS.

### MEMBERSHIP

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

### CONTRIBUTIONS

During FY02, members contributed 9 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 percent for post-retirement increases, and 1 percent for death benefits. Active members do not contribute to Social Security for TRS-covered employment; however, members hired after March 31, 1986, are required to contribute to Medicare. In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan. For the first half of FY02, the member contribution was 0.5 percent of pay. For the second half of the year, the contribution was 0.65 percent.

### 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, to upgrade their service under the graduated retirement formula to the 2.2 formula, or to make the required contributions under the Early Retirement Option.

## REFUNDS

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

## RETIREMENT BENEFITS

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

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

Public Act 90-582 improved retirement benefits for TRS members by changing the rate at which TRS members accrue benefits beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. The maximum 75 percent benefit is attained with 34 years of service under the 2.2



formula. Members who retire on or after the effective date have the option of upgrading their service earned prior to July 1, 1998, to the flat-rate 2.2 percent formula by making a payment to TRS. Additionally, for members who continue to teach, every three full years worked after July 1, 1998, count toward a full one-year reduction of the years to be upgraded.

Public Act 91-17 reduced the 2.2 formula upgrade cost on a sliding scale for members who have 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, 6.5 percent of salary through June 30, 1998, and 7.5 percent after that date, with interest and the 0.5 percent paid toward annual increases in annuity. Beneficiaries of annuitants receive the accumulated contributions minus the amount that the member had already received as a retirement annuity.

Survivor benefits can be paid in either a lump-sum or a monthly payment. A lump-sum benefit is the only method payable to nondependent beneficiaries. A dependent beneficiary may choose either a lump-sum benefit or a monthly

payment. Survivor benefit recipients who are beneficiaries of a retired member are eligible for an annual 3 percent increase effective January 1 following the granting of the survivor benefit. Survivor benefit recipients who are beneficiaries of an active or eligible inactive member are eligible for an annual 3 percent increase on January 1 following the first anniversary of their receiving the survivor benefit.

### **EARLY RETIREMENT**

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

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

### **POST-RETIREMENT INCREASE**

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

### **EMPLOYMENT-RELATED FELONY CONVICTION**

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

### **CONTINUITY OF CREDIT WITHIN ILLINOIS**

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

### **CONFLICTS**

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



*GCMS Middle School  
Gibson City*



*Pana Senior High School  
Pana*



*Eastland Junior High School  
Shannon*

# STATISTICAL



The secret of  
success is constancy  
of purpose.  
- Benjamin Disraeli



RETIRED MEMBERS BY YEARS OF SERVICE AND YEARS IN RETIREMENT

Years Retired	Years of Service					
		1-5	6-10	11-15	16-20	21-25
1-5	Number	969	678	600	812	1,455
	Average Benefit	\$248	\$608	\$985	\$1,624	\$2,202
	Average Original Benefit	\$238	\$578	\$941	\$1,576	\$2,149
6-10	Number	611	567	490	678	1,332
	Average Benefit	\$229	\$590	\$854	\$1,223	\$1,759
	Average Original Benefit	\$187	\$476	\$686	\$990	\$1,426
11-15	Number	406	514	601	895	1,663
	Average Benefit	\$209	\$508	\$773	\$1,238	\$1,731
	Average Original Benefit	\$144	\$349	\$539	\$872	\$1,230
16-20	Number	315	404	577	1,021	1,369
	Average Benefit	\$171	\$400	\$703	\$1,124	\$1,452
	Average Original Benefit	\$96	\$217	\$411	\$685	\$893
21-25	Number	159	201	443	779	994
	Average Benefit	\$157	\$328	\$549	\$864	\$1,123
	Average Original Benefit	\$71	\$147	\$269	\$454	\$601
26-30	Number	87	134	271	498	663
	Average Benefit	\$72	\$291	\$482	\$719	\$925
	Average Original Benefit	\$27	\$117	\$195	\$314	\$417
31-35	Number	15	26	63	170	235
	Average Benefit	\$72	\$253	\$460	\$607	\$770
	Average Original Benefit	\$8	\$75	\$136	\$181	\$264
36-40	Number		5	15	40	70
	Average Benefit		\$263	\$440	\$610	\$721
	Average Original Benefit		\$31	\$69	\$123	\$165
41-45	Number			1	9	36
	Average Benefit			\$461	\$595	\$711
	Average Original Benefit			\$51	\$81	\$109
46-50	Number					1
	Average Benefit					\$773
	Average Original Benefit					\$119
50 +	Number				1	
	Average Benefit				\$645	
	Average Original Benefit				\$30	
	Total Number	2,562	2,529	3,061	4,903	7,818
	Average Benefit	\$215	\$507	\$748	\$1,136	\$1,586
	Average Original Benefit	\$175	\$386	\$537	\$811	\$1,182





Years of Service						Average	Age
26-30	31-35	36-40	41-45	46-50	50 +	Total	
<b>1,888</b>	<b>6,758</b>	<b>1,842</b>	<b>178</b>	<b>24</b>	<b>5</b>	<b>15,209</b>	60
\$3,111	\$4,197	\$4,360	\$4,389	\$4,531	\$5,466	\$3,218	
\$3,036	\$4,164	\$4,219	\$4,200	\$4,318	\$5,369	\$3,163	
<b>2,198</b>	<b>4,018</b>	<b>5,949</b>	<b>133</b>	<b>10</b>	<b>5</b>	<b>15,991</b>	65
\$2,408	\$3,210	\$4,012	\$4,321	\$4,219	\$3,839	\$2,924	
\$1,940	\$2,580	\$3,203	\$3,550	\$3,491	\$3,209	\$2,345	
<b>1,736</b>	<b>2,446</b>	<b>1,449</b>	<b>95</b>	<b>26</b>	<b>3</b>	<b>9,834</b>	72
\$2,304	\$3,151	\$3,812	\$3,938	\$3,334	\$2,045	\$2,288	
\$1,645	\$2,253	\$2,723	\$2,812	\$2,352	\$1,391	\$1,630	
<b>1,499</b>	<b>1,762</b>	<b>980</b>	<b>88</b>	<b>21</b>	<b>1</b>	<b>8,037</b>	77
\$1,988	\$2,750	\$3,404	\$2,940	\$3,117	\$1,883	\$1,897	
\$1,230	\$1,699	\$2,110	\$1,798	\$1,876	\$1,098	\$1,167	
<b>942</b>	<b>938</b>	<b>428</b>	<b>89</b>	<b>11</b>	<b>1</b>	<b>4,985</b>	82
\$1,547	\$2,069	\$2,299	\$2,313	\$2,391	1,690	\$1,352	
\$839	\$1,131	\$1,244	\$1,254	\$1,322	961	\$727	
<b>606</b>	<b>587</b>	<b>524</b>	<b>144</b>	<b>23</b>	<b>2</b>	<b>3,539</b>	88
\$1,215	\$1,619	\$1,968	\$1,995	\$1,865	\$2,047	\$1,186	
\$561	\$762	\$926	\$932	\$875	\$946	\$546	
<b>236</b>	<b>222</b>	<b>236</b>	<b>120</b>	<b>16</b>		<b>1,339</b>	92
\$963	\$1,233	\$1,481	\$1,523	\$1,514		\$1,030	
\$354	\$501	\$621	\$636	\$618		\$397	
<b>64</b>	<b>58</b>	<b>53</b>	<b>16</b>	<b>3</b>		<b>324</b>	95
\$864	\$956	\$1,078	\$1,142	\$1,088		\$840	
\$219	\$280	\$364	\$404	\$365		\$231	
<b>18</b>	<b>18</b>	<b>9</b>	<b>3</b>			<b>94</b>	98
\$850	\$927	\$948	\$978			\$796	
\$134	\$195	\$262	\$269			\$147	
<b>2</b>	<b>2</b>					<b>5</b>	102
\$895	\$922					\$882	
\$102	\$178					\$136	
<b>2</b>						<b>3</b>	101
\$799						\$748	
\$33						\$32	
<b>9,191</b>	<b>16,809</b>	<b>11,470</b>	<b>866</b>	<b>134</b>	<b>17</b>	<b>59,360</b>	70
<b>\$2,246</b>	<b>\$3,394</b>	<b>\$3,765</b>	<b>\$3,101</b>	<b>\$2,983</b>	<b>\$3,548</b>	<b>\$2,462</b>	
<b>\$1,733</b>	<b>\$2,894</b>	<b>\$2,966</b>	<b>\$2,280</b>	<b>\$2,125</b>	<b>\$3,001</b>	<b>\$1,974</b>	

## AVERAGE MONTHLY BENEFITS

### RETIREMENT BENEFITS

Average age; all retirees	70
Average service; all retirees	28 years
Average age; 4,582 FY02 retirees	59
Average service; 4,582 FY02 retirees	29 years
Average monthly benefits; 4,582 FY02 retirees	\$3,512
Oldest annuitant	103

Age	Count	Average Benefit
51-55	1,198	\$3,812
56-60	9,872	3,377
61-65	11,621	2,972
66-70	10,361	2,656
71-75	9,124	2,246
76-80	6,781	1,837
81-85	5,006	1,401
86-90	3,204	1,218
90 +	2,193	1,047
<b>Total</b>	<b>59,360</b>	<b>Weighted Average \$2,462</b>

### DISABILITY BENEFITS\* (AS OF JUNE 30, 2002)

Average age; All recipients	57
Average service; All recipients	18 years
Average age; 331 new FY02 disability recipients	44
Average service; 331 new FY02 disability recipients	15 years
Average monthly benefits; 331 new FY02 disability recipients	\$ 1,656

Age	Count	Average Benefit
26-30	8	\$1,210
31-35	28	1,203
36-40	22	1,241
41-45	49	1,307
46-50	131	1,472
51-55	291	1,691
56-60	220	1,811
61-65	96	1,529
66-70	82	1,477
71-75	51	947
76-80	45	909
81-85	23	762
86-90	7	562
90 +	3	630
<b>Total</b>	<b>1,056</b>	<b>Weighted Average \$1,514</b>

\* Includes 388 individuals receiving temporary and eight individuals receiving occupational disability benefits who are counted as active members. The remaining 660 individuals receive permanent disability benefits.

# SURVIVOR BENEFITS\*

Average age; All recipients	75
Average age; 633 new FY02 survivor benefits recipients	71
Average monthly benefits; 633 new FY02 survivor benefits recipients	\$1,043

Age	Count	Average Benefit
6-10	5	\$507
11-15	34	485
16-20	65	487
21-25	12	541
26-30	2	594
31-35	4	742
36-40	11	674
41-45	25	848
46-50	64	1,080
51-55	219	1,108
56-60	422	1,211
61-65	628	1,262
66-70	806	1,157
71-75	1,193	1,034
76-80	1,178	835
81-85	1,250	668
86-90	1,006	620
90 +	609	477
<b>Total</b>	<b>7,533</b>	<b>Weighted Average \$877</b>

*\* An additional \$14.9 million was paid in death benefits to survivors of active, inactive, and retired members as refunds of various types of contributions.*

## TOTAL BENEFIT RECIPIENTS AS OF JUNE 30, 2002

Retirees	59,360
Disabled recipients	1,056
Survivors	7,533
	<b>67,949</b>



*The only peace, the  
only security, is in  
fulfillment.*  
**- Henry Miller**

## REVENUE BY SOURCE (IN MILLIONS)

Year Ended June 30	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Net Investment Income (Loss) <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
2001	643	778	12.1	(1,015)	44	450
2002	681	862	12.7	(724)	46	865

**1** Figures for 1996 through 2002 include realized gains and losses and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.

**2** Includes ERO, ERI, minimum retirement, and supplemental contributions. These amounts are not counted for actuarial purposes. Beginning in FY01, the supplemental appropriation is no longer requested.

## EXPENSES BY TYPE (IN MILLIONS)

Year Ended June 30	Benefits	Health Insurance	Refunds	Administrative and Other Expenses	Total
1994	\$824	\$50	\$22	\$11	\$907
1995	1,074	38	29	10	1,151
1996	1,122	0	22	11	1,155
1997	1,161	0	22	10	1,193
1998	1,210	0	24	10	1,244
1999	1,284	0	26	11	1,321
2000	1,402	0	29	12	1,443
2001	1,567	0	36	13	1,616
2002	1,760	0	39	15	1,814

## SCHEDULE OF BENEFIT EXPENSES BY TYPE (IN MILLIONS)

Year Ended June 30	Retirement Benefits	Survivor Benefits	Disability Benefits	Total
1994	\$773	\$41	\$10	\$824
1995	1,019	45	10	1,074
1996	1,061	50	11	1,122
1997	1,097	52	12	1,161
1998	1,139	58	13	1,210
1999	1,206	63	15	1,284
2000	1,318	68	16	1,402
2001	1,475	75	17	1,567
2002	1,661	81	18	1,760

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



*Continued*



*Field Elementary  
School  
Texico*

Brussels C.U.S.D. #42  
Buncombe C.S.D. #43  
Bunker Hill C.U.S.D. #8  
Burbank S.D. #111  
Bureau Valley C.U.S.D. #340  
Burnham S.D. #1545  
Bushnell Prairie City C.U.S.D. #170  
Butler S.D. #53  
Byron C.U.S.D. #226  
Cahokia C.U.S.D. #187  
Cairo C.U.S.D. #1  
Calhoun C.U.S.D. #40  
Calhoun-Greene-Jersey-  
Macoupin Co. R.O.E.  
Calumet City S.D. #155  
Calumet Public S.D. #132  
Cambridge C.U.S.D. #227  
Camp Point C.U.S.D. #3  
Canton Union S.D. #66  
Capital Area Career Ctr.  
Carbon Cliff-Barstow S.D. #36  
Carbondale C.H.S.D. #165  
Carbondale E.S.D. #95  
Career Development Sys.  
Career Preparation Network  
Career Tec  
Carlinville C.U.S.D. #1  
Carlyle C.U.S.D. #1  
Carmi-White Co. C.U.S.D. #5  
Carrier Mills-Stonefort C.U.S.D. #2  
Carroll-Jo Daviess-Stephenson Co.  
Reg. Prog.  
Carroll-Jo Daviess-Stephenson Co. R.O.E.  
Carrollton C.U.S.D. #1  
Cartersville C.U.S.D. #5  
Carthage C.U.S.D. #338  
Cary C.C.S.D. #26  
Casey-Westfield C.U.S.D. #4C  
Cass S.D. #63  
Catlin C.U.S.D. #5  
Center Cass S.D. #66  
Central A&M C.U.S.D. #21  
Central C.H.S. #71  
Central C.U.S.D. #301  
Central C.U.S.D. #4  
Central City S.D. #133  
Central S.D. #104  
Central S.D. #51  
Central Stickney S.D. #110  
Centralia H.S.D. #200  
Centralia S.D. #135  
Century C.U.S.D. #100  
Cerro Gordo C.U.S.D. #100  
Chadwick-Milledgeville C.U.D. #399  
Champaign C.U.S.D. #4  
Champaign-Ford Co. R.O.E.  
Chaney-Monge S.D. #88  
Channahon S.D. #17  
Charleston C.U.S.D. #1  
Chenoa C.U.S.D. #9  
Cherry S.D. #92  
Chester C.U.S.D. #139  
Chester-East Lincoln C.C.S.D. #61  
Chicago Hts. S.D. #170  
Chicago Ridge S.D. #1275  
Christian-Montgomery Co. R.O.E.  
Christopher C.U.S.D. #99  
Cicero S.D. #99  
Cissna Park C.U.S.D. #6  
Clark-Coles-Cumberland-Douglas-  
Edgar-Moultrie-Shelby Co. R.O.E.  
Clay City C.U.S.D. #10  
Clay-Crawford-Jasper-Lawrence-  
Richland Co. R.O.E.  
Clinton C.U.S.D. #15  
Clinton-Marion-Washington Co. R.O.E.  
Coal City C.U.S.D. #1  
Cobden School U.D. #17  
Colchester C.U.S.D. #180  
Collinsville C.U.S.D. #10  
Colona S.D. #190  
Columbia C.U.S.D. #4  
Community C.S.D. #59  
Community C.S.D. #93  
Community C.S.D. #180  
Community C.S.D. #204  
Community H.S.D. #155  
Community H.S.D. #218  
Community H.S.D. #230  
Community U.S.D. #4  
Community U.S.D. #16  
Community U.S.D. #200  
Community U.S.D. #300  
Cook Co. S.D. #130  
Cooperative Assoc. for Spec. Ed.  
Cornell C.C.S.D. #426  
Coulterville U.S.D. #1  
Country Club Hills S.D. #160  
Cowden-Herrick C.U.D. #3A  
Crab Orchard C.U.S.D. #3  
Crescent City C.C.S.D. #275  
Crescent Iroquois C.U.S.D. #252  
Creston C.C.S.D. #161  
Crete Monee C.U.S.D. #201U  
Creve Coeur S.D. #76  
Crystal Lake C.C.S.D. #47

*Continued*

Cumberland C.U.S.D. #77  
Cypress S.D. #64  
Dakota C.U.S.D. #201  
Dallas City C.U.S.D. #336  
Dalzell S.D. #98  
Damiansville S.D. #62  
Danville C.C.S.D. #118  
Darien S.D. #61  
Decatur S.D. #61  
Deer Creek-Mackinaw C.U.S.D. #701  
Deer Park C.C.S.D. #82  
Deerfield S.D. #109  
DeKalb C.U.S.D. #428  
DeKalb Co. R.O.E.  
DeKalb Co. Spec. Ed.  
Delabar Voc. Ed. Region  
Deland-Weldon C.U.S.D. #57  
Delavan C.U.S.D. #703  
Depue U.S.D. #103  
Des Plaines C.C.S.D. #62  
Desoto C.C.S.D. #86  
DeWitt-Livingston-McLean Co. R.O.E.  
Diamond Lake S.D. #76  
Dieterich C.U.S.D. #30  
Dimmick C.C.S.D. #175  
District 50 Schools  
Divernon C.U.S.D. #13  
Dixon U.S.D. #170  
Dodds C.C.S.D. #7  
Dolton S.D. #149  
Dolton S.D. #148  
Dongola S.U.D. #66  
Donovan C.U.S.D. #3  
Downers Grove C.H.S. #99  
Downers Grove GS.D. #58  
Dunlap C.U.S.D. #323  
DuPage Co. R.O.E.  
DuPage H.S.D. #88  
Dupo C.U.S.D. #196  
Du Quoin C.U.S.D. #300  
Durand C.U.S.D. #322  
Dwight Common S.D. #232  
Dwight Twp. H.S.D. #230  
Earlville C.U.S.D. #9  
East Alton S.D. #13  
East Alton-Wood River C.H.S. #14  
East Coloma S.D. #12  
East Dubuque U.S.D. #119  
East Maine S.D. #63  
East Moline S.D. #37  
East Peoria C.H.S.D. #309  
East Peoria S.D. #86  
East Prairie S.D. #73

East Richland C.U.S.D. #1  
East St. Louis S.D. #189  
Eastern Ill. Area Spec. Ed. Coop.  
Eastern Ill. Ed. for Employment Sys.  
Eastland C.U.S.D. #308  
Echo Joint Agreement  
Edgar Co. C.U.S.D. #6  
Edinburg C.U.S.D. #4  
Education for Employment of  
Tazewell Co.  
Education for Employment Sys.  
Educational Development Ctr.  
Educational Therapy Ctr.  
Edward-Gallatin-Hardin-Pope-Saline-  
Wabash Co. R.O.E.  
Edwards Co. C.U.S.D. #1  
Edwardsville C.U.S.D. #7  
Effingham C.U.S.D. #40  
Egyptian C.U.S.D. #5  
Eisenhower Coop.  
El Paso C.U.S.D. #375  
Eldorado C.U.S.D. #4  
Elementary S.D. #159  
Elmhurst S.D. #205  
Elmwood C.U.S.D. #322  
Elmwood Park C.U.S.D. #401  
Elverado C.U.S.D. #196  
Elwood C.C.S.D. #203  
Emmons S.D. #33  
Erie C.U.S.D. #1  
Eswood C.C.S.D. #269  
Eureka C.U.S.D. #140  
Evanston C.C.S.D. #65  
Evanston Twp. H.S.D. #202  
Evergreen Park C.H.S.D. #231  
Evergreen Park E.S.D. #124  
Ewing Northern C.C.D. #115  
Fairfield C.H.S.D. #225  
Fairfield P.S.D. #112  
Fairmont S.D. #89  
Farmington Central C.U.S.D. #265  
Farrington C.C.S.D. #99  
Fenton C.H.S.D. #100  
Field C.C.S.D. #3  
FieldcreSt C.U.S.D. #6  
Fisher C.U.S.D. #1  
Five Co. Voc. Sys.  
Flanagan C.U.S.D. #4  
Flora C.U.S.D. #35  
Flossmoor S.D. #161  
Ford Hts. S.D. #169  
Ford-Iroquois Co. Spec. Ed.  
Forest Park S.D. #91



*Chestnut Park School  
Savanna*

*Continued*

Forest Ridge S.D. #142	Grass Lake S.D. #36
Forrestville Valley C.U.S.D. #221	Grayslake C.C.S.D. #46
Fort Bowman Academy Charter School	Grayslake C.H.S.D. #127
Four Rivers Spec. Ed.	Grayville C.U.S.D. #1
Fox Lake Grade S.D. #114	Greenfield C.U.S.D. #10
Fox River Grove C.S.D. #3	Greenview C.U.S.D. #200
Frankfort C.C.S.D. #157C	Gridley C.U.S.D. #10
Frankfort C.U.S.D. #168	Griggsville-Perry C.U.S.D. #4
Franklin C.U.S.D. #1	Grundy Area Voc. Ctr.
Franklin Park S.D. #84	Grundy-Kendall Co. R.O.E.
Franklin-Jefferson Co. Spec. Ed.	Gurnee S.D. #56
Franklin-Williamson Co. R.O.E.	Hall Twp. H.S.D. #502
Freeburg C.C.S.D. #70	Hamilton C.C.S.D. #328
Freeburg C.H.S.D. #77	Hamilton Co. C.U.S.D. #10
Freeport S.D. #145	Hamilton-Jefferson Co. R.O.E.
Fremont S.D. #79	Hampton S.D. #29
Fulton Co. C.U.S.D. #3	Hancock-McDonough Co. R.O.E.
Fulton-Schuyler Co. R.O.E.	Hardin Co. C.U.S.D. #1
Galatia C.U.S.D. #1	Harlem U.S.D. #122
Galena U.S.D. #120	Harmony Emge S.D. #175
Galesburg C.U.S.D. #205	Harrisburg C.U.S.D. #3
Gallatin C.U.S.D. #7	Harrison S.D. #36
Galva C.U.S.D. #224	Hartsburg Emden C.U.S.D. #21
Gardner C.C.S.D. #72C	Harvard C.U.S.D. #50
Gardner S. Wilmington H.S.D. #73	Harvey S.D. #152
Gavin S.D. #37	Havana C.U.S.D. #126
Geff C.C.S.D. #14	Hawthorn C.C.S.D. #73
Gen Geo Patton S.D. #133	Hazel Crest S.D. #1525
Geneseo C.U.S.D. #228	Henry-Senachwine C.U.S.D. #5
Geneva C.U.S.D. #304	Heritage C.U.S.D. #8
Genoa-Kingston C.U.S.D.	Herrin C.U.S.D. #4
Georgetown-Ridge Farm CUD #4	Herschler C.U.S.D. #2
Germantown Hills S.D. #69	Heyworth C.U.S.D. #4
Germantown S.D. #60	Hiawatha C.U.S.D. #426
Giant City C.C.S.D. #130	High Mount S.D. #116
Gibson City-Melvin-Sibley #5	Highland C.U.S.D. #5
Gifford C.C.S.D. #188	Highland Park Twp. H.S.D. #113
Gillespie C.U.S.D. #7	Hillsboro C.U.S.D. #3
Girard C.U.S.D. #3	Hillside S.D. #93
Glen Ellyn C.C.S.D. #89	Hinckley Big Rock C.U.S.D. #429
Glen Ellyn S.D. #41	Hinsdale C.C.S.D. #181
Glenbard Twp. H.S.D. #87	Hinsdale Twp. H.S.D. #86
Glencoe S.D. #35	Hollis C.S.D. #328
Glenview C.C.S.D. #34	Homer C.C.S.D. #33
Golf E.S.D. #67	Homewood S.D. #153
Goreville C.U.S.D. #1	Homewood-Flossmoor C.H.S.D. #233
Gower S.D. #62	Hononegah C.H.S.D. #207
Grand Prairie C.C.S.D. #6	Hoopeston Area C.U.S.D. #11
Grand Ridge C.C.S.D. #95	Hoover Schrum Memorial S.D. #157
Granite City C.U.S.D. #9	Hoyleton C.S.D. #29
Grant C.C.S.D. #110	Huntley C.S.D. #158
Grant C.H.S.D. #124	Hutsonville C.U.S.D. #1
Grant Park C.U.S.D. #6	Ill. Association of School Boards



*Lincoln-Way Central  
High School  
New Lenox*

*Continued*

Ill. Dept. of Corrections S.D. #428  
Ill. Dept. of Human Services  
Ill. Education Assoc.  
Ill. Federation of Teachers  
Ill. State Board of Education  
Ill. Valley Central U.S.D. #321  
Illini Bluffs C.U.S.D. #327  
Illini Central C.U.S.D. #189  
Illioopolis C.U.S.D. #12  
Ina C.C.S.D. #8  
Indian Creek C.U.S.D. #425  
Indian Prairie C.U.S.D.  
Indian Springs S.D. #109  
Indian Valley Area Voc.Ctr.  
Industry C.U.S.D. #165  
Iroquois Area Reg. Delivery Sys.  
Iroquois Co. C.U.S.D. #9  
Iroquois West C.U.S.D. #10  
Iroquois-Kankakee Co. R.O.E.  
Irvington C.C.S.D. #11  
Itasca S.D. #10  
Iuka C.C.S.D. #7  
J.S. Morton H.S.D. #201  
Jackson-Perry Co. R.O.E.  
Jacksonville S.D. #117  
Jamaica C.U.S.D. #12  
JAMP Spec. Ed. Serv.  
Jasper C.C.S.D. #17  
Jasper Co. C.U.S.D. #1  
Jersey C.U.S.D. #100  
JoDaviess-Carroll Area Voc. Ctr.  
Johnsburg C.U.S.D. #12  
Johnston City C.U.S.D. #1  
Joliet S.D. #86  
Joliet Twp. H.S.D. #204  
Jonesboro C.C.S.D. #43  
Joppa-Maple Grove U.S.D. #38  
Kane Co. R.O.E.  
Kaneland C.U.S.D. #302  
Kankakee Area Career Ctr.  
Kankakee Area Spec. Ed. Coop. #850  
Kankakee S.D. #111  
Kansas C.U.S.D. #3  
Kaskaskia Spec. Ed. #801  
Keeneyville S.D. #20  
Kell C.S.D. #2  
Kendall Co. Spec. Ed. Coop.  
Kenilworth S.D. #38  
Kewanee C.U.S.D. #229  
Keys Charter School  
Kildeer Countryside C.C.S.D. #96  
Kings C.S.D. #144  
Kinnikinnick C.C.S.D. #131

Kirby S.D. #140  
Knox Co. R.O.E.  
Knoxville C.U.S.D. #202  
Komarek S.D. #94  
La Grange Area Dept. Spec. Ed.  
La Grange S.D. #102  
La Grange South S.D. #105  
La Grange-Highlands S.D. #106  
La Harpe C.U.S.D. #335  
Ladd C.C.S.D. #94  
Lake Bluff E.S.D. #65  
Lake Co. Area Voc Sys.  
Lake Co. R.O.E.  
Lake Co. Spec. Ed.  
Lake Forest C.H.S.D. #115  
Lake Forest S.D. #67  
Lake Park C.H.S.D. #108  
Lake Villa C.C.S.D. #41  
Lake Zurich C.U.S.D. #95  
Lamoille C.U.S.D. #303  
Lansing S.D. #158  
Laraway C.C.S.D. #70  
LaSalle Co. R.O.E.  
LaSalle E.S.D. #122  
LaSalle-Peru Twp. H.S.D. #120  
LaSalle-Putnam Ed. Alliance Spec. Ed.  
Lawrence Co. C.U.S.D. #20  
Lebanon C.U.S.D. #9  
Lee Ctr. C.U.S.D. #271  
Lee-Ogle Co. R.O.E.  
Leepertown C.C.S.D. #175  
Leland C.U.S.D. #1  
Lemont Twp. H.S.D. #210  
Lemont-Bromberek C.S.D. #113  
Lena Winslow C.U.S.D. #202  
LeRoy C.U.S.D. #2  
Lewistown C.U.S.D. #97  
Lexington C.U.S.D. #7  
Leyden C.H.S.D. #212  
Liberty C.U.S.D. #2  
Libertyville C.H.S.D. #128  
Libertyville S.D. #70  
Lick Creek C.C.S.D. #16  
Limestone C.H.S.D. #310  
Limestone Walters C.C.S.D. #316  
Lincoln C.H.S.D. #404  
Lincoln E.S.D. #27  
Lincoln E.S.D. #156  
Lincoln Way C.H.S.D. #210  
Lincolnshire-Prairie View S.D. #103  
Lincoln-Way Area Spec. Ed.  
Lincolnwood S.D. #74  
Lindop S.D. #92



*Bluffview Elementary School  
Dupo*

*Continued*

Lisbon C.C.S.D. #90	Meridian C.U.S.D. #101
Lisle C.U.S.D. #202	Meridian C.U.S.D. #223
Litchfield C.U.S.D. #12	Merriam C.C.S.D. #19
Livingston C.C.S.D. #4	Metamora C.C.S.D. #1
Livingston Co. Alternative School	Metamora Twp. H.S.D. #122
Lockport Area Spec. Ed. Coop.	Midland C.U.S.D. #7
Lockport S.D. #91	Midlothian S.D. #143
Lockport Twp. H.S.D. #205	Mid-State Spec. Ed.
Logan C.C.S.D. #110	Mid-Valley Spec. Ed. Joint Agmt.
Logan-Mason-Menard Co. R.O.E.	Midwest Central C.U.S.D. #191
Lombard S.D. #44	Milford C.S.D. #280
Lostant C.U.S.D. #425	Milford Twp. H.S.D. #233
Lovington C.U.S.D. #303	Millburn C.C.S.D. #24
Lowpoint-Washburn C.U.S.D. #21	Miller Twp. C.C.S.D. #210
Ludlow C.C.S.D. #142	Millstadt C.C.S.D. #160
Lyons S.D. #103	Minooka C.C.S.D. #201
Lyons Twp. H.S.D. #204	Minooka C.H.S. #111
Macomb C.U.S.D. #185	Mokena S.D. #159
Macon-Piatt Co. R.O.E.	Moline U.S.D. #40
Madison C.U.S.D. #12	Momence C.U.S.D. #1
Madison Co. Region II Spec. Ed.	Monmouth U.S.D. #38
Maercker S.D. #60	Monroe S.D. #70
Mahomet-Seymour C.U.S.D. #3	Monroe Randolph Co. R.O.E.
Maine Twp. H.S.D. #207	Monticello C.U.S.D. #25
Malden C.C.S.D. #84	Montmorency C.C.S.D. #145
Manhattan S.D. #114	Morris C.H.S.D. #101
Mannheim S.D. #83	Morris S.D. #54
Manteno C.U.S.D. #5	Morrison C.U.S.D. #6
Marengo C.H.S.D. #154	Morrisonville C.U.S.D. #1
Marengo-Union E.C.S.D. #165	Morton C.U.S.D. #709
Marion C.U.S.D. #2	Morton Grove S.D. #70
Marissa C.U.S.D. #40	Mt. Carroll C.U.S.D. #304
Maroa Forsyth C.U.S.D. #2	Mt. Olive C.U.S.D. #5
Marquardt S.D. #15	Mt. Prospect S.D. #57
Marseilles E.S.D. #150	Mt. Pulaski CUD #23
Marshall C.U.S.D. #2C	Mt. Vernon S.D. #80
Martinsville C.U.S.D. #3C	Mt. Vernon Twp. H.S.D. #201
Mascoutah C.U.S.D. #19	Mt. Zion C.U.S.D. #3
Massac U.S.D. #1	Mulberry Grove C.U.S.D. #1
Matteson E.S.D. #162	Mundelein C.H.S.D. #120
Mattoon C.U.S.D. #2	Mundelein E.S.D. #75
Maywood S.D. #89	Murphysboro C.U.S.D. #186
Mazon-Verona-Kinsman E.S.D. #2C	Naperville C.U.S.D. #203
McClellan C.C.S.D. #12	Nashville C.C.S.D. #49
McHenry C.C.S.D. #15	Nashville C.H.S.D. #99
McHenry C.H.S.D. #156	National Education Association
McHenry Co. R.O.E.	Nauvoo-Colusa C.U.S.D. #325
McLean Co. U.S.D. #5	Nelson Public S.D. #8
Medinah E.S.D. #11	Neoga C.U.S.D. #3
Mendota C.C.S.D. #289	Neponset C.C.S.D. #307
Mendota Twp. H.S.D. #280	Nettle Creek C.C.S.D. #24C
Meredosia-Chambersburg C.U.S.D. #11	New Athens C.U.S.D. #60
Meridian C.U.S.D. #15	New Holland-Middletown E.S.D. #88



*Continued*

New Hope C.C.S.D. #6	Ohio C.H.S.D. #505
New Lenox S.D. #122	Okaw Valley C.U.S.D. #302
New Simpson Hill C.S.D. #32	Olympia C.U.S.D. #16
New Trier Twp. H.S.D. #203	Opdyke-Belle-River C.C.S.D. #5
Newark C.C.S.D. #66	Orangeville C.U.S.D. #203
Newark C.H.S.D. #18	Oregon C.U.S.D. #220
Niantic-Harristown C.U.S.D. #6	Orion C.U.S.D. #223
Niles E.S.D. #71	Orland Park S.D. #135
Niles Twp. C.H.S.D. #219	Oswego C.U.S.D. #308
Nippersink S.D. #2	Ottawa E.S.D. #141
Nokomis C.U.S.D. #22	Ottawa Twp. H.S.D. #140
Norridge S.D. #80	Otter Creek-Hyatt S.D. #56
Norris City-Omaha-Enfield C.U.S.D. #325	Palatine C.C.S.D. #15
North Boone C.U.S.D. #200	Palatine Twp. H.S.D. #211
North Chicago S.D. #187	Palestine C.U.S.D. #3
North Clay C.U.S.D. #25	Palos C.C.S.D. #118
North DuPage Spec. Ed. Coop.	Palos Hts. S.D. #128
North Greene U.S.D. #3	Pana C.U.S.D. #8
North Palos S.D. #117	Panhandle C.U.S.D. #2
North Pekin-Marquette Hts. S.D. #102	Paris C.U.S.D. #4
North Shore S.D. #112	Paris-Union S.D. #95
North Wamac S.D. #186	Park Forest S.D. #163
North Wayne C.U.S.D. #200	Park Ridge C.C.S.D. #64
Northbrook Elem S.D. #27	Pass-Adult Ed. Prog.
Northbrook S.D. #28	Patoka C.U.S.D. #100
Northbrook-Glenview S.D. #30	Pawnee C.U.S.D. #11
Northfield Twp. H.S.D. #225	Paxton-Buckley-Loda S.D. #10
Northwest C.U.S.D. #175	Payson C.U.S.D. #1
Northwest Spec. Ed. Dist.	Pearl City C.U.S.D. #200
Northwest Suburban Spec. Ed. Org.	Pecatonica C.U.S.D. #321
Northwestern C.U.S.D. #2	Pekin C.H.S.D. #303
Norwood E.S.D. #63	Pekin Public S.D. #108
Oak Grove East S.D. #68	Pembroke C.C.S.D. #259
Oak Grove S.D. #68	Pennoyer S.D. #79
Oak Lawn C.H.S.D. #229	Peoria Co. R.O.E.
Oak Lawn-Hometown S.D. #123	Peoria Hts. C.U.S.D. #325
Oak Park E.S.D. #97	Peoria S.D. #150
Oak Park-River Forest S.D. #200	Peotone C.U.S.D. #207
Oakdale C.C.S.D. #1	Perandoe Spec. Ed. Dist.
Oakland C.U.S.D. #5	Peru E.S.D. #124
Oakwood C.U.S.D. #76	Philip J. Rock Service Ctr.
Oblong C.U.S.D. #4	Pikeland C.U.S.D. #10
Odell C.C.S.D. #435	Pinckneyville C.H.S.D. #101
Odin C.H.S.D. #700	Pinckneyville S.D. #50
Odin S.D. #122	Plainfield S.D. #202
O'Fallon C.C.S.D. #90	Plano C.U.S.D. #88
O'Fallon T.H.S.D. #203	Pleasant Hill C.U.S.D. #3
Ogden C.C.S.D. #212	Pleasant Hill S.D. #69
Ogle Co. Spec. Ed.	Pleasant Plains C.U.S.D. #8
Oglesby E.S.D. #125	Pleasant Valley S.D. #62
Ohio & Wabash Valley Voc. Sys.	Pleasantdale S.D. #107
Ohio C.C.S.D. #17	Polo C.U.S.D. #222
	Pontiac C.C.S.D. #429



*Somonauk Middle School  
Somonauk*

*Continued*

Pontiac Twp. H.S.D. #90	Riverton C.U.S.D. #14
Pontiac-West Holliday S.D. #105	Riverview C.C.S.D. #2
Pope Co. C.U.S.D. #1	Roanoke Benson C.U.S.D. #60
Porta C.U.S.D. #202	Robein S.D. #85
Posen-Robbins E.S.D. #1435	Robertson Charter School
Potomac C.U.S.D. #10	Robinson C.U.S.D. #2
Prairie Central C.U.S.D. #8	Rochelle C.C.S.D. #231
Prairie Crossing Charter School	Rochelle Twp. H.S.D. #212
Prairie Du Rocher C.C.S.D.	Rochester C.U.S.D. #3A
Prairie Grove C.S.D. #46	Rock Falls E.S.D. #13
Prairie Hill C.C.S.D. #133	Rock Falls Twp. H.S.D. #301
Prairie Hills E.S.D. #144	Rock Island Co. R.O.E.
Prairieview C.C.S.D. #192	Rock Island S.D. #41
Princeton E.S.D. #115	Rockdale S.D. #84
Princeton Twp. H.S.D. #500	Rockford S.D. #205
Princeville C.U.S.D. #326	Rockridge C.U.S.D. #300
Professional Dev. Alliance	Rockton S.D. #140
Prophetstown-Lyndon-Tampico S.D. #3	R.O.E. Professional Services #19
Prospect Hts. S.D. #23	Rome C.C.S.D. #2
Proviso Twp. H.S.D. #209	Rondout S.D. #72
Puffer-Hefty S.D. #69	Rooks Creek C.C.S.D. #425
Putnam Co. C.U.S.D. #535	Roselle S.D. #12
Queen Bee S.D. #16	Rosemont E.S.D. #78
Quincy S.D. #172	Roseville C.U.S.D. #200
R.O.W.V.A. C.U.S.D. #208	Rossville-Alvin C.U.S.D. #7
Raccoon C.S.D. #1	Round Lake Area S.D. #116
Ramsey C.U.S.D. #204	Roxana C.U.S.D. #1
Rankin C.S.D. #98	Rutland C.C.S.D. #230
Rantoul City S.D. #137	Safe School-Optional Ed. R.O.E. #12
Rantoul Twp. H.S.D. #193	Salem C.H.S.D. #600
Reavis Twp. H.S.D. #220	Salem S.D. #111
Red Bud C.U.S.D. #132	Salt Creek S.D. #48
Red Hill C.U.S.D. #10	Sandoval C.U.S.D. #501
Reed Custer C.U.S.D. #255	Sandridge S.D. #172
Reg. Delivery Sys. Voc. Ed & Gifted Prog.	Sandwich C.U.S.D. #430
Regional Voc. Sys.	Sangamon Area Spec. Ed.
Rhodes S.D. #84.5	Sangamon Co. R.O.E.
Rich Twp. H.S.D. #227	Saratoga C.C.S.D. #60C
Richland S.D. #88A	Sauk Village C.C.S.D. #168
Richmond Burton H.S.C.D. #157	Saunemin C.C.S.D. #438
Ridgeland S.D. #122	Savanna C.U.S.D. #300
Ridgeview C.U.S.D. #19	Scales Mound C.U.S.D. #211
Ridgewood C.H.S.D. #234	Schaumburg C.C.S.D. #54
Riley C.C.S.D. #18	Schiller Park S.D. #81
River Bend C.U.S.D. #2	School Assoc. for Spec. Ed. in DuPage Co.
River Forest S.D. #90	School District #U46
River Grove S.D. #855	Schuyler Co. C.U.S.D. #1
River Ridge C.U.S.D. #210	Scott-Morgan C.U.S.D. #2
River Trails S.D. #26	Selmaville C.C.S.D. #10
Riverdale C.U.S.D. #100	Seneca C.C.S.D. #170
Riverdale S.D. #14	Seneca Twp. H.S.D. #160
Riverside S.D. #96	Serena C.U.S.D. #2
Riverside-Brookfield C.U.S.D. #208	Sesser-Valier C.U.S.D. #196

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Shawnee C.U.S.D. #84  
Shelbyville C.U.S.D. #4  
Sheldon C.U.S.D. #5  
Sherrard C.U.S.D. #200  
Shiloh C.U.S.D. #1  
Shiloh Village S.D. #85  
Shirland C.C.S.D. #134  
Signal Hill S.D. #181  
Silvis S.D. #34  
Skokie S.D. #68  
Skokie S.D. #69  
Skokie S.D. #735  
Skokie-Fairview S.D. #72  
Smithton C.C.S.D. #130  
Somonauk C.U.S.D. #432  
South Beloit C.U.S.D. #320  
South Central C.U.S.D. #401  
South Eastern Spec. Ed.  
South Fork S.D. #14  
South Holland S.D. #150  
South Holland S.D. #151  
South Pekin S.D. #137  
South Will Co. Coop. for Spec. Ed.  
South Wilmington C.S.D. #74  
Southeastern C.U.S.D. #337  
Southern C.U.S.D. #120  
Southwest Cook Spec. Ed. Coop.  
Southwestern C.U.S.D. #9  
Sparta C.U.S.D. #140  
Spec. Ed. Joint Agmt. #802 Cook Co.  
Spec. Ed. Joint Agmt. #803 Proviso Area  
Spec. Ed. Joint Agmt. #804 North  
    Suburban  
Spec. Ed. Coop.  
Spec. Ed. Dist. - Region 3  
Spec. Ed. Dist. of McHenry Co.  
Spec. Ed. Dist. of Peoria Co.  
Spec. Ed. Teacher of Macoupin Co.  
Spoon River Valley C.U.S.D. #4  
Spring Lake C.C.S.D. #606  
Spring Valley C.C.S.D. #99  
Springfield Ball Charter School  
Springfield S.D. #186  
St. Anne C.C.S.D. #256  
St. Anne C.H.S.D. #302  
St. Charles C.U.S.D. #303  
St. Clair Co. R.O.E.  
St. Elmo C.U.S.D. #202  
St. George C.C.S.D. #258  
St. Joseph C.C.S.D. #169  
St. Joseph Ogden C.H.S. #305  
St. Libory C.S.D. #30  
St. Rose S.D. #14  
Stark Co. C.U.S.D. #100  
Staunton C.U.S.D. #6  
Steeleville C.U.S.D. #138  
Steger S.D. #194  
Sterling CUD #5  
Steward E.S.D. #220  
Stewardson-Strasburg C.U.S.D. #5  
Stockton C.U.S.D. #206  
Streator E.S.D. #44  
Streator Twp. H.S.D. #40  
Streator Woodland C.U.S.D. #5  
Suburban Cook Co. R.O.E.  
Sullivan C.U.S.D. #300  
Summersville S.D. #79  
Summit Hill S.D. #161  
Sunnybrook S.D. #171  
Sunset Ridge S.D. #29  
Sycamore C.U.S.D. #427  
Taft S.D. #90  
Tamaroa S.D. #5  
Taylorville C.U.S.D. #3  
Tazewell Co. R.O.E.  
Tazewell-Mason Co. Spec. Ed. Assoc.  
Teachers' Retirement System  
Technology Ctr. of DuPage Co.  
Teutopolis C.U.S.D. #50  
Thomas Jefferson Charter School  
Thomasboro C.C.S.D. #130  
Thompsonville C.H.S.D. #112  
Thompsonville S.D. #62  
Thomson C.U.S.D. #301  
Thornton Fractional H.S.D. #215  
Thornton S.D. #154  
Thornton Twp. H.S.D. #205  
Three Rivers Ed. for Employment Sys.  
Tinley Park S.D. #146  
Tolono C.U.S.D. #7  
Tonica C.C.S.D. #79  
Tower Hill CUD #6  
Township H.S.D. #214  
Tremont C.U.S.D. #702  
Tri City C.U.S.D. #1  
Tri Co. Spec. Ed. Assoc.  
Tri Point C.U.S.D. #6-J  
Tri Valley C.U.S.D. #3  
Triad C.U.S.D. #2  
Trico C.U.S.D. #176  
Tri-Co. Spec. Ed. Coop.  
Triopia C.U.S.D. #27  
Troy C.C.S.D. #30C  
Truants Alternative Optional Ed. Plan  
Tuscola C.U.S.D. #301  
Twin Rivers Reg. Voc. Delivery Sys.



*Beebe Elementary School  
Naperville*

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Two Rivers Professional Development	West Northfield S.D. #31
Union C.U.S.D. #115	West Pike C.U.S.D. #2
Union C.U.S.D. #115	West Richland C.U.S.D. #2
Union Ridge S.D. #86	West Washington C.U.S.D. #10
Union S.D. #81	Westchester S.D. #92.5
United Twp. H.S.D. #30	Western Springs S.D. #101
Unity Point C.C.S.D. #140	Westmer C.U.S.D. #203
Urbana S.D. #116	Westmont C.U.S.D. #201
Utica E.S.D. #135	Westville C.U.S.D. #2
V.I.T. C.U.S.D. #2	Wethersfield C.U.S.D. #230
Valley View C.U.S.D. #365	Wheeling C.C.S.D. #21
Valmeyer C.U.S.D. #3	Whiteside Co. R.O.E.
Vandalia C.U.S.D. #203	Whiteside Reg. Voc. Sys.
Venice C.U.S.D. #3	Whiteside S.D. #115
Vermilion Co. Spec. Ed. Assoc.	Will Co. Area Career Ctr.
Vienna S.D. #55	Will Co. S.D. #92
Vienna Twp. H.S.D. #133	Williamsfield C.U.S.D. #210
Villa Grove C.U.S.D. #302	Williamson Co. Spec. Ed. Dist.
Villa Park S.D. #45	Williamsville C.U.S.D. #15
Virden C.U.S.D. #4	Willow Grove S.D. #46
Virginia C.U.S.D. #64	Willow Springs S.D. #108
Wabash & Ohio Valley Spec. Ed. Dist.	Wilmette S.D. #39
Wabash C.U.S.D. #348	Wilmington C.U.S.D. #209
Wallace C.C.S.D. #195	Winchester C.U.S.D. #1
Waltham C.C.S.D. #185	Windsor C.U.S.D. #1
Waltonville C.U.S.D. #1	Winfield S.D. #34
Warren C.U.S.D. #205	Winnebago C.U.S.D. #323
Warren C.U.S.D. #222	Winnebago Co. Spec. Ed. Coop.
Warren Twp. H.S.D. #121	Winnetka S.D. #36
Warrensburg-Latham C.U.S.D. #11	Winthrop Harbor S.D. #1
Warsaw C.U.S.D. #316	Wolf Branch S.D. #113
Washington C.H.S.D. #308	Wood Dale S.D. #7
Washington S.D. #52	Wood River-Hartford E.S.D. #15
Waterloo C.U.S.D. #5	Woodford Co. Spec. Ed.
Wauconda C.U.S.D. #118	Woodland C.C.S.D. #50
Waukegan C.U.S.D. #60	Woodlawn C.C.S.D. #4
Waverly C.U.S.D. #6	Woodlawn C.H.S.D. #205
Wayne City C.U.S.D. #100	Woodridge S.D. #68
Webber Twp. H.S.D. #204	Woodstock C.U.S.D. #200
Wesclin C.U.S.D. #3	Worth S.D. #127
West Central Ill. Spec. Ed. Coop.	Yorkville C.U.S.D. #115
West Chicago C.H.S.D. #94	Yorkwood C.U.S.D. #225
West Chicago E.S.D. #33	Zeigler Royalton C.U.S.D. #188
West Harvey-Dixmoor S.D. #147	Zion E.S.D. #6
West Lincoln-Broadwell S.D. #92	Zion-Benton Twp. H.S.D. #126



*Tunnel Hill Center  
Tunnel Hill*