



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

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

**Financial Audit
For the Year Ended: June 30, 2013**

Release Date: January 8, 2014

Summary of Findings:

Total this audit:	0
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This digest covers our financial statement audit of Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2013. A report on the results of the compliance examination covering the year ended June 30, 2013 will be issued in a separate report at a later date.

FUNDED RATIO

The actuarial accrued liability was valued at \$93.9 billion at June 30, 2013. The actuarial value of assets (at smoothed value) totaled approximately \$38.2 billion at June 30, 2013. The method for determining the actuarial value of the assets was changed beginning with the June 30, 2009 valuation from the market value to a smoothed value where the actuarial investment gains or losses for each year are recognized in equal amounts over the ensuing five-year period. The difference between the actuarial accrued liability and the actuarial value of assets of \$55.7 billion reflects the unfunded liability of the System at June 30, 2013. The System had a funded ratio (at smoothed value) of 40.6% at June 30, 2013. When using the market value the System would have had a funded ratio of 42.5% at June 30, 2013.

AUDITORS' OPINION

The auditors stated the financial statements of the Teachers' Retirement System of the State of Illinois as of June 30, 2013, and for the year then ended, are presented fairly in all material respects.



WILLIAM G. HOLLAND, Auditor General

WGH:RPU

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were McGladrey LLP.

{Financial data is summarized on the next page.}

TEACHERS' RETIREMENT SYSTEM OF ILLINOIS

FINANCIAL AUDIT

For the Year Ended June 30, 2013

OPERATING STATEMENT ANALYSIS	2013	2012
Additions:		
Contributions - Members.....	\$ 921,422,657	\$ 917,661,328
Contributions - State of Illinois.....	2,703,312,213	2,406,364,156
Contributions - School Districts / Employers.....	157,179,243	154,894,946
Total Contributions.....	<u>3,781,914,113</u>	<u>3,478,920,430</u>
Investment Income - Increase/(Decrease) in Fair Value.....	3,801,020,789	(569,789,574)
Investment Income - Income From Investments.....	1,041,120,321	1,028,703,620
Investment Expense.....	(280,372,727)	(234,807,327)
Total Investment Income.....	<u>4,561,768,383</u>	<u>224,106,719</u>
Total Additions.....	<u>8,343,682,496</u>	<u>3,703,027,149</u>
Deductions		
Benefits.....	4,893,084,234	4,553,822,073
Refunds.....	88,397,549	84,635,032
Administrative Expenses.....	20,257,553	19,011,899
Total Expenses.....	<u>5,001,739,336</u>	<u>4,657,469,004</u>
Additions Over/(Under) Deductions.....	<u>\$ 3,341,943,160</u>	<u>\$ (954,441,855)</u>
INVESTMENT PORTFOLIO ANALYSIS - Fair Value	June 30, 2013	June 30, 2012
Fixed Income.....	\$ 6,872,432,511	\$ 6,826,294,726
Equities.....	17,116,072,384	15,764,857,982
Real Estate.....	4,680,490,237	4,480,390,766
Short-term Investments.....	1,448,944,819	885,036,978
Private Equity Investments.....	4,687,146,815	4,175,728,282
Real Return.....	2,661,472,243	2,582,307,633
Absolute Return.....	2,110,246,003	1,978,268,562
Foreign Currency.....	114,363,611	81,921,602
Derivatives.....	(9,415,670)	7,297,522
Total Investment Portfolio.....	<u>\$ 39,681,752,953</u>	<u>\$ 36,782,104,053</u>
ADMINISTRATIVE EXPENSES	2013	2012
Personal Services.....	\$ 15,482,674	\$ 14,856,497
Professional Services.....	1,460,844	1,216,461
Postage.....	253,734	292,006
Machine Repair and Rental.....	571,212	583,638
Other Contractual Services.....	914,800	878,682
Commodities.....	429,789	291,941
Occupancy Expense.....	242,689	248,570
Depreciation.....	901,811	644,104
Total Administrative Expenses.....	<u>\$ 20,257,553</u>	<u>\$ 19,011,899</u>
SUPPLEMENTARY INFORMATION	June 30, 2013	June 30, 2012
Benefit Recipients.....	108,783	105,447
Active Members.....	160,692	162,217
Inactive Members.....	120,325	99,052
Total.....	<u>389,800</u>	<u>366,716</u>
FUNDING PROGRESS	June 30, 2013	June 30, 2012
Actuarial Accrued Liability.....	\$ 93,886,988,000	\$ 90,024,945,000
Actuarial Value of Assets.....	38,155,191,000	37,945,397,000
Unfunded Actuarial Accrued Liability.....	<u>\$ 55,731,797,000</u>	<u>\$ 52,079,548,000</u>
Funded Ratio.....	40.6%	42.1%
EXECUTIVE DIRECTOR		
During Engagement Period: Richard W. Ingram		
Currently: Richard W. Ingram		