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News

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TRS GENERATED $10 IN INVESTMENT INCOME FOR EVERY $1 PAID IN FEES BETWEEN 2001 AND 2010

SPRINGFIELD, IL – Between 2001 and 2010, Teachers' Retirement System generated approximately $10 in investment revenue for every $1 spent by the System in fees to outside money managers hired to administer its investments.

This TRS analysis was prompted by questions submitted to TRS by the Chicago-based Better Government Association and WBBM-TV in Chicago as part of a six-month BGA inquiry into the investment practices of Illinois' public pension systems.

TRS generated $10.937 billion in investment revenue between fiscal year 2001 and fiscal year 2010. The BGA estimates that TRS spent $1.3 billion in fees to outside money management and brokerage firms during that period. The average amount of TRS assets available for investment during that period of time was $33.6 billion.

The BGA is comparing the $1.3 billion spent on fees against the System's average investment rate of return percentage for 2001-2010, which was 3.7 percent. While the 3.7 percent falls below the TRS target rate of return of 8.5 percent, the period studied also includes the 2008-2009 worldwide financial meltdown, which negatively affected 10-year return averages. The TRS rate of return since April, 2009 is 14.8 percent, well above the System's 8.5 percent target.

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In fiscal year 2011, which ended last June, TRS recorded a 23.6 percent rate of return after all fees had been subtracted and generated $7.2 billion in investment income. The TRS 30-year rate of return is 9.3 percent. At the end of March, 2012 total TRS assets stood at $37 billion.

TRS members follow the System's investment practices and results very closely because in many cases a TRS pension is the primary source of retirement security for many educators. Inquiries by private organizations that could erroneously place those investment practices in a negative light create unnecessary concerns among the System's 362,000 members.

TRS will always actively work to ensure that correct facts and a complete analysis of its operations and practices are available to its members and the public. In this spirit of full disclosure, here are questions submitted to TRS by the BGA and the complete answers to those questions from TRS.

BGA: BGA found that TRS paid $1.3 billion in fees to hundreds of money management and brokerage firms between FY 2001 and 2010. Between FY 2001-2010, TRS' 10-year average rate of return was 3.7 percent. Was that fee money well spent?

TRS: **The $1.3 billion in investment fees paid out resulted, during the period, in total investment income of $10.937 billion, or an approximate return of $10 for every $1 spent in fees.**

TRS's investment management fees are competitive, and often superior, to public pension plans of a similar size. In the 10-year period being studied by the BGA, TRS assets available for investment averaged $33.6 billion per year. A total of $1.3 billion in fees equates to an average annual fee of 39 basis points over the period.

For comparison, the average public pension fund paid fees of 48.5 basis points in fiscal year 2010. Pension systems with more than $20 billion in assets had average investment manager fees of 55.2 basis points in fiscal year 2009.

TRS paid fees to "hundreds of money management and brokerage firms" during the period because all assets are externally managed.

A "basis point" is a standard measurement in investing - one-hundredth of 1 percent.

BGA: Do you contend that heavy losses during the financial crisis alone led to a subpar 10-year-average rate of return between FY 2001-2010?

TRS: **The use of the word "subpar" is highly subjective and in this case applies to only a limited and specific snapshot of time being studied by the BGA. Other measurements indicate that TRS investments over time are far from "subpar."**

The TRS average investment return for a 25-year period ending in FY 2010 was 8.6 percent. The average TRS investment return for the 30-year period between 1981 and 2011 was 9.3 percent. Both rates beat the System's assumed long-term rate of return of 8.5 percent.

Data compiled by the System's independent investment consultant over multiple time periods beyond the decade being studied by TRS shows that the System's investment performance ranks highly among similar public pension funds.

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The following table details, in percentile rankings, the investment performance of TRS compared to similar public pension funds for both 10-year and 25-year periods in several fiscal years. A ranking of "1" represents the best performing fund in this universe while a ranking of "50" represents the average or median fund.

	10 Year	**25 Year**
as of June 30, 2008	**9**	**1**
as of June 30, 2009	**23**	**1**
as of June 30, 2010	**28**	**1**
as of June 30, 2011	**12**	**18**

The 10-year investment rate of return fell below the System's 8.5 percent assumed rate of return in fiscal years 2008 and 2009 in large part due to the depth of the global financial crisis and the severity of its impact on all investments.

Below are the TRS investment rates of returns for each year between FY 2001 and FY 2010. It is obvious that the two economic downturns, especially the financial crisis of 2008-2009, had a tremendous effect on investment returns. The unprecedented magnitude of the 2008-09 financial crisis had a profound effect on portfolios all over the world.

Fiscal Year	**TRS Rate of Return (after fees are subtracted)**
2010	**+12.8**
2009	**- 22.7**
2008	**- 5.0**
2007	**+19.2**
2006	**+11.8**
2005	**+10.8**
2004	**+16.5**
2003	**+ 4.9**
2002	**- 3.2**
2001	**- 4.2**

TRS has achieved these returns with a primary focus on controlling risk. When compared to similar systems, TRS has earned these returns with a lower than median risk for all the time periods in the chart above as measured by standard deviation.

The TRS portfolio has experienced less risk over these time periods than found in a simple passive investment portfolio comprised of 60 percent stocks and 40 percent bonds.

BGA: Is TRS' annual target return 8.5 percent with or without fees? And is that target an average figure? Please explain.

TRS: **The 8.5 percent assumed rate of return is after fees are subtracted. It is a long-term target average figure that is measured against the long-term average actual rate of return. The TRS investment rate of return over the last 30 years was 9.3 percent.**

BGA: Based on numbers provided by TRS to the BGA, the pension fund's Top 10 money management and brokerage firms received fees of nearly $381 million between FY 2001-2010. (This number is based on information provided by TRS to BGA through the Illinois Freedom of Information Act.) What expectations do you have for vendors who are paid so much money? Are they each measured by rates of return, or other metrics?

TRS: **The philosophy of the TRS Board of Trustees is to set investment policies that establish acceptable risk parameters and then create maximum benchmark returns within those parameters. The expectation is that money managers will find suitable investments with a manageable risk that generate a positive return for the System's members.**

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The investment rate of return is not the primary measure applied to all money managers, but it is a significant measurement. The metrics are spelled out in the TRS Investment Policy, which is provided to each money manager.

These metrics include risks inherent in the firm's investment philosophy; return expectations; fees and other terms and conditions; comparative measures such as peer benchmarks; depth and development of the firm over time; adherence to or shifts in the firm's investment philosophy; and responsiveness to the specific needs of TRS.

BGA: How do you measure private equity, which is a very fluid investment? Money is initially invested in PE firms but returns may not materialize for years (usually after an asset is sold). How do you book these returns on an annual basis?

TRS: **TRS private equity returns are measured against the Russell 3000 public index plus an additional 300 basis points. Private equity partnerships are valued quarterly by the General Partners of each fund in accordance with fair value measurement standards adopted by the Financial Accounting Standards Board. TRS uses values from the General Partner and calculates an internal rate of return (IRR) for each quarterly period by taking into account each investment's cash flows for the period. This calculation is also consistent with the Global Investment Performance Standards, which are the formal performance guidelines first adopted in 1987 to provide standardized, industry-wide calculation methodologies.**

Private equity investments must be measured on a long-term investment horizon. But even in the early years of a private equity fund, TRS staff continually reviews the General Partner teams to ensure the stability of each fund's organization and their adherence to the stated investment process and strategy. It is standard practice to allow fund managers an appropriate period of time to invest the System's capital and fully execute the investment strategy. It is illogical to pass judgment on a fund's investment performance within the first few years of a fund's existence.

BGA: BGA used figures provided by TRS to determine that Carlyle was by far your biggest INVESTMENT vendor, earning $71 million in fees from fiscal 2001 to 2010. How did TRS decide to invest this amount of money in one firm? Has every investment in Carlyle provided the top return that you expect from a PE firm?

TRS: **To presume that every investment selected by any individual, money management firm or pension system will always develop positive returns is a false standard unknown in the investment world.**

The Carlyle Group is a global investment manager with $148 billion under management and 89 independent investment funds. In aggregate, TRS's private equity investments with the Carlyle Group have yielded a combined 14.5 percent internal rate of return after all investment fees are subtracted, as of June 30, 2011.

TRS has invested private equity money in eight different funds managed by the Carlyle Group over a seven–year period. Each fund has a different set of investment objectives and is managed by a separate investment team. TRS is careful to assess the risks and attributes of each fund separately from the other funds. The System also uses a third-party private equity consultant to independently evaluate each fund and formulate their own fiduciary investment opinion for TRS.

While not every fund investment made to Carlyle has performed up to expectations, the total relationship has been highly successful. In instances where a fund has not met expectations, it is closely monitored by investment staff and the private equity consultant to determine the reason for falling short of expectation.

While these commitments are contractual in nature and cannot typically be ended during the term of the contract, individual funds that do not meet expectations are unlikely to receive additional TRS funding if requested. All new investments in private equity funds, including any potential new investments with the Carlyle Group, are subjected to a full review and due diligence based on qualitative research, as well as analysis for portfolio fit. There are no exceptions.

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BGA: As you increase your exposure to private equity, do you expect Carlyle to be a primary beneficiary?

TRS: **All new TRS investments are based on multiple factors including performance, track record, strategy, portfolio fit, quality, investment team experience and stability of the firm. A manager must exhibit a track record of superior skill and performance against its peers for the desired strategy.**

With regard to Carlyle specifically, TRS has enjoyed a successful relationship with the firm for many years. However, TRS has not made any new allocation to the firm since March of 2008. Future opportunities with any investment management firm will be reviewed in detail on a case-by-case basis. New investments are made only in situations where the specific opportunity is a productive fit within the TRS portfolio and represents the most competitive offering in the market.

BGA: Why is TRS increasing its private equity exposure? Isn't it true that the returns can be very good but these types of investments also carry a lot of risk?

TRS: **TRS is increasing its private equity investments from a target of 10 percent of the total portfolio to 12 percent of the total portfolio. TRS selects private equity investments with a risk expectation that fit within the System's parameters and philosophy as well as an expectation of positive returns.**

Over time, the System has developed many high-quality relationships within the private equity asset class. Over long-term periods, private equity is consistently the top performing asset class within the TRS portfolio. At the same time, TRS's private equity portfolio has experienced substantially less market volatility than is predicted within the total portfolio.

Since inception of the private equity program in 1982, TRS has earned an internal rate of return of 17.8 percent on these investments after all fees are subtracted. TRS has built its private equity portfolio in a measured and thoughtful manner. The asset class is fully diversified with allocations in several investments strategies including corporate finance, venture capital and growth equity.

Finally, with regard to risk, the System's asset allocation process is conducted with a focus on the total TRS plan as a whole. When combining the allocations to all equity asset classes - domestic equity, international equity and private equity - TRS is actually *decreasing* the portfolio's exposure to equity risk with the adoption of the most recent asset allocation targets in 2011. The new target for the combined equity asset classes is 52 percent of the total portfolio, a decrease of 4 percent.

BGA: TRS' rate of return was 24 percent for FY 2011. How do you explain the improvement from the prior year?

TRS: **FY 2011 was an exceptional year for institutional investors across the country, including TRS and other public pension systems in Illinois. Clearly the strength of the global equity markets - returns in excess of 30 percent - provided a favorable investment environment for investors.**

In addition to strong market returns, TRS's prudent investment decisions and a diversified, high quality portfolio contributed to the System's strong performance when compared to similar pension funds. The TRS return for FY 2010, 12.8 percent, also reflected the success and prudence of System's strategy.

Below is a partial list of other large pension systems across the country and their actual rates of return. TRS's experience in FY2011 was not out of the ordinary.

Louisiana Teachers' Retirement System	**26.8%**
Chicago Public School Teachers' Pension and Retirement Fund	**24.5%**
Louisiana State Employees' Retirement System	**24.3%**
Illinois Teachers' Retirement System	***23.6%***
Illinois State Universities Retirement System	**23.8%**
Oklahoma Teachers' Retirement System	**23.5%**
New York City Retirement Systems	**23.23%**
California State Teachers' Retirement System	**23.1%**
Wisconsin State Investment Board	**22.9%**
New Mexico State Investment Council	**22.5%**

BGA: What's TRS' philosophy in terms of internal vs. external investment management? Does TRS believe it's more effective to hire outside managers vs. developing greater internal staff with expertise in various investment classes or segments?

TRS: **With $37.8 billion in assets at the end of FY 2011, TRS maintains a widely diversified investment portfolio across seven asset classes. The Board's philosophy has preferred the use of external managers because the depth of the firms' resources and global presence are better suited and prepared to provide the needed expertise within specific asset classes. TRS also is able to use and benefit from these global resources in the course of market research and asset allocation decisions.**

Creating and developing an internal management team at TRS capable of replacing a meaningful component of the current external manager roster would require an extremely aggressive expansion of TRS staff in order to properly oversee the investment of $37 billion.

BGA: More than 200 vendors received fees or commissions exceeding $1 million each over the past 10 years, according to the TRS data analyzed by the BGA. How does TRS police all those investment managers? What checks and balances are in place to make sure that each vendor is providing the best return to TRS?

TRS: **The checks and balances are spelled out in the TRS Investment Policy. The System's external investment managers are overseen on a day-to-day basis by a 20-person investment staff. The investment staff is monitored daily by senior management. All decisions to allocate money to external managers must be ratified by the System's Board of Trustees following an extensive review of the risks and rewards inherent in each opportunity by the investment staff. TRS accounts are audited annually by the Illinois Auditor General and outside auditing firms. TRS currently has relationships with 146 external asset managers.**

All meetings of the TRS Board of Trustees are open to the public.

The metrics used to "police" investment managers are spelled out in the TRS Investment Policy, which is provided to each money manager. These metrics include risks inherent in the firm's investment philosophy; return expectations; fees and other terms and conditions; comparative measures such as peer benchmarks; depth and development of the firm; shifts in the firm's investment philosophy; and responsiveness to the specific needs of TRS. The System's investment managers receive an in-depth review at a minimum of once a year. The results of these reviews are presented to the Board of Trustees.

BGA: BGA has interviewed pension, finance and legal experts. Some have said that $1.3 billion over 10 years is a lot to spend, especially for modest returns. They say fees that high should result in outsized returns, in excess of low single digits, for TRS. Does TRS have a response to that assertion?

TRS: **During the period arbitrarily chosen by the BGA, TRS spent $1.3 billion in fees, had an average asset base of $33.6 billion per year and realized investment income of $10.937 billion, or $10 for every $1 spent on fees. The result is an average fee of 39 basis points on the total portfolio for the period, an average that is below the average fees paid by pension funds of a similar size.**

Any opinion about TRS investment practices measured against a specific 10-year period of history is very limited in depth and does not recognize that TRS is a perpetual entity that looks beyond 10-year periods of time. The BGA chose a period of time that included an unprecedented world-wide financial downturn, yet even with the inclusion of the unprecedented events of 2008-09 the System's long-term investment returns remain above its 8.5 percent assumed rate of return.

Other arbitrary measures of time produce the following results: TRS investment returns over a 30-year period, including the 10 years being studied by the BGA, are 9.3 percent, which beats the assumed long-term rate of return of 8.5 percent. In FY 2010 and FY 2012, investment returns averaged 18.2 percent. In the five years between FY 2003 and FY 2007, investment returns averaged 12.64 percent.

BGA: A number of U.S. pension funds are reducing their payments to external managers and bringing investment decisions in-house to save money. Is TRS looking at overall costs of paying vendors?

TRS: **The fees paid by TRS to outside money managers are expenditures that are always under study by the Board and staff.**

BGA: This legislative session a House committee will explore the investment strategies of state pension funds, including TRS. Will TRS participate in those hearings? If so, what does TRS expect to say?

TRS: **TRS will certainly play a major role in any hearings that may be held by this special committee. TRS always cooperates fully with all legislative requests and answers all questions. When we hear the questions, we will provide the answers.**

BGA: In its November email response to the BGA, TRS said fees are "a major consideration" in selecting managers. Can you elaborate, please?

TRS: **The fees charged by money managers and the conditions and terms under which they agree to invest TRS assets are important factors in determining whether TRS will allocate money to a particular firm.**

BGA: Explain the process involved in determining your investment strategy? How often does TRS review vendors, overall investment strategy, allocation of assets and return on investments?

TRS: **The TRS investment strategy is determined by the Board of Trustees in consultation with the investment staff and the System's investment consultants. TRS reviews the work of money managers constantly. Changes in the roster of money managers and the status of those managers are made as necessary or prudent at each of the seven regularly-scheduled meetings of the Board of Trustees during the fiscal year. All such recommendations and decisions are made by the Board in open session ensuring full transparency to the decision making process.**

The allocation of assets is a formal, in-depth process that by policy occurs at a minimum of every three years. The latest asset allocation targets were set by the Board in 2011. The formal discussion and approval of the asset allocation was conducted in open sessions of the Board of Trustees between October of 2010 and April of 2011 and covered by *Pensions & Investments* magazine.

Determining the System's assumed long-term rate of return also is a formal in-depth process that occurs every five years. The long-term assumed rate of return for the next five year period will be discussed in open session and set by the Board in 2012.

BGA: When was the last review and what conclusions were made?

TRS: **TRS reviews the work and effectiveness of money managers and professional service providers constantly. Depending on the asset class, the work of money managers is reviewed and critiqued daily, monthly or quarterly. Changes in the roster of money managers and the status of those managers are made as necessary or prudent at each of the seven regularly-scheduled meetings of the Board of Trustees during the fiscal year. The managers in each asset class receive a formal, in-depth review once a year.**

The allocation of assets is a formal, in-depth process that by policy occurs at a minimum of every three years. The latest asset allocation targets were set by the Board in 2011. The 2011 target allocations for each asset class and the previous targets are as follows:

Asset Class	Target Set in 2011	Previous Target
Domestic Equity	20 percent	26 percent
International Equity	20 percent	20 percent
Fixed Income	16 percent	15 percent
Real Estate	14 percent	14 percent
Private Equity	12 percent	10 percent
Real Return	10 percent	10 percent
Absolute Return	8 percent	5 percent

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Determining the System's assumed long-term rate of return also is a formal in-depth process that by law occurs every five years. The long-term assumed rate of return for the next five-year period will be set by the Board in 2012.

The last review of the assumed long-term rate of return was made in 2007 and the assumed rate of return was set at 8.5 percent.

BGA: When TRS uses the term "net of fees" when citing investment returns does it mean that fees are NOT included in that return figure? Yes or No, pls?

TRS: **"Net of fees" means the amount of money realized in investment income after the total amount of money paid in fees has been subtracted from the total amount of investment income.**

TRS believes "net of fees" is the more important measurement of the System's return because it reflects the dollars earned through investment performance that are actually available to reinvest or pay benefits.

BGA: When TRS uses the term "gross of fees" when citing investment returns does that means fees are included? Yes or No, pls?

TRS: **"Gross of fees" means the total amount of investment income before the total amount of money paid in fees has been subtracted out.**

With regard to the above "net of fees" and "gross of fees" questions, the following example may be beneficial. Assume a person had $100 in an investment portfolio. The investor's portfolio returned 10 percent and paid an asset-based fee of 1 percent (for the sake of simplicity, assume the fee is paid on beginning assets). The "gross of fee" return is 10%, while the "net of fee" return is 9% The calculation is: $100 plus a $10 gain minus a $1 fee = $109, or a net $9 gain).

BGA: The 10-year average rate of return for 2001-2010 in TRS's annual report is 3.3 percent. Is that rate of return with or without fees?

TRS: **That rate of return is "net of fees" – fees have been subtracted from the total amount of investment income.**

BGA: If that return is without fees, what would that rate of return be if it ***included*** fees? Is that the ***3.7 percent*** cited by TRS in Mr. Urbanek's 11/18/11 email to Robert Reed of the BGA? Yes or No, pls?

TRS: **The 3.7 percent number is "gross of fees" or the total investment return before all fees were subtracted for that period.**

BGA: What are the rates of return for TRS investments INCLUDING THE COST OF FEES over the past 25 and 30 years?

TRS: **"Including the cost of fees" is the "net of fees" return. The rate reflects the realized investment income after the total amount of money paid on fees is subtracted from total amount of investment income.**

At the end of fiscal year 2011 the 25-year net-of-fees rate of return is 8.5 percent and the 30-year net-of-fees rate of return is 9.3 percent.

BGA: And what were those rates of return from the 10-year periods ending in fiscal 2010 and 2011?

TRS: **The net-of-fees rate of return for the 10-year period ending in 2010 is 3.3 percent. The net-of-fees rate of return for the 10-year period ending in 2011 is 6.0 percent.**

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BGA: In its most recent email response to the BGA, TRS wrote: "In aggregate, TRS's private equity investments with the Carlyle Group have yielded a combined 14.5 percent internal rate of return after all investment fees are subtracted, as of June 30, 2011." What would that rate of return be with FEES INCLUDED?

TRS: **The gross-of-fees rate of return for the Carlyle Group for the same period was 19.3 percent.**

BGA: In its most recent email response to the BGA, TRS said it has not made any new allocations to Carlyle since March 2008. Did that mark the end of a contract?

TRS: **The aggregate private equity investments with the Carlyle Group were the result of commitments made by TRS between 2000 and 2008 to separate investment funds managed by the firm, not one individual contract. Private equity contracts generally have 10 year terms.**

BGA: Regarding Carlyle Group, TRS wrote: "While these commitments are contractual in nature and cannot typically be ended during the term of the contract, individual funds that do not meet expectations are unlikely to receive additional TRS funding if requested." Did Carlyle not meet expectations in recent years? Does that explain why TRS hasn't made allocations to Carlyle since 2008?

TRS: **In aggregate, TRS's private equity investments with the Carlyle Group have been successful; yielding a combined 14.5 percent internal rate of return net of fees.**

Multiple factors determine the commitments TRS makes to private equity funds and firms within a given fiscal year. It would be inaccurate to draw conclusions on the relationship between TRS and Carlyle based on the lack of a new allocation since 2008. For instance, Carlyle's flagship corporate finance fund has been a consistently top quartile performer, yet has not raised new capital since 2007 (TRS is an investor in that fund). Other Carlyle-sponsored fund offerings often focus on specific investment strategies, particular sectors of the economy or geographies for which TRS may or may not have a current need within the private equity portfolio.

BGA: How much money has TRS invested with Carlyle?

TRS: **On December 31, 2011, TRS invested capital with Carlyle totaled $89.9 million in real estate investments and $420.6 million in private equity investments for a total of $510.5 million, or 1.4 percent of the total TRS assets.**

BGA: It was reported by the Chicago Tribune in 2005 that Carlyle won commitments from TRS to invest $500 million and that lobbyist Robert Kjellander was to receive $4.5 million in fees from the firm. In what years was that $500 million invested?

TRS: **The fee paid by Carlyle to Mr. Kjellander related to commitments made by TRS between 2000 and 2005.**

BGA: TRS wrote: "Since inception of the private equity program in 1982, TRS has earned an internal rate of return of 17.8 percent on these investments after all fees are subtracted. What would this rate of return be if FEES ARE INCLUDED?

TRS: **The net IRR (Internal Rate of Return) since the inception of the TRS private equity portfolio is 17.8 percent. This number includes the effect of all fees paid.**

BGA: Other questions: Who is TRS' third-party private equity consultant?

TRS: **The current TRS private equity consultant is TorreyCove Capital Partners.**

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BGA: Who is TRS' independent investment consultant?

TRS: **The TRS independent investment consultant is R.V. Kuhns & Associates.**

BGA: Please provide sources for the following TRS statement: "For comparison, the average public pension fund paid fees of 48.5 basis points in fiscal year 2010. Pension systems with more than $20 billion in assets had average investment manager fees of 55.2 basis points in fiscal year 2009."

TRS: **The sources are R.V. Kuhns & Associates and publicly-available financial information from public pensions systems across the United States.**

BGA: Can you please provide the total Carlyle investments returned in dollars net of fees from 2004 to 2010? And to give a slightly longer time frame, can you please provide that dollar amount for 2004 to 2011?

TRS: **The total market value of existing investments and distributions realized by TRS from Carlyle investments is $1,258,779,604 and €107,268,355 as of December 31, 2011. The first number consists of private equity and real estate investments in the United States and the second number consists of real estate investments in Europe.**

BGA: Finally, I'd like to clarify something about your fee structure. Are all or some of your vendors compensated through a pay for performance model? Is this outlined in a public document I can access?

TRS: **Regarding the fees paid to money managers, there are no formal guidelines dictating whether fees will be paid on an asset-based or performance-based model. The TRS investment staff negotiates the fee structure individually with each manager and the agreement is designed to produce the best potential outcome for TRS. Often both models will be discussed by TRS staff with a manager before an agreement is reached. The TRS Board of Trustees approves all fee agreements.**

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About Teachers' Retirement System

The Teachers' Retirement System of the State of Illinois is the 39th largest pension system in the United States and provides retirement, disability and survivor benefits to teachers, administrators and other public school personnel employed outside of Chicago. The System serves 362,000 members and had assets of $37 billion as of March 31, 2012.