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December 19, 2006

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, 2006

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 $58,996,913,000 as of June 30, 2006. 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, 2006, and a census of active and inactive members as of June 30, 2005, 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. Based on our normal procedures, we adjusted for the one-year lag in reporting of the active membership by assuming that the population was stationary with regard to age and service and by increasing reported payroll and member account balances by 4%.

Presented in the Financial Section of the System's Annual Financial Report, there is a schedule of Required Supplementary Information. The actuary has provided the Unfunded Actuarial Accrued Liability and the Annual Required Contribution Per State Statute that appear in this section. The actuary has also provided the Normal Cost Percentage, which is a component of the Annual Required Contribution under GASB #25. The actuary did not calculate the GASB #25 Annual Required Contribution, but did review this calculation, as well as the remainder of the figures that appear in the Required Supplementary Information to ensure their consistency with the valuation report.

The Actuarial Section of the Annual Financial Report also contains various schedules: Actuarial Valuation with Market Value Assets, Reconciliation of Unfunded Liability, State Funding Amounts, Funded Ratio Test, Unfunded Liability as a Percentage of Payroll Test and Solvency Test. While the actuary did not prepare these schedules, they are in agreement with the valuation report and their accuracy has been verified. The actuary neither reviewed nor prepared any items beyond those specifically listed in this paragraph and the preceding paragraph.

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The amortization method established by PA 88-0593 – as amended by PA 90-0582, PA 93-0002, and PA 94-0004 – is used for funding purposes and 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 – before reduction for the maximum state contribution limitations of the Act – until a 90% funding level is achieved by June 30, 2045. PA 94-0004 interrupted the phase-in methodology by specifying the amount of the state's fiscal year 2006 and 2007 contributions, and that the phase-in to a level percent of payroll contribution would resume with the fiscal year 2008 contribution. At June 30, 2006 the remaining GASB amortization period is 30 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, 2006. 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.

The pension benefit obligation of $58,996,913,000 at June 30, 2006 includes liability for expected retirements under the Modified Early Retirement Option (ERO) program, but does not include liability for expected fiscal year 2007 retirements under the Pipeline ERO program. The liability for fiscal year 2007 Pipeline ERO retirements will be determined and recognized at June 30, 2007.

Respectfully submitted,

Kim M Nicholl

Kim M. Nicholl
Principal, Consulting Actuary

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

TRS complies with the 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.

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 over a typical career. Adopted in the FY02 valuation.

Rates shown below include the inflation assumption.

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

Retirement age: Graduated rates based on age and gender of active members. Inactive members are assumed to retire at age 62 if they have fewer than 10 years of service or at age 60 if they have 10 or more years of service. Adopted in the FY02 valuation. Modified rates of retirement for members retiring under the Pipeline ERO in FY06 and FY07 were adopted in the FY05 valuation.

Sample annual retirements per 1,000 participants:

Age	Male	Female
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 disabilities per 1,000 participants:

Age	Male	Female
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:

	Nonvested Members		Vested Members	
Age	Male	Female	Male	Female
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

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	12.9
25–29	65.0	14.9
30 or more	79.0	16.9

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, 2006, and June 30, 2005, 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 FY06 and FY05 is equal to the "net assets held in trust for pension benefits" as shown in the financial statements.

Annual Actuarial Valuation

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

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

Actuarial Valuation with Market Value Assets
($ in thousands)

	Years Ended June 30	
	2006	**2005**
Total actuarial accrued liability	**$58,996,913**	**$56,075,029**
Less actuarial value of assets (net assets at market value)	$36,584,889	$34,085,218
Unfunded liability	**$22,412,024**	**$21,989,811**
Funded ratio	62.0%	60.8%

Analysis of Financial Experience: Reconciliation of Unfunded Liability

The net increase in the June 30, 2006, unfunded liability of $422 million was caused by a combination of factors.

The **employer cost in excess of contributions** is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing. In 2006, this shortfall was $1.913 billion. In 2005, the shortfall under this measurement was $1.300 billion.

In 2006, there were no plan amendents increasing the unfunded liability. In 2005, Public Act 94-0004 extended the Early Retirement Option under modified terms. The additional $771 million in liability is expected to be covered by member and school district contributions. The extended program is designed to be revenue neutral to the state.

TRS experienced an actuarial loss under the **salary increase** assumption in FY06, with salary increases for continuing active members $68 million higher than expected, compared to $237 million higher than expected in 2005. However, actuarial gains occurred in both years under the **investment return** assumption. In FY06, assets were assumed to earn $2.833 billion, but earnings were actually $3.993 billion. Therefore, the total actuarial gain due to investments was $1.160 billion in FY06. The actuarial gain on investments was $682 million in FY05.

In both years, actuarial losses occurred under the **mortality** assumptions because fewer people died than expected. Actuarial losses were also incurred under the turnover assumption because fewer people left service than assumed. Additionally, many members repaid refunds, 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. **Delayed reporting** of retirements also increased the unfunded liability because more people were receiving benefits than expected.

Other, which is a balancing item, reflects a significant actuarial gain in 2006 because fewer Pipeline ERO retirements occurred than assumed. Among non-ERO retirements, benefits were lower than expected, adding to the actuarial gain. "Other" also includes the effect of retirements that were reported late to the actuary, the effect of salary increases higher than assumed for retiring teachers, and several other factors. Due to the potential expiration of the Early Retirement Option in 2005, "Other" reflected a loss because more retirements than expected occurred.

Reconciliation of Unfunded Liability
($ in thousands)

	Years Ended June 30	
	2006	**2005**
Unfunded liability at beginning of year	**$21,989,811**	**$19,402,722**
Net additions (deductions)		
Employer cost in excess of contributions	1,913,368	1,299,840
Modified ERO under PA94-0004	–	771,248
Change in actuarial assumptions for retirement rates in FY06 and FY07	–	26,425
Net additions (deductions)	**1,913,368**	**2,097,513**
Net actuarial losses (gains)		
Salary increases for continuing active members	68,398	236,687
Investment return	(1,159,525)	(682,294)
New entrant loss	21,735	23,509
Mortality other than expected	16,811	19,022
Fewer terminations than expected	20,116	18,830
Repayments of refunded member contributions[1]	28,543	23,459
ERO costs waived for those with 34 years of service	198,867	487,173
Delayed reporting of retirements (effect on assets)[2]	12,190	8,779
Other	(698,290)	354,411
Net actuarial losses (gains)	**(1,491,155)**	**489,576**
Unfunded liability at end of year	**$22,412,024**	**$21,989,811**

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

2 *401 retirements which occurred prior to 7/1/04 were not reported to the actuary until 6/30/05.*
390 retirements which occurred prior to 7/1/05 were not reported to the actuary until 6/30/06.

State Funding

Public Act 88-0593 was enacted in 1994 and first affected state contributions in FY96. The law established a 50-year funding plan that includes a 15-year phase-in period. Contributions are gradually increased to a percentage level of active member payroll during the phase-in period, with the exceptions noted below. By the end of the funding period in FY45, TRS will have a 90 percent funded ratio. A key feature of this act is the "continuing appropriation" language that requires state contributions to be made automatically to TRS.

Public Act 90-0582, the 2.2 legislation, was enacted in 1998 and first affected state contributions in FY99. The act established minimum state contribution rates so that the state's cost of the formula change would be paid as a level percent of pay instead of being phased in. Those minimum state contribution rates were in effect from FY99 through FY04.

Public Act 93-0002, the pension obligation bond (POB) legislation, was enacted in 2003 and first affected state contributions in FY05. Of the total $10 billion in POB proceeds, $523 million was used to cover initial interest payments and to fund bond issuance and other costs. The next $2.160 billion was used to reimburse the state for contributions it made to the five state retirement systems for some of FY03 and all of FY04. The remaining $7.317 billion was allocated among the systems to invest and to reduce their unfunded liabilities. The allocation was based on the relative sizes of the systems' June 30, 2002, unfunded liabilities. The TRS share of the proceeds, $4.330 billion, was deposited on July 2, 2003.

The FY05 state contribution to TRS was reduced by the system's share of the POB debt service. The calculation was performed through a multi-step process that ensured that state contributions did not exceed certain maximums provided in the act.

Public Act 94-0004 specified certain dollar contributions to TRS for FY06 and FY07, as described below. The FY08 state contribution will increase from the FY07 state contribution, and state contributions will continue increasing as a percentage of active member payroll until FY10. In FY10, the end of the 15-year ramp period, state contributions reach a level percentage of pay. That rate is to be maintained for the following 35 years until the 90 percent funded ratio is achieved in FY45.

State Funding Amounts

The FY06 actuarial valuation was used to determine the required state contributions for FY08 and the FY08 employer's normal cost. The amount being contributed to TRS in FY07 is specified by Public Act 94-0004 and is not based on actuarial funding requirements. However, the employer's normal cost for FY07 was determined by the FY05 actuarial valuation.

State Funding Amounts

	FY08	FY07
Benefit Trust Reserve (excludes federal contributions; excludes school district contributions)	$1,039,195,000	$735,514,500
Minimum benefit reserve	2,100,000	2,500,000
Total state funding amount	**$1,041,295,000**	**$738,014,500**
Employer's normal cost as a percentage of active member payroll	8.22%	8.20%

Tests of Financial Condition

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

Funded Ratio Test
($ in thousands)

As of June 30	Net Assets at Market	Actuarial Accrued Liability	Funded Ratio at Market
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
2003	23,124,823	46,933,432	49.3
2004	31,544,729	50,947,451	61.9
2005	34,085,218	56,075,029	60.8
2006	**36,584,889**	**58,996,913**	**62.0**

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
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
2003	7,059,000	23,808,609	337.3
2004	7,281,000	19,402,722	266.5
2005	7,550,510	21,989,811	291.2
2006	**7,765,752**	**22,412,024**	**288.6**

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)

	Aggregate Accrued Liabilities for				Percentage of Benefits Covered by Net Assets		
Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
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
2003	5,622,026	25,188,870	16,122,536	23,124,823	100	69	0
2004	5,853,274	28,286,916	16,807,261	31,544,729	100	91	0
2005	5,925,696	32,861,473	17,287,860	34,085,218	100	86	0
2006	**6,303,750**	**35,315,529**	**17,377,634**	**36,584,889**	**100**	**86**	**0**

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, 1997, through June 30, 2006)
- Active Members by Age and Years of Service (as of June 30, 2006)

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 increased by 4.0 percent. The state funding certification for the next fiscal year must be submitted annually by November 15.

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended June 30	Number at Beginning of Year	Added to Rolls	Removed from Rolls	Number at End of Year	End-of-Year Annual Allowances Amount	End-of-Year Annual Allowances % Increase	Average Annual Allowance Amount	Average Annual Allowance % Increase
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
2003*	67,949	9,404	3,922	73,431	2,181,186,831	17.8	29,704	9.0
2004	73,431	6,016	2,542	76,905	2,432,132,334	11.5	31,625	6.5
2005	76,905	7,897	2,227	82,575	2,806,341,054	15.4	33,985	7.5
2006	**82,575**	**5,147**	**2,619**	**85,103**	**3,018,848,450**	**7.6**	**35,473**	**4.4**

* *In the year ended June 30, 2003, statistical programs were revised and improved. This resulted in a much larger number reported as added to the rolls.*

SCOTTSDALE FINANCIAL CENTER III
SCOTTSDALE, ARIZONA

Average Annual Salary for Active Members by Years of Service

Years of Service		2006	2005	2004	2003
0-5	**Number**	**40,930**	**39,728**	**36,951**	**38,074**
	Average Salary	$42,404	$41,444	$37,633	$37,960
6-10	**Number**	**28,847**	**26,557**	**26,027**	**25,020**
	Average Salary	$51,314	$49,536	$45,568	$46,740
11-15	**Number**	**20,222**	**20,295**	**18,307**	**17,334**
	Average Salary	$60,476	$58,195	$52,771	$53,931
16-20	**Number**	**14,086**	**13,429**	**13,358**	**12,860**
	Average Salary	$67,343	$65,276	$59,820	$60,788
21-25	**Number**	**9,619**	**9,431**	**10,868**	**11,152**
	Average Salary	$72,531	$70,278	$64,881	$65,427
26-30	**Number**	**10,349**	**10,667**	**12,488**	**12,429**
	Average Salary	$76,616	$74,127	$69,276	$70,066
31-35	**Number**	**6,134**	**5,900**	**9,186**	**7,107**
	Average Salary	$83,165	$79,236	$75,643	$76,676
35 +	**Number**	**785**	**744**	**1,162**	**804**
	Average Salary	$84,524	$81,497	$77,805	$78,091
	Total Number	**130,972**	**126,751**	**128,347**	**124,780**
	Average Salary	$56,916	$55,237	$52,181	$52,408
	% Change Average Salary	**3.0%**	**5.9%**	**(0.4%)**	**3.0%**
	Total Payroll Full & Part-time	**$7,454,402,352**	**$7,001,344,987**	**$6,697,274,807**	**$6,539,470,240**

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.

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

Active Members by Age and Years of Service as of June 30, 2006

			Years of Service			
Age		**Subs**	**0-5**	**6-10**	**11-15**	**16-20**
20-24	**Number**	**3,401**	**5,147**	**0**	**0**	**0**
	Average Salary	$3,930	$35,923	$0	$0	$0
25-29	**Number**	**3,963**	**16,576**	**3,599**	**0**	**0**
	Average Salary	$4,166	$41,125	$47,658	$0	$0
30-34	**Number**	**2,352**	**6,234**	**10,381**	**1,743**	**0**
	Average Salary	$4,102	$43,828	$51,017	$57,206	$0
35-39	**Number**	**2,836**	**3,674**	**4,608**	**6,828**	**1,207**
	Average Salary	$3,946	$44,273	$52,175	$59,917	$64,851
40-44	**Number**	**4,090**	**3,318**	**2,777**	**3,014**	**4,115**
	Average Salary	$4,121	$43,149	$51,604	$61,653	$67,530
45-49	**Number**	**3,573**	**2,612**	**2,825**	**2,562**	**2,512**
	Average Salary	$4,737	$43,829	$51,134	$59,866	$67,134
50-54	**Number**	**3,217**	**1,881**	**2,655**	**3,104**	**2,895**
	Average Salary	$4,678	$47,493	$53,015	$60,916	$66,672
55-59	**Number**	**2,695**	**1,144**	**1,585**	**2,399**	**2,699**
	Average Salary	$4,841	$57,541	$54,717	$62,275	$68,658
60-64	**Number**	**1,325**	**291**	**365**	**508**	**578**
	Average Salary	$4,571	$61,683	$56,020	$63,095	$69,468
65-69	**Number**	**568**	**44**	**42**	**60**	**64**
	Average Salary	$4,026	$47,521	$59,726	$68,994	$68,468
70-74	**Number**	**190**	**5**	**8**	**4**	**15**
	Average Salary	$3,769	$33,573	$52,533	$61,054	$58,732
74 +	**Number**	**90**	**4**	**2**	**0**	**1**
	Average Salary	$3,094	$31,793	$46,966	$0	$48,702
	Total Number	**28,300**	**40,930**	**28,847**	**20,222**	**14,086**
	Average Salary	**$4,308**	**$42,404**	**$51,314**	**$60,476**	**$67,343**

Years of Service							
21-25	**26-30**	**31-35**	**36-40**	**41-45**	**46-50**	**51-55**	**Full and Part-time Member Totals**
0	**0**	**0**	**0**	**0**	**0**	**0**	**5,147**
$0	$0	$0	$0	$0	$0	$0	$35,923
0	**0**	**0**	**0**	**0**	**0**	**0**	**20,175**
$0	$0	$0	$0	$0	$0	$0	$42,290
0	**0**	**0**	**0**	**0**	**0**	**0**	**18,358**
$0	$0	$0	$0	$0	$0	$0	$49,163
0	**0**	**0**	**0**	**0**	**0**	**0**	**16,317**
$0	$0	$0	$0	$0	$0	$0	$54,573
963	**0**	**0**	**0**	**0**	**0**	**0**	**14,187**
$71,101	$0	$0	$0	$0	$0	$0	$57,704
3,439	**1,494**	**0**	**0**	**0**	**0**	**0**	**15,444**
$72,007	$74,036	$0	$0	$0	$0	$0	$60,813
2,618	**5,890**	**2,655**	**0**	**0**	**0**	**0**	**21,698**
$73,034	$76,847	$82,188	$0	$0	$0	$0	$67,943
2,054	**2,405**	**3,122**	**356**	**0**	**0**	**0**	**15,764**
$72,800	$77,598	$84,477	$85,301	$0	$0	$0	$70,890
481	**478**	**305**	**283**	**47**	**0**	**0**	**3,336**
$75,202	$76,594	$79,381	$84,712	$79,757	$0	$0	$70,539
55	**74**	**47**	**35**	**37**	**7**	**0**	**465**
$73,159	$79,808	$77,552	$85,831	$76,216	$121,968	$0	$71,771
8	**6**	**4**	**1**	**8**	**5**	**1**	**65**
$73,667	$72,431	$62,793	$66,283	$86,401	$84,523	$67,372	$65,168
1	**2**	**1**	**0**	**2**	**1**	**2**	**16**
$55,948	$44,099	$81,071	$0	$61,031	$75,206	$69,566	$51,964
9,619	**10,349**	**6,134**	**675**	**94**	**13**	**3**	**130,972**
$72,531	**$76,616**	**$83,165**	**$85,053**	**$78,530**	**$103,969**	**$68,835**	**$56,916**

	Average Age	**Average Years of Service**	**Number**
Full and Part-time Members	42	12	130,972
Substitutes	41	NA	28,300
All	**41**		**159,272**

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 appointed 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 FY06, members contributed 9.4 percent of gross creditable earnings designated as 7.5 percent for retirement annuity, 0.5 percent for post-retirement increases, 0.4 percent for the Early Retirement Option, 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 FY06, the member contribution was 0.8 percent of pay.

Service Credit

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

The following vesting schedule applies to all members.

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. If a member retires at an age less than 60 with fewer than 35 years of service and does not elect the Early Retirement Option (discussed under "Early Retirement"), the benefit will be reduced by 6 percent for each year the member is under age 60.

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. Members with contributing service before July 1, 2005, can retire under a money purchase style "actuarial" benefit instead of a retirement benefit formula. By law, the higher of the formula benefit or the actuarial benefit is paid. The maximum formula benefit is 75 percent of FAS; there is no maximum for the actuarial benefit.

Public Act 90-0582 improved retirement benefits for TRS members by changing the rate at which TRS member accrue benefits beginning July 1, 1998, from a graduated rate to a flat rate equal to 2.2 percent of final average salary. 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 91-0017 reduced the 2.2 formula upgrade cost on a sliding scale for members who have more than 34 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.

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.

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.

Early Retirement

Original ERO. Under a provision that was originally scheduled to sunset June 30, 2005, members who were age 55 or older and had more than 20 but fewer than 35 years of service could choose the Early Retirement Option (ERO) to avoid a discounted annuity. Under the ERO, both the member and the employer had to make a one-time contribution. However, both the member and the employer contributions were waived if the member had 34 years of service.

Pipeline ERO. Public Act 94-0004 extends, for certain members, the terms of the program that was scheduled to sunset. The "Pipeline" ERO applies to members who notified their employers on or before June 1, 2005 of their intention to retire under the terms of contracts or collective bargaining agreements. These members have until July 1, 2007 to retire using the Pipeline ERO provision. The contribution rates remain the same as they were for the ERO program that ended June 30, 2005.

Modified ERO. Public Act 94-0004 also includes a new Modified ERO program. These provisions apply to members who retire after June 30, 2005, and who do not qualify for Pipeline ERO. The member contribution changed from 7 percent to 11.5 percent for each year under the age of 60 or number of years under 35 years of service, whichever is less. The employer contribution changed from 20 percent to 23.5 percent for each year the member is under the age of 60. There is no longer a contribution waiver for employers and members with 34 years of service.

Post-Retirement Increase

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

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.

Public Act 94-0539 allows individuals who have received TRS disability benefits for one year or more to return to teaching if their medical conditions improve, allowing part-time work.

This act allows members on a limited basis to tutor, substitute, or part-time teach for a TRS-covered employer without loss of disability benefits as long as the combined earnings from teaching and disability benefits do not exceed 100 percent of the salary rate upon which the benefit was based.

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 an annuitant 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.

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.