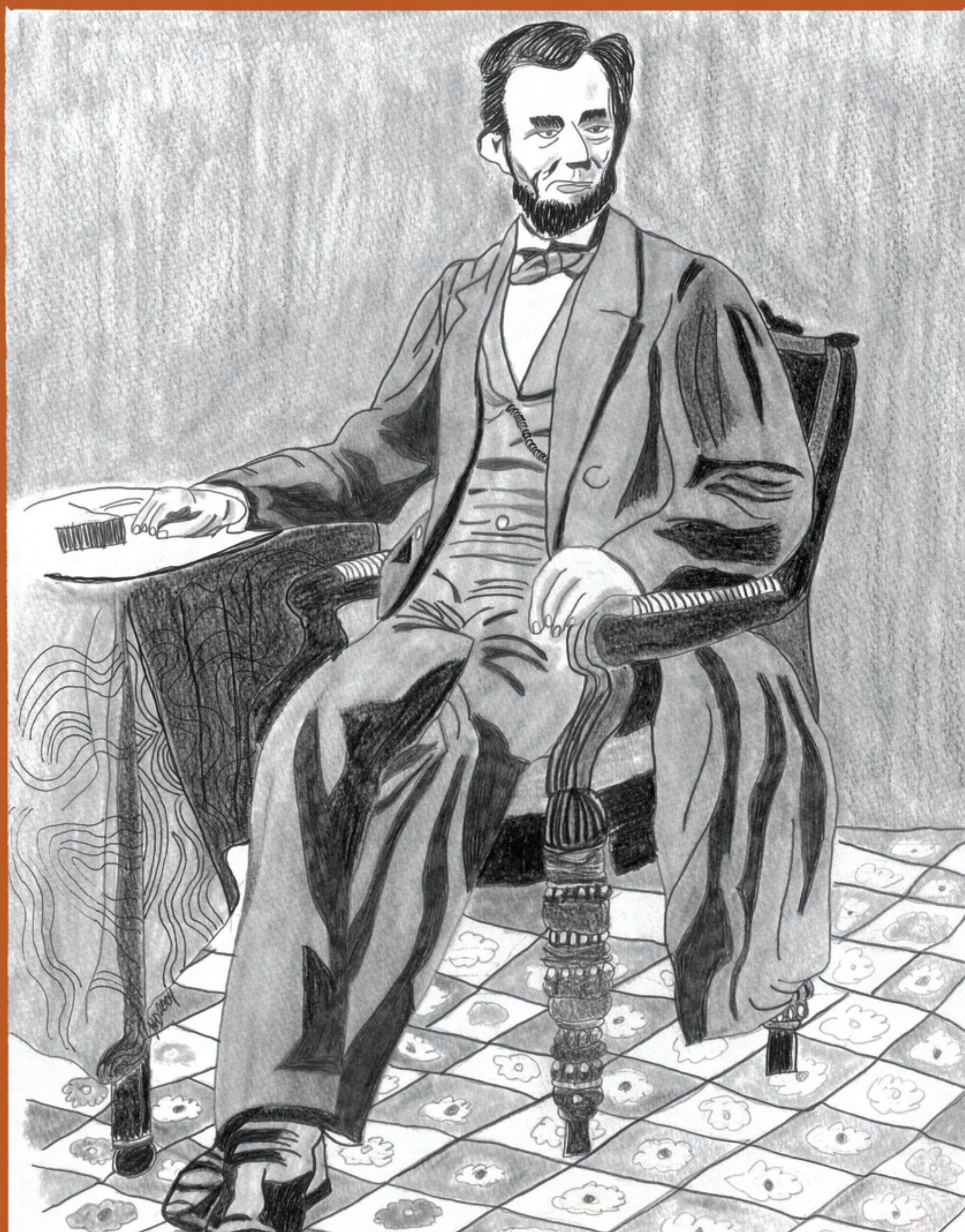
ACTUARIAL



Pencil and graphite by Julie Dailey, TRS employee.

"You cannot escape the responsibility of tomorrow by evading it today."

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December 17, 2008

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, 2008

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois (TRS), we have determined the pension benefit obligation of the System to be $68,632,367,000 as of June 30, 2008. The valuation was performed using the projected unit-credit actuarial cost method. Throughout the actuarial valuation report we reference the term Pension Benefit Obligation (PBO) when discussing the TRS actuarial accrued liability (AAL) because the TRS AAL is equivalent to the GASB Statement 5 PBO. Users of the TRS actuarial valuation report should consider the terms PBO and AAL to be equivalent and interchangeable.

The actuarial valuation was based on a census of retired members as of June 30, 2008, and a census of active and inactive members as of June 30, 2007, 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. In accordance with 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 did not calculate the GASB Statement No. 25 Annual Required Contribution, but provided the Normal Cost Percentage used in the calculation, and reviewed the 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

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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.

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% funded ratio 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 the phase-in to level percent of payroll funding has resumed with the fiscal year 2008 contribution. At June 30, 2008 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, 2008. 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. On August 10, 2007, the Board approved recommendations resulting from a comprehensive review of the system's experience during the five-year period July 1, 2001 through June 30, 2006. These changes were effective with the June 30, 2007 valuation. The actuarial assumptions used for the June 30, 2008 actuarial valuation are unchanged from last year.

The valuation was prepared under the supervision of Larry Langer in accordance with generally accepted actuarial principles and practice, and reviewed by Janet Cranna and S. Lynn Hill. To the best of our knowledge, it is complete and accurate. Mr. Langer and Ms. Cranna are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Larry Langer
Principal, Consulting Actuary

S. Lynn Hill
Director, Retirement Consulting

Janet Cranna
Principal, Consulting Actuary

LL/SLH/JC:pl

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,* as amended by GASB Statement No. 50.

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 assumptions below were revised in the 2007 actuarial experience analysis.

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.

Real wage growth (productivity): 1.2%. Adopted in the FY02 valuation.

Earnings progression: Merit and longevity increases, adjusted for inflation. Approximates 7.0 percent per year over a typical career. Adopted in the FY07 valuation.

Rates shown below include the inflation and real wage growth (productivity) assumptions.

Sample annual percentage salary increases:

Age	Male and Female
25	10.2%
30	8.4
40	7.2
50 and above	6.0

Retirement age: Graduated rates based on age and service 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 FY07 valuation. Modified rates of retirement by age and gender for members retiring under the Pipeline ERO in FY07 were adopted in the FY05 valuation.

Sample annual retirement rates per 100 participants (includes ERO retirees):

	Years of Service				
Age	5-18	19-30	31	32-33	34
54	-	7	12	38	40
55	-	12	20	38	40
60	14	27	45	45	37
65	23	33	45	45	30
70	100	100	100	100	100

Utilization of ERO among all active service retirees:

Years of Service on June 30 prior to Retirement	Age					
	54	55	56	57	58	59
19 – 30	63%	70%	69%	65%	63%	25%
31	72	72	71	71	71	38
32	66	68	68	67	66	45
33	66	68	68	67	66	45

Mortality: The 1995 Buck Mortality tables projected 16 years for males and one year for females. For beneficiaries, projected one year for both males and females, then rated forward two years for males and forward one year for females. Projected mortality improvements using Society of Actuaries Mortality Projection Scale AA are phased in over four years, beginning July 1, 2007. Adopted in the FY07 valuation.

Disability: Adopted in the FY07 valuation.

Sample annual disability rates per 100 participants:

Age	Male	Female
25	.034	.045
30	.030	.100
40	.060	.110
50	.110	.190
60	.200	.350

Termination from active service: Adopted in the FY07 valuation.

Sample annual termination rates per 100 participants:

	Nonvested Members		Vested Members	
Age	Male	Female	Male	Female
25	7.0	8.1	6.0	9.0
30	6.5	9.0	3.7	8.0
40	8.0	6.6	1.6	2.4
50	9.4	6.2	1.1	1.3
60	12.6	11.1	2.6	2.9

Severance pay: Increases with years of service at retirement, adjusted as described below table. Adopted in the FY07 valuation.

Years of Service at Retirement	Percent Retiring with Severance Pay	Severance Pay as a Percent of Final Salary
10–20	41%	13.81%
20–24	52	13.24
25–29	58	41.29
30 or more	75	15.35

The percentages in the "percent retiring with severance pay" column above were multiplied by 66.7 percent in FY08. They will be multiplied by 50 percent in FY09, 33.3 percent in FY10, and by 10 percent for retirements assumed to occur in FY11 and later because the percent of members retiring with severance is expected to decrease.

Optional service at retirement: The accrued liability for retirement benefits for active members who have not previously purchased optional service is increased to cover the employer cost of optional service purchased in the last two years of service. Sample purchases at retirement follow. Adopted in the FY07 valuation.

Years of Regular Service at Retirement	Maximum Service Purchased
10	0.388 years
20	1.131 years
25	1.245 years
30	0.886 years
34 or more	None

Unused and uncompensated sick leave: Varies by the amount of regular service at retirement. Adopted in the FY07 valuation.

Sample amount of sick leave at retirement:

Years of Service at Retirement	Sick Leave Service Credit
20	1.080 years
25	1.224 years
30	1.277 years
34	1.000 years
35 or more	none

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.

Measures of TRS's financial condition for both June 30, 2008, and June 30, 2007, are shown using market value of assets. These tests are consistent with TRS's financial statements, which are prepared in accordance with GASB Statement Nos. 25 and 50. The change to market value was first effective June 30, 1997, for determining state funding requirements for FY99.

The actuarial value of assets for FY08 and FY07 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 but not yet paid. 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	
	2008	**2007**
Total actuarial accrued liability	**$68,632,367**	**$65,648,395**
Less actuarial value of assets (net assets at market value)	38,430,723	41,909,318
Unfunded liability	**$30,201,644**	**$23,739,077**
Funded ratio	56.0%	63.8%

Analysis of Financial Experience: Reconciliation of Unfunded Liability

The net increase in the June 30, 2008, unfunded liability of $6.5 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 2008, this shortfall was $1.5 billion. In 2007, the shortfall under this measurement was $1.7 billion.

The results of the July 1, 2002 to June 30, 2006 **actuarial experience analysis** were included in the June 30, 2007 valuation. The net effect of the changes was a **$2.4 billion increase** in the 2007 unfunded liability.

- The major factors increasing the liability were higher rates of service retirement; mortality improvements for retirees and beneficiaries; higher salary increases for continuing active members; and an increase in sick leave used for service credit at retirement.
- Other factors, such as lower assumed utilization of the Early Retirement Option; lower severance pay; and lower optional service purchases, offset some of the liability increase.

TRS experienced an actuarial gain under the **salary increase** assumption in FY08, with salary increases for continuing active members $154 million lower than expected, compared to an actuarial loss of $150 million in 2007 when salary increases were higher than expected. Under the **investment return** assumption, a loss occurred in FY08 and a gain occurred in FY07. In FY08, assets were assumed to earn $3.5 billion, but earnings were actually ($2.0) billion. The actuarial loss due to investments was $5.5 billion in FY08, compared to a gain of $3.8 billion in FY07.

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 an actuarial gain in 2008 and an actuarial loss in 2007. "Other" includes the effect of either more or fewer retirements than expected, retirements that were reported late to the actuary, and several other factors. The actuarial gain is primarily due to fewer retirements than expected and the cost of benefits earned during the year that were less than expected.

Reconciliation of Unfunded Liability
($ in thousands)

	Years Ended June 30	
	2008	**2007**
Unfunded liability at beginning of year	**$23,739,077**	**$22,412,024**
Additions (deductions)		
Employer cost in excess of contributions	1,529,701	1,739,187
Change in actuarial assumptions effective 6/30/07, based on 2002-2006 experience review	-	2,410,756
Net additions (deductions)	**1,529,701**	**4,149,943**
Actuarial losses (gains)		
Salary increases for continuing active members	(153,987)	149,682
Investment return	5,514,988	(3,785,653)
New entrant loss	28,587	34,305
Mortality other than expected	3,079	34,848
Fewer terminations than expected	32,821	26,924
Repayments of refunded member contributions[1]	33,390	35,889
ERO costs waived for those with 34 years of service	7,722	288,832
Delayed reporting of retirements (effect on assets)[2]	17,066	7,276
Other	(550,800)	385,007
Net actuarial losses (gains)	**4,932,866**	**(2,822,890)**
Unfunded liability at end of year	**$30,201,644**	**$23,739,077**

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

2 *379 retirements which occurred prior to 7/1/06 were not reported to the actuary until 6/30/07.*
616 retirements which occurred prior to 7/1/07 were not reported to the actuary until 6/30/08.

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 and were not based on actuarial calculations. State contributions in FY08 and FY09 are based on the statutory schedule, with the continuing appropriation provisions being used to reach the certified funding amount in FY09. 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 FY08 actuarial valuation was used to determine the required FY10 state contributions and the FY10 employer's normal cost. The FY07 actuarial valuation was used to determine the required FY09 state contributions and the FY09 employer's normal cost.

State Funding Amounts

	FY10	FY09
Benefit Trust Reserve (excludes federal contributions; excludes school district contributions)	$2,087,668,000	$1,449,889,000
Minimum benefit reserve	1,600,000	1,900,000
Total state funding amount	**$2,089,268,000**	**$1,451,789,000**
Employer's normal cost as a percentage of active member payroll	9.15%	9.27%

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
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
2007	41,909,318	65,648,395	63.8
2008	**38,430,723**	**68,632,367**	**56.0**

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
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
2007	8,149,849	23,739,077	291.3
2008	**8,521,717**	**30,201,644**	**354.4**

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 1998 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)
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	-
2003	5,622,026	25,188,870	16,122,536	23,124,823	100	69	-
2004	5,853,274	28,286,916	16,807,261	31,544,729	100	91	-
2005	5,925,696	32,861,473	17,287,860	34,085,218	100	86	-
2006	6,303,750	35,315,529	17,377,634	36,584,889	100	86	-
2007	6,500,318	39,785,368	19,362,709	41,909,318	100	89	-
2008	**6,931,518**	**41,849,964**	**19,850,885**	**38,430,723**	**100**	**75**	**-**

Other Information

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended June 30	Number at Beginning of Year	Number Added to Rolls	Number 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
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
2007**	85,103	6,473	2,340	89,236	3,344,714,652	10.8	37,482	5.7
2008	**89,236**	**4,912**	**2,686**	**91,462**	**3,551,117,836**	**6.2**	**38,826**	**3.6**

* *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.*

** *Amounts added to and removed from rolls are available beginning with the year ended June 30, 2007.*

	Amount Added to Rolls: Annual Benefit Increases	Amount Added to Rolls: New Benefit Recipients	Amount Removed from Rolls
2007	$81,629,966	$295,571,869	$51,335,633
2008	93,731,561	174,119,867	61,448,244

Pencil by Jael Bietsch, TRS employee.

Average Annual Salary for Active Members by Years of Service

Years of Service		2008	2007	2006	2005
0-5	**Number**	**42,725**	**41,244**	**40,930**	**39,728**
	Average Salary	$44,916	$43,446	$42,404	$41,444
6-10	**Number**	**31,959**	**30,520**	**28,847**	**26,557**
	Average Salary	$55,436	$53,062	$51,314	$49,536
11-15	**Number**	**21,395**	**20,469**	**20,222**	**20,295**
	Average Salary	$64,705	$62,447	$60,476	$58,195
16-20	**Number**	**14,753**	**14,422**	**14,086**	**13,429**
	Average Salary	$71,802	$69,368	$67,343	$65,276
21-25	**Number**	**10,447**	**9,814**	**9,619**	**9,431**
	Average Salary	$78,080	$74,894	$72,531	$70,278
26-30	**Number**	**8,654**	**9,484**	**10,349**	**10,667**
	Average Salary	$82,013	$78,831	$76,616	$74,127
31-35	**Number**	**5,763**	**5,301**	**6,134**	**5,900**
	Average Salary	$85,738	$82,508	$83,165	$79,236
35 +	**Number**	**790**	**694**	**785**	**744**
	Average Salary	$88,478	$84,065	$84,524	$81,497
	Total Number	**136,486**	**131,948**	**130,972**	**126,751**
	Average Salary	$60,254	$58,116	$56,916	$55,237
% Change Average Salary		**3.7%**	**2.1%**	**3.0%**	**5.9%**
Total Payroll Full & Part-time		**$8,223,827,444**	**$7,668,289,968**	**$7,454,402,352**	**$7,001,344,987**

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. FY08 salary information may vary slightly from final audited figures.

2004	2003	2002	2001	2000	1999
36,951	**38,074**	**41,120**	**38,585**	**35,192**	**34,831**
$37,633	$37,960	$36,242	$34,614	$33,070	$32,430
26,027	**25,020**	**24,258**	**24,351**	**24,053**	**21,540**
$45,568	$46,740	$45,300	$43,457	$41,616	$40,320
18,307	**17,334**	**16,812**	**16,367**	**15,661**	**15,461**
$52,771	$53,931	$52,761	$50,875	$49,109	$47,430
13,358	**12,860**	**12,215**	**11,692**	**11,304**	**11,969**
$59,820	$60,788	$59,011	$56,521	$54,335	$52,477
10,868	**11,152**	**12,575**	**13,091**	**13,363**	**14,006**
$64,881	$65,427	$63,599	$61,188	$58,918	$57,256
12,488	**12,429**	**13,256**	**13,885**	**14,278**	**14,541**
$69,276	$70,066	$68,501	$65,913	$64,254	$61,866
9,186	**7,107**	**7,484**	**7,555**	**6,895**	**6,018**
$75,643	$76,676	$76,413	$73,433	$70,455	$67,373
1,162	**804**	**843**	**809**	**713**	**692**
$77,805	$78,091	$78,831	$75,469	$71,036	$67,453
128,347	**124,780**	**128,563**	**126,335**	**121,459**	**119,058**
$52,181	$52,408	$50,895	$49,230	$47,665	$46,306
(0.4%)	**3.0%**	**3.4%**	**3.3%**	**2.9%**	**3.4%**
$6,697,274,807	**$6,539,470,240**	**$6,543,213,885**	**$6,219,472,050**	**$5,789,343,235**	**$5,513,099,748**

Active Members by Age and Years of Service as of June 30, 2008

			Years of Service			
Age		**Subs**	**0-5**	**6-10**	**11-15**	**16-20**
20-24	**Number**	**3,345**	**5,022**	**-**	**-**	**-**
	Average Salary	$4,172	$37,975	-	-	-
25-29	**Number**	**4,204**	**17,911**	**3,758**	**-**	**-**
	Average Salary	$4,499	$43,538	$51,262	-	-
30-34	**Number**	**2,306**	**6,508**	**12,069**	**1,798**	**-**
	Average Salary	$4,311	$46,747	$54,918	$61,326	-
35-39	**Number**	**2,823**	**3,954**	**5,326**	**7,724**	**1,329**
	Average Salary	$4,358	$47,131	$56,601	$64,734	$69,553
40-44	**Number**	**4,143**	**3,473**	**3,120**	**3,427**	**4,557**
	Average Salary	$4,396	$45,946	$56,340	$66,038	$72,497
45-49	**Number**	**3,569**	**2,510**	**2,810**	**2,524**	**2,509**
	Average Salary	$4,944	$46,922	$55,491	$64,247	$72,807
50-54	**Number**	**3,187**	**1,817**	**2,591**	**2,716**	**2,545**
	Average Salary	$5,125	$49,343	$57,085	$64,257	$70,256
55-59	**Number**	**2,819**	**1,052**	**1,678**	**2,358**	**2,853**
	Average Salary	$5,202	$57,595	$58,669	$65,455	$72,044
60-64	**Number**	**1,655**	**401**	**527**	**754**	**842**
	Average Salary	$4,802	$64,248	$59,368	$67,270	$72,575
65-69	**Number**	**682**	**64**	**73**	**82**	**112**
	Average Salary	$4,443	$59,499	$68,582	$64,941	$71,842
70-74	**Number**	**262**	**10**	**6**	**12**	**4**
	Average Salary	$4,508	$55,731	$59,811	$58,752	$60,113
74 +	**Number**	**91**	**3**	**1**	**-**	**2**
	Average Salary	$3,490	$71,000	$67,165	-	$44,953
	Total Number	**29,086**	**42,725**	**31,959**	**21,395**	**14,753**
	Average Salary	$4,622	$44,916	$55,436	$64,705	$71,802

FY08 salary information may vary slightly from final audited figures.

			Years of Service				
21-25	26-30	31-35	36-40	41-45	46-50	51-55	Full and Part-time Member Totals
-	**-**	**-**	**-**	**-**	**-**	**-**	**5,022**
-	-	-	-	-	-	-	$37,975
-	**-**	**-**	**-**	**-**	**-**	**-**	**21,669**
-	-	-	-	-	-	-	$44,878
-	**-**	**-**	**-**	**-**	**-**	**-**	**20,375**
-	-	-	-	-	-	-	$52,874
-	**-**	**-**	**-**	**-**	**-**	**-**	**18,333**
-	-	-	-	-	-	-	$58,924
985	**-**	**-**	**-**	**-**	**-**	**-**	**15,562**
$78,104	-	-	-	-	-	-	$62,265
3,721	**908**	**-**	**-**	**-**	**-**	**-**	**14,982**
$78,166	$80,153	-	-	-	-	-	$65,556
2,420	**4,706**	**1,875**	**-**	**-**	**-**	**-**	**18,670**
$77,739	$82,121	$86,241	-	-	-	-	$71,086
2,514	**2,395**	**3,418**	**313**	**-**	**-**	**-**	**16,581**
$77,716	$82,572	$85,770	$88,959	-	-	-	$74,366
709	**554**	**417**	**323**	**38**	**-**	**-**	**4,565**
$80,473	$82,327	$83,968	$89,031	$82,055	-	-	$74,137
86	**83**	**46**	**34**	**45**	**5**	**-**	**630**
$75,854	$79,045	$79,552	$87,764	$89,040	$65,384	-	$73,408
11	**6**	**7**	**3**	**12**	**8**	**1**	**80**
$71,018	$76,082	$81,666	$74,052	$82,514	$128,399	$75,865	$74,830
1	**2**	**-**	**-**	**4**	**1**	**3**	**17**
$51,991	$56,262	-	-	$61,899	$76,554	$73,627	$63,507
10,447	**8,654**	**5,763**	**673**	**99**	**14**	**4**	**136,486**
$78,080	$82,013	$85,738	$88,867	$84,471	$102,191	$74,187	$60,254

	Average Age	Average Years of Service	Number
Full and Part-time Members	41	12	136,486
Substitutes	42	NA	29,086
All	**41**		**165,572**

Plan Summary

Administration

TRS was created and is governed by Article 16 of the Illinois Pension Code, contained in the Illinois Compiled Statutes (ILCS). An 11-member Board of Trustees is authorized to carry out duties granted to it under the article. One trustee position for an appointed member is currently vacant.

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 FY08, 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 FY08, the member contribution was 0.84 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 as service credit at retirement.

A payroll deduction program became effective July 1, 1998 and will end June 30, 2010. 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. Members were allowed to join the program until May 15, 2008. The program is being phased out over the next two years to comply with recent guidance from the Internal Revenue Service.

Refunds

After a four-month waiting period from the date last taught, a member ceasing TRS-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 TRS-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 the final average salary; 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 benefits are accrued 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

Members who are age 55 but under age 60 who have at least 20 but fewer than 35 years of service can elect the Early Retirement Option (ERO) to avoid a discounted annuity. Both the member and employer make one-time contributions at retirement. Under the terms of the ERO program described in Public Act 94-0004, the member pays 11.5 percent for each year that his or her age is under 60 or years of service is under 35, whichever is less. The employer pays 23.5 percent for each year the member is under age 60. The ERO provisions apply to members who retire after June 30, 2005 who did not qualify for a temporary extension of the original ERO program that required lower contribution rates.

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 a minimum of 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. It allows members on a limited basis to tutor, substitute, or teach part-time 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 disability 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, as well as 0.5 percent paid toward annual increases in annuity, and 0.4 percent paid for the Early Retirement Option. 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.