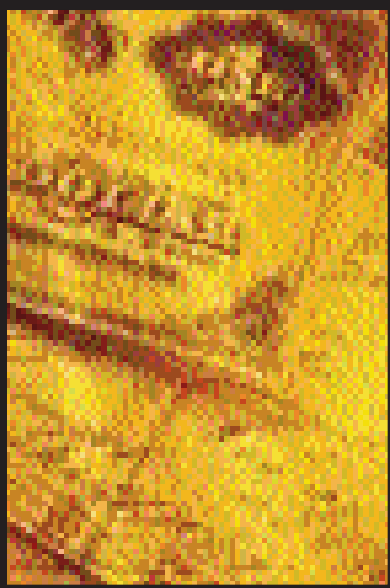
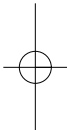
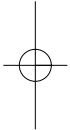
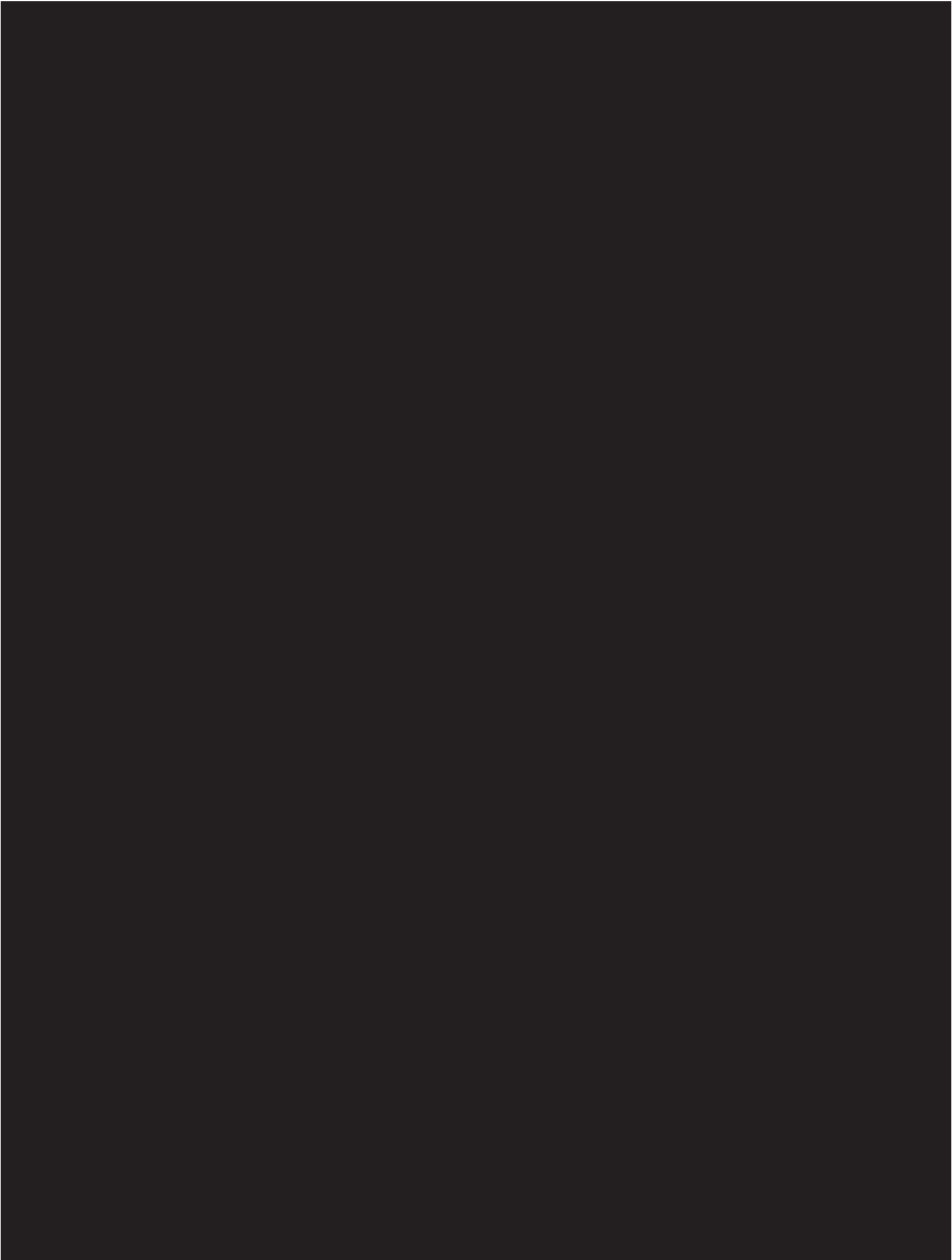
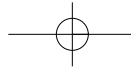


*New York
State Teachers'
Retirement System*



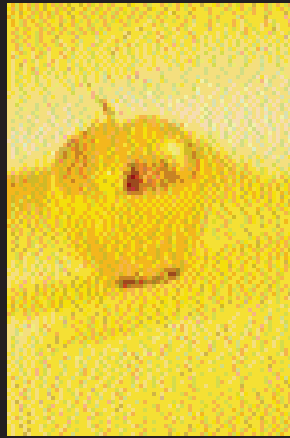
*Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2002*





*New York State
Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395
www.nystrs.org*

Our mission:



*to provide the membership with timely
service and accurate benefit payments;
to assure the funding of these benefits
by utilizing proper actuarial techniques
and maximizing investment returns.*

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002*

*Prepared by NYSTRS Staff
George M. Philip
Executive Director*

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Certificate of Achievement


**Certificate of Achievement
for Excellence
in Financial
Reporting**

Presented to

**New York State Teachers'
Retirement System**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001


A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Robert Pate
President

Jeffrey L. Essler
Executive Director

Achievement Award*



**Public Pension Coordinating Council
Public Pension Principles
2000 Achievement Award**

Presented to

New York State Teachers' Retirement System

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

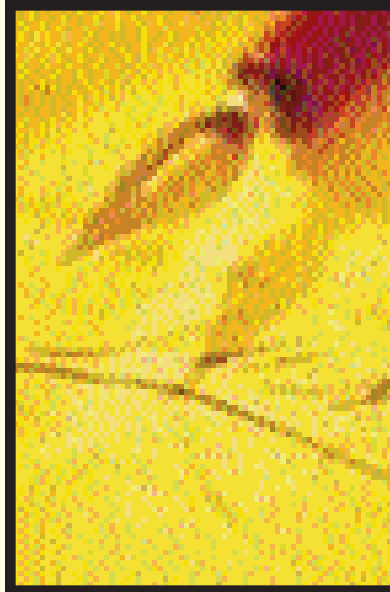
*Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)*

Michael R. Mory
Michael L. Mory
Chairman

**This is a biennial award.*

With more than 350,000 members and a total fund value of approximately \$73 billion, the New York State Teachers' Retirement System remains one of the largest public pension funds in the world.

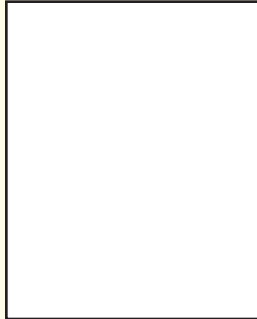
Introduction



*New York State
Teachers' Retirement System*

Introduction

Board of Trustees



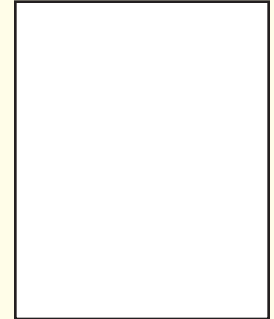
Michael R. Corn
Teacher Member
Elected by Delegates
First Elected 1992
Barneveld



Josephine Davenport
Retired Teacher Member
Elected by
STRS Retired Members
First Elected 1996
Hamburg

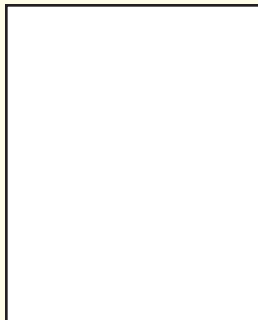


Wanda G. Henton
State Comptroller's
Representative
Appointed 1999
New York City



R. Michael Kraus
Insurance Executive
Elected by
Board of Regents
First Elected 1992
East Aurora

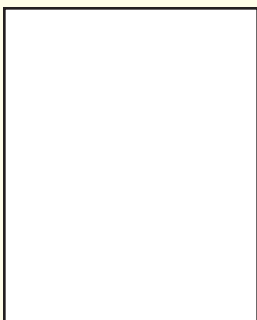
Lucy P. Martin
President
Administrator
Appointed by
Commissioner of
Education
First Appointed 1984
Manlius



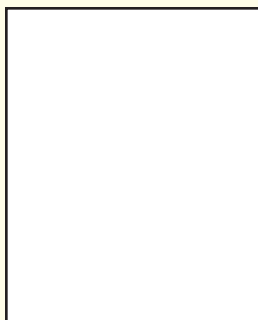
Richard F. Lindstrom
Vice President
Bank Executive
Elected by
Board of Regents
First Elected 1985
Loudonville



Joseph P. McLaughlin
Teacher Member
Elected by Delegates
First Elected 1990
Harrison



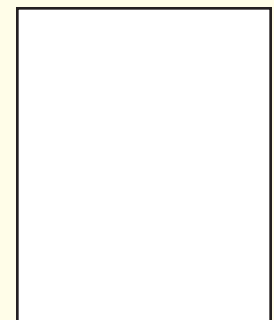
Sheila J. Salenger
Teacher Member
Elected by Delegates
First Elected 1989
Ballston Lake



Frederick D. Volp
Administrator
Appointed by
Commissioner of
Education
First Appointed 1994
Cold Spring Harbor



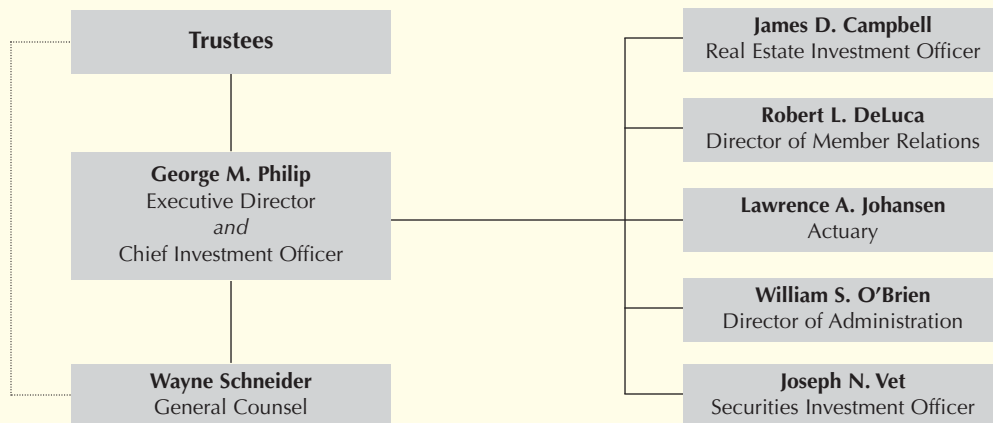
Iris Wolfson
Public Accountant
Elected by
Board of Regents
First Elected 1992
Westbury



Executive Staff and Organizational Structure



*Standing (left to right):
William O'Brien, James Campbell,
Robert DeLuca, Lawrence Johansen,
George Philip.
Seated: Joseph Vet, Wayne Schneider*



See pages 57-59 of this report for a list of investment professionals who provide services to NYSTRS.

Letter of Transmittal



New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, New York 12211-2395
(800) 356-3128 or 447-2666 (Albany-area calls)
Web Site: www.nystrs.org

George M. Philip, Executive Director

TRUSTEES

Lucy P. Martin <i>President</i>	Manlius
Richard F. Lindstrom <i>Vice President</i>	Loudonville
Michael R. Corn	Barneveld
Josephine Davenport	Hamburg
Wanda G. Henton	New York City
R. Michael Kraus	East Aurora
Joseph P. McLaughlin	Harrison
Sheila J. Salenger	Ballston Lake
Frederick D. Volp	Cold Spring Harbor
Iris Wolfson	Westbury

August 30, 2002

Trustees of the Retirement System Board:

I present to you the Comprehensive Annual Financial Report of the New York State Teachers' Retirement System (STRS) for the fiscal year ended June 30, 2002. This report complies with all legal requirements governing the preparation and contents of annual reports.

The report is divided into five sections:

- **Introduction.** Identifies the Board of Trustees and Executive Staff. It also includes the President's message, a summary of benefits and this Letter of Transmittal.
- **Financial.** Contains the report of independent auditors KPMG LLP, as well as general-purpose financial statements and accompanying footnotes.
- **Investment.** Presents the chief investment officer's overview, and information about investment policies, holdings and performance. Investment and real estate managers, consultants and advisory committee members are also listed.
- **Actuarial.** In addition to an actuarial certification letter, this section includes a summary of actuarial methods and assumptions; the actuary's valuation balance sheet; information on funding progress, and the employer contribution rate.
- **Statistical.** Consists of membership, service, salary and benefit data. It also contains a list of all participating STRS employers.

History and Overview

STRS was created in 1921 by an act of the State Legislature. The System administers the fund from which most New York State public school teachers and administrators receive retirement and ancillary benefits. (Educators employed by New York City schools are, by law, covered by the New York City Teachers' Retirement System.) A summary of STRS benefits is provided on pages 15-19 of this report.

Letter of Transmittal

(continued)

The System is governed by a 10-member Board of Trustees, which sets policy and oversees operations consistent with applicable laws. More than 300 full-time employees are responsible for day-to-day administration and operation of STRS. The System serves more than 800 employers, including public school districts, charter schools and institutions of higher learning.

Total membership at fiscal year-end was 353,692, consisting of 242,834 active members and 110,858 retired members and/or beneficiaries who receive monthly benefit payments. More than 19,000 new members joined the System during the fiscal year, while approximately 7,300 others retired.

Awards

STRS is the proud recipient of several awards. Among the honors applicable to this fiscal year are:

A Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association of the United States and Canada (GFOA). This prestigious national award recognizes the System's 2001 Comprehensive Annual Financial Report for its conformance with the highest standards for preparation of state and local government financial reports.

Public Pension Principles Achievement Award, presented by the Public Pension Coordinating Council. The award is based on compliance with 18 specific principles in the areas of benefits, actuarial valuations, financial reporting, investments and disclosure to members. Systems that adhere to these standards lead the way in their service to system members, public officials and citizens.

The Distinguished Budget Presentation Award for the fiscal year July 1, 2001 through June 30, 2002, also awarded by GFOA. In order to receive this award, a governmental unit must publish a budget document that meets established criteria as a policy document, operations guide, financial plan and communications device.

Major Initiatives and Accomplishments

New legislation again dictated the distribution of System resources. The 2002 Legislative session produced not one, but two **early retirement incentives**. Signed into law on May 20, 2002 as Chapter 69 of the Laws of 2002, the retirement incentive actually featured two parts. Part A was the traditional incentive, earning those age 50 or older with 10 or more years of service (or age 55 with five or more years of service) one month of credit for each year of service, up to a maximum of three years. (*This is in addition to the two years Tier 1 and 2 members are eligible for under Benefit Enhancement [Article 19].*) School districts again had the option of whether or not to offer the incentive.

Part B of the law featured a new "55/25" provision that allowed Tier 2, 3 and 4 members age 55 or older with 25 years or more of service to retire without an age reduction. Members retiring under this provision could not retire under Part A. Available to all eligible members, this provision did not require that the employer adopt the incentive.

Introduction

Letter of Transmittal

(continued)

Through it all, the System's commitment to superior customer service was maintained. The System mailed approximately 35,000 comparison benefit estimates to those members 55 and older, and those Tier 1 members who would attain 35 years of service with the incentive.

In all, the System received 7,510 retirement applications between April 1 and June 30, 2002, an increase of 2,151, or 40.14%, as compared to the same 2001 period. The 4,034 applications received in May far outpaced the previous record of applications for that month (2,757 received in 1995), and the 2,274 applications received in June was almost 1,000 more than that received in June 2001.

Another legislative change, Chapter 106 of the Laws of 2002, creates a window during which members who were employed as substitutes for at least 20 days during a school year by the New York City Board of Education can obtain a **retroactive date of membership**. The window for applying for this "reinstatement" will close on June 30, 2003.

Eligible retired members received their first annual **cost-of-living adjustment** (COLA) in September 2001. Approximately 75,000 retirees received the 1.5% increase on the first \$18,000 of their benefit. Chapter 125 of the Laws of 2000 provides for an annual adjustment to an eligible member's retirement benefit based upon 50% of the increase in the March-to-March Consumer Price Index.

In an effort to address inequities associated with the COLA law, STRS staff prepared analysis, demographic information and a cost estimate for proposal to **increase the minimum benefit** for members who retired prior to July 1, 1970. As a result of Chapter 580 of the Laws of 2001, the minimum benefit increased from \$350 to \$500 for each year of New York State service, up to a maximum of \$17,500 for 35 years. More than 1,000 retired members received the first round of benefit increases in February 2002.

The Internal Revenue Service approved a long-awaited **excess benefit plan** that removed the cap on retirement benefits. The change took affect November 1, 2001, and by month's end, the 98 affected STRS members received retroactive payments under the plan.

As an organization, **business continuity** was a primary area of concern during this past year. Key components of the current plan include safe evacuation of staff, and the ability to ensure retirement payrolls and investment trades are processed in the event of a prolonged business interruption. An expanded plan incorporating vital functions and recovery priorities, equipment, workspace and computer needs, data protection and staffing will be implemented before the end of calendar year 2002.

During 2001-2002, STRS staff conducted 10,335 **consultations** with members, almost half of which were video consultations. New videoconferencing sites were established in Sanborn (near Niagara Falls) and Arlington (near Poughkeepsie). Staff also conducted 62 pre-retirement seminars and 54 benefit presentations statewide. The growth our consultation program has experienced is reflected in the following chart:

Letter of Transmittal

(continued)

Consultation Summary

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
FIELD	3,856	3,319	3,081	2,568	1,970	1,739
VIDEO	711	1,358	2,411	2,737	4,583	5,145
IN-HOUSE	<u>1,403</u>	<u>1,903</u>	<u>2,084</u>	<u>2,257</u>	<u>2,869</u>	<u>3,451</u>
TOTAL	5,970	6,580	7,576	7,562	9,422	10,335

Between April 1 and June 30, 2002, the System answered 40,027 **benefit calls** from membership. During that same period, the **Interactive Voice Response (IVR)** System, a series of recorded messages that require no assistance from employees and are answered immediately, handled 26,221 calls.

The STRS **Web site** was given a fresh new look and a new **secure area** was added. Both active and retired members who have registered a unique username and password with the System can now access their personal STRS account information on-line.

The **Benefit Profile** sent to more than 225,000 of the System's active members was enhanced to include a complete service history for those closest to retirement. These members are urged to use this additional information to verify the accuracy of their credit. This self-auditing tool is expected to significantly reduce the time it takes to process future retirement applications.

Financial Information

Retirement system trustees, management and staff safeguard the fund used to pay guaranteed retirement and ancillary benefits to the state's public school teachers and administrators. This task is accomplished with professionalism and integrity at all times, with the help and guidance of independent consultants and auditors. Please see the Management's Discussion and Analysis on page 23 for an overview of financial activities.

System management is responsible for the accuracy of information provided in STRS financial statements, as well as for the perpetuation of appropriate internal controls that ensure assets are secure. Financial information and internal controls are subject to audit by the New York State Insurance Department and the Retirement System's Internal Audit Department. In addition, financial statements are audited by KPMG LLP, an independent certified public accountant, whose unqualified opinion appears on page 22 of this report.

Major expenses result from payment of retirement benefits, death benefits and refunds of contributions to certain active and former members. The increase in retirement benefit payments from 2001 to 2002 is attributable to a net increase of about 4,700 retirees and beneficiaries. See the schedule of "Expenses by Type" on page 81 for more information.

Letter of Transmittal

(continued)

Funding

The fund's primary revenue source is investment income. Typically, the largest influence on investment income is the appreciation or depreciation in the market value of investments. This is especially true of our holdings in the United States stock market, where more than 50% of our assets are invested. Due in large part to the instability of the market, we experienced a decrease of \$8.6 billion in net assets during the recently completed fiscal year.

In addition to investments, other significant income sources are employer and member contributions. Security lending opportunities have also added income, and the commission recapture program has been successful relative to externally managed funds. Detailed information listing "Revenues by Source" can be found on page 81.

Employer contribution rates, expressed as a uniform percentage of member payroll, are set annually at the level necessary to fund the retirement and ancillary benefits of members and their beneficiaries now and in the future. System actuaries work with STRS trustees and executive staff to establish a rate that ensures sufficient assets are on-hand to pay benefits as they come due. The contribution rate to be paid by employers during the 2003-04 school year was set at 0.36% of member payroll, the same as the previous year. That rate will be applied to the 2002-03 STRS member payroll.

As of June 30, 2001, the date of the most recent annual actuarial valuation prepared by our actuary, the plan's funded ratio was 125.0%. Details of our funding progress may be obtained by turning to page 65.

Investments

The Retirement System's principle objective is to accurately and consistently deliver guaranteed benefits to all eligible members and their beneficiaries. This is accomplished with the highest possible levels of security and at the lowest actuarially appropriate cost to participating employers. Accordingly, our portfolio is diversified prudently across several asset classes in order to achieve the best possible long-term total returns consistent with appropriate levels of risk. Asset allocations and total portfolio construction are reviewed annually and adjusted accordingly.

One of the adjustments we are making is to place additional emphasis on cash flow. This is necessary to meet the demands of a growing retirement payroll.

For the year ended June 30, 2002, the Retirement System's total portfolio returned -6.8%. The corresponding annualized total rate of return over the last 10 years was 10.0%.

The reduction in the total value of our portfolio was not unexpected, given the significant number of negative world and corporate events that occurred during the fiscal year. On a positive note, the percentage decline was less than that of the blended benchmark of market indices and our long-term performance continues to exceed our actuarially assumed return of 8.0%. Our policy of maintaining a diversified portfolio, both across varied asset classes and within each asset class, is an advantageous strategy that reduces risk.

Letter of Transmittal

(continued)

We continue to emphasize internally managed investment portfolios in an effort to reduce operating costs and maintain greater control over the fund. In addition, the increase in internally managed funds has decreased our asset management fees. I'm proud to note that an independent consultant ranked STRS in the top 5% of comparable funds in terms of minimizing trading costs.

In support of these efforts, new resources (in the form of staffing and technology) were allocated in the 2001-02 operating budget for the private equity, real estate and mortgage investment portfolios, which in recent years have outperformed other investment sectors. New high-quality real estate and mortgage investments and commitments exceeded \$1 billion during the fiscal year. Additionally, an electronic trading blotter and additional quantitative software analysis for domestic equity investments are being developed.

As part of the continual monitoring of our asset allocation program, at the July 25, 2002 Retirement System Board Meeting, slight adjustments were made to the asset allocation targets. Based on its strong performance and the need for increased cash flow, real estate was allocated an additional 2% (increasing to 8% from 6%) and international equity was decreased by the same percentage (10% to 8%). In fixed income, a similar change occurred. Allocations for mortgages increased 2% (to 8% from 6%) and domestic fixed income was reduced from 20% to 18%.

In order to move closer to our target of 3% in alternative investments during the year ended June 30, 2002, the Board selected eight new private equity partnerships, committing \$820 million.

Refer to pages 40-59 for further information on STRS investments.

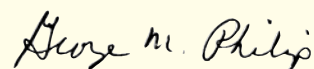
Acknowledgements

New York State Teachers' Retirement System staff prepared this report. It is intended to provide complete and reliable information for making management decisions, determining compliance with legal provisions and determining responsible stewardship of System assets.

I strongly believe in and support the commitment to quality here at STRS. It begins with the Board of Trustees and continues down to the performance of our staff. I also must praise the members of the Medical Board, and the Investment Advisory and Real Estate Advisory committees for their vital contributions to STRS members and this organization.

As a whole, the people affiliated with this System support our mission: To provide the membership with timely service and accurate benefit payments, and to assure the funding of these benefits by utilizing proper actuarial techniques and maximizing investment returns. This commitment makes everything possible and I thank everyone for their dedication to the effort.

Respectfully submitted,



George M. Philip
Executive Director

Introduction

President's Message

The 2001-2002 fiscal year was certainly a challenging one, not just for the Retirement System, but also for all of America. The tragic events of September 11 and the multiple cases of corporate malfeasance that undermined investor confidence were just a few of the events that impacted our lives in so many ways. The resulting changes in the financial landscape placed a renewed emphasis on our mission.

That mission, of course, is to administer and protect the fund used to pay guaranteed retirement and ancillary benefits to educators employed in New York State public schools. We strive to accomplish this with professionalism and integrity at all times, utilizing appropriate actuarial techniques, with the help and guidance of independent consultants and auditors. The outside agencies we work with are also held to these same lofty standards.

Our service and communication goals are equally high. STRS staff ensures that the payment of member benefits is consistently prompt and precise. Exceptional service is provided by being responsive to the many needs of our members, and by supplying information accurately and punctually through various communication tools.


In a year that brought many new state laws impacting retirement benefits, our commitment to service and communication could not have been more pronounced. STRS staff, led by Executive Director George Philip, did an admirable job of not only implementing the necessary program changes, but also of communicating the impact of these changes to our more than 350,000 active and retired members. When deadlines were considerations, staff diligently contacted members and assisted those eligible to take advantage of the new legislation.

It is for these and many other reasons the System is recognized as a nationwide leader among public retirement systems. We remain in the top 10 of such funds in terms of portfolio size, and are consistently among the best performers. Our efforts are honored year-in and year-out by national organizations such as the Government Finance Officers Association and the Public Pension Coordinating Council, among others.

But we are most proud of the fact our **members** continue to recognize and praise the efforts of our staff. Whether through letters and e-mails, or at our annual delegates' meeting, various seminars, consultations or other meetings with STRS representatives, the feedback we receive is overwhelmingly positive. It is a tribute to a friendly, hard-working and highly knowledgeable STRS staff, led by a seasoned management team. On behalf of the Retirement Board, we thank them all for their day-in and day-out efforts.

The trustees, too, deserve a nod of appreciation. This is truly a working board that leads by example. The commitment and leadership each trustee displays provide the necessary guidance and stability all successful organizations require.

This strong work ethic, as well as the vision to take advantage of opportunities as they arise, serves the System and its membership well—and will continue to in the future.



Lucy P. Martin
President

Summary of Benefits

Types of Benefits

NYSTRS provides service, vested and disability retirement benefits, in addition to in-service death benefits.

Membership Tier

There are four tiers of System members, determined by date of membership, as shown below. Benefits differ for each membership tier.

Tier 1: Membership prior to 7/1/73	Tier 3: Membership 7/27/76 - 8/31/83
Tier 2: Membership 7/1/73 - 7/26/76	Tier 4: Membership on or after 9/1/83

Eligibility for Service Retirement

Under all tiers, members may retire and receive a service retirement benefit at age 55 if credited with five years of New York State service. Retirement for Tier 1 members is also possible with fewer years of service under certain circumstances.

Tier 1 members may retire at any age with 35 years of service. The creditable service under Benefit Enhancement (see below) greatly increases the number of members eligible under this provision.

Tier 3 members are entitled to the benefits under Tier 4. Because of the improvements in Tier 4, most Tier 3 members retire under the provisions of Tier 4. When the benefits under one tier are obviously better, a member will automatically receive the better benefits.

Service Retirement Benefit

A Tier 1 member is eligible to retire at age 55 under the Career Plan without a reduction in benefits if credited with 20 years of State service. The pension for 20 years of New York State service credited after July 1, 1959 is 40% of final average salary. The maximum pension under the Career Plan is 79% of final average salary. This includes the two years of service added under Benefit Enhancement.

A Tier 2 member may retire at age 55 without a reduction in benefits if credited with 30 years of service. The pension for 30 years of service is 60% of final average salary. The maximum pension payable under Tier 2 is also 79% of final average salary.

A Tier 4 member, and a Tier 3 member electing to retire under Tier 4, may retire at age 55 without a reduction in benefits if credited with 30 years of service. The pension for 30 years of service is 60% of final average salary. Each year beyond 30 years increases the pension 1¹/₂% of final average salary.

Benefit Enhancement (Article 19)

New York State law enacted in 2000 provides up to two additional years of service credit at retirement for Tier 1 and 2 members who meet the eligibility requirements. It also allows Tier 3 and 4 members to stop making 3% required contributions when they have been a member for 10 years or have 10 years of total service credit, whichever occurs first.

Introduction

Summary of Benefits

(continued)

Pension Formulas

A retirement benefit is determined by the formula: pension factor x final average salary = pension. The pension factor under each tier for a service retirement is calculated using the percentages as shown in the chart to the right:

Final Average Salary

Final average salary is defined as the average of the member's three highest consecutive years of regular salary, excluding termination pay, retirement bonuses, pay for unused sick days or accumulated vacation and increases in salary which exceed certain limitations.

Members who joined the System prior to June 17, 1971 are entitled to a five-year final average salary without the limitations of the three-year final average salary if the five-year final average salary is greater.

Vested Retirement

STRS members who cease employment with five or more years of credited service are eligible for a vested retirement. The vested benefit is payable at age 55 and is calculated using the same factors as a service retirement benefit. However, if vested members choose to withdraw their member contributions or transfer membership to another NYS public retirement system, they will not be eligible for an STRS benefit. Tier 3 and Tier 4 members with at least 10 years of service cannot withdraw.

Pension Formulas for Service Retirement

Tier 1

2% x years of NYS service since July 1, 1959, plus 1.8% x years of NYS service before July 1, 1959, plus 1% x years of out-of-state service to 10 years*, but there's a 5% reduction of pension for each year of NYS service under 20 years

Tier 2

Computed under the Tier 1 formula including the 5% reduction of pension for each year of NYS service under 20 years. Further reduction of 6% to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service. Out-of-state service is excluded.

Tier 3 - Article 14**

$1\frac{2}{3}\%$ x years of NYS service if credited with less than 20 years, or 2% x years of NYS service if credited with 20 or more years to a maximum of 60% with 30 or more years. Reduction of 6.7% to 30% when retirement occurs before age 62 with credit for less than 30 years of NYS service. At age 62, benefit reduced by 50% of primary Social Security benefit accrued while in NYS public employment.

Tier 4 - Article 15

$1\frac{2}{3}\%$ x years of NYS service if credited with less than 20 years, or 2% x years of NYS service if credited with 20 to 30 years, plus $1\frac{1}{2}\%$ x years of NYS service beyond 30 years. Reduction of 6% to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.

*Out-of-state service cannot be used to exceed 35 years of service. However, service under Article 19 may allow this limit to equal 37 years.

**Tier 3 members are entitled to receive either the benefits of Article 14 or the benefits of Article 15.

Summary of Benefits

(continued)

Disability Retirement

Generally, members credited with at least 10 years of New York State service (five years for Tier 3 members) who become disabled as defined by applicable statute are entitled to a disability retirement benefit from the System. In most cases, the minimum disability benefit is 1/3 of final average salary. For Tier 3 and Tier 4 members who become disabled as the result of an accident sustained in the performance of their teaching duties, the five-year or 10-year eligibility requirement is waived.

Disability benefits are subject to the review and approval of the System's Medical Board and Retirement Board. The members of the Medical Board are:

HARVEY R. BERNARD, M.D.

Diplomate of the American Board of Surgeons
Professor of Surgery
Albany Medical College

RICHARD P. PROPP, M.D.

Diplomate of the American Board of Internal Medicine
Diplomate of the American Board of Hematology
Associate Clinical Professor of Medicine at the Albany Medical College
Medical Consultant, Office of Medicaid Management,
New York State Department of Health

MELVIN J. STEINHART, M.D.

Diplomate of the American Board of Psychiatry and Neurology
Chief of Psychiatric Consultation-Liaison Service
Professor of Clinical Psychiatry
Professor of Clinical Medicine
Albany Medical College

Member Contributions

Tier 3 and Tier 4 members are mandated to contribute 3% of salary to the Retirement System until they have been a member for 10 years or have 10 years of service credit, whichever occurs first. Tier 3 and 4 pensions are funded by member and employer contributions. These contributions are not included in the member's gross income for federal income tax purposes until they are distributed or made available to the member, generally at retirement as part of a retirement benefit or upon withdrawal from the System. The member's salary prior to the reduction is used in all benefit calculations.

Introduction

Summary of Benefits

(continued)

Tier 1 and 2 members are not required to contribute to the System. Tier 1 and Tier 2 members who have made contributions receive an annuity throughout retirement, in addition to the employer-funded pension described earlier. The annuity is based on total member contributions, life expectancy, date of membership and choice of benefit.

Transfer and Prior Service

Under certain circumstances, members are eligible to transfer membership to or from another New York State public retirement system or claim credit for public employment prior to joining STRS.

Ordinary Death Benefits

An employer-funded death benefit is paid if a member dies in service and certain eligibility requirements are met. In addition, if a member dies before retirement, any contributions made by the member to the System, plus interest, are paid to the designated beneficiary.

Tier 1 Death Benefit

The amount of the employer-provided death benefit under Tier 1 is the greater of:

- a. three times the last 12 months of earnings to a maximum of \$20,000,

OR

- b. 1/12 of the member's last 12 months of earnings (exclusive of any form of termination pay) for each year of credited New York State service to a maximum of three times such earnings with 36 or more years of New York State service,

OR

- c. the Death Gamble provision. Under the Death Gamble, if a member dies in active service while eligible for retirement without a benefit reduction, the beneficiary is entitled to the pension reserve which would have been used to pay the retirement benefit computed under Section 510 of the Education Law.

Tier 2, 3 and 4 Death Benefit

If a Tier 2, 3 or 4 member, who joined prior to January 1, 2001, dies before retirement and a death benefit is payable, STRS will pay to the beneficiary a death benefit calculated under Paragraph 2, unless the member selected Paragraph 1 and that calculation is higher. Members joining on or after January 1, 2001, are covered only by Paragraph 2.

Summary of Benefits

(continued)

Paragraph 1 - 1/12 of the member's last 12 months of regular earnings for each year of credited New York State service to a maximum of three times such earnings with 36 or more years of New York State service, or the Death Gamble benefit.

Paragraph 2 - One year's salary after a year of member service, increasing each year to a maximum of three years' salary after three or more years of member service. This benefit declines after age 60 at the rate of 4% per year, but never falls below 60% of the original death benefit otherwise payable.

Tier 2, 3 and 4 members who teach until retirement will also have a survivor's death benefit if death occurs after retirement. This is separate from any choice of a maximum retirement benefit or option.

1st Year	50% of benefit at retirement
2nd Year	25% of benefit at retirement
3rd & Ensuing Years	10% of benefit at age 60, if any, or at retirement if earlier

Accidental Death Benefit

An accidental death benefit is payable in the form of a pension to the beneficiaries of Tier 3 and Tier 4 members who die as the result of an accident sustained in the performance of their teaching duties.

Vested Member Death Benefit

A vested member death benefit is payable to the designated beneficiary or the estate of any member who has 10 or more years of credited service and does not meet the in-service eligibility requirement for an ordinary death benefit.

The amount of the benefit is one-half of the amount of the ordinary death benefit which would have been paid if the member's death had occurred on the last day of creditable service.

Retirement Options

At the time of retirement, a member may elect the maximum retirement benefit with no protection for a beneficiary, or one of many actuarially equivalent options—lump sum, survivor, guarantee or alternative—providing protection for a beneficiary or beneficiaries.

Cost-of-Living Adjustment (COLA)

All eligible current and future retired members will receive an automatic COLA based on 50% of the Consumer Price Index each year. It will be a minimum of 1% and a maximum of 3% and effective each September.

Benefits paid to retirees and their beneficiaries increased by \$300 million between fiscal years 2001 and 2002.

Financial



*New York State
Teachers' Retirement System*

Independent Auditors' Report



515 Broadway
Albany, NY 12207

Telephone 518 427 4600

The Retirement Board
New York State Teachers' Retirement System

We have audited the accompanying statements of plan net assets of the New York State Teachers' Retirement System (the System) as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

As described in note 2 to the basic financial statements, in fiscal year 2002, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's discussion and analysis, the schedule of employer contribution, and the actuarial methods and assumptions are not a required part of the basic financial statements, but are supplementary information required by Government Accounting Standards Board Statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information included in Schedules 1 through 3 is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data as presented in the introduction, investments, actuarial and statistical sections of this report, and accordingly, express no opinion thereon.

KPMG LLP

August 9, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the New York State Teachers' Retirement System (NYSTRS or the System) provides an overview of its financial activities for the fiscal year ended June 30, 2002. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information.

Financial Highlights

- The System's net assets, which represent funds available to pay current and future benefits, were \$73.0 billion as of the end of the current fiscal year.
- Net assets declined from the prior year by \$8.6 billion, or 10.56%.
- Contributions from employers dropped from \$153 million in fiscal year 2001 to \$52 million in fiscal year 2002.
- Benefits paid to retirees and members increased from \$2.9 billion in fiscal year 2001 to \$3.2 billion in fiscal year 2002.
- The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, was 125.0% as of June 30, 2001. As a result of the decline in the market value of assets, it is expected the System's funded ratio will decline significantly beginning with the June 30, 2002 actuarial valuation.

Overview of the Financial Statements

The following discussion and analysis is intended to assist the reader in better understanding the purpose and meaning of each of the key components of NYSTRS' financial statements, which are comprised of the following:

1. The *Statement of Plan Net Assets* presents NYSTRS' assets and liabilities by major categories and may serve over time as a useful indicator of the System's financial position. The difference between assets and liabilities represents the *net assets held in trust for pension benefits*. The statement also compares assets and liabilities by class to the previous fiscal year, which offers the reader the opportunity to note changes in each class of asset and liability from year to year. Most of NYSTRS' assets are investments with the remainder being receivables for employer and member contributions and investment receivables. The asset, securities lending collateral, is offset entirely by securities lending collateral due to borrowers. The remaining liabilities consist of investment purchases payable, mortgage escrows and deposits net of investments and other liabilities.
2. The *Statement of Changes in Plan Net Assets* provides information on the increases and decreases that caused the change in the System's net assets during the fiscal year ended June 30, 2002. The majority of income, or loss, is derived from investment income, primarily in the form of increases or decreases in the market value of assets from last year. Deductions include retirement benefit payments, beneficiary payments, return of contributions and administrative expenses. For the purpose of comparison, information pertaining to the previous year's Statement of Changes in Plan Net Assets is also provided.
3. The *Notes to the Financial Statements* are an essential part of the financial statements. They provide important background and detail information about NYSTRS, the plan and the statements themselves.
4. The *Required Supplementary Information* consists of information pertaining to NYSTRS' actuarial methods and assumptions and provides data on the funded status of the plan. Also included as Other Financial Information are schedules of administrative expenses, investment activity and investment expenses.

Management's Discussion and Analysis

(continued)

Financial Analysis

Tables 1 and 2 summarize and compare the System's financial results for the current and prior fiscal years. It is important to note that the change from year to year in a particular investment category is attributable not only to the change in market value but also to purchases and sales or maturities of that investment. For a more detailed picture of the factors that caused the change in a particular investment category, please see the Investment Summary (Schedule 2 on page 37).

Table 1 Summary of Net Assets (dollars in thousands)

	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Percent</u>
Investments at fair value:				
Short-term	\$ 2,544,693	\$ 3,098,906	\$ (554,213)	-17.88%
Domestic fixed income	16,243,332	16,085,191	158,141	0.98%
Domestic equities	38,817,974	46,680,553	(7,862,579)	-16.84%
International equities	5,826,091	6,730,334	(904,243)	-13.44%
Mortgages	4,178,519	3,796,545	381,974	10.06%
Real estate	3,493,798	3,553,453	(59,655)	-1.68%
Alternative investments	1,320,269	1,068,098	252,171	23.61%
Total Investments	<u>72,424,676</u>	<u>81,013,080</u>	<u>(8,588,404)</u>	<u>-10.60%</u>
Receivables:				
Employer and member	286,722	384,851	(98,129)	-25.50%
Investment income and sales	275,059	256,455	18,604	7.25%
Total receivables	<u>561,781</u>	<u>641,306</u>	<u>(79,525)</u>	<u>-12.40%</u>
Other assets	<u>219,643*</u>	<u>217,376</u>	<u>2,267</u>	<u>1.04%</u>
Total assets	<u>73,206,100</u>	<u>81,871,762</u>	<u>(8,665,662)</u>	<u>-10.58%</u>
Total liabilities	<u>164,912*</u>	<u>207,610</u>	<u>(42,698)</u>	<u>-20.57%</u>
Net assets	<u>\$73,041,188</u>	<u>\$81,664,152</u>	<u>(\$8,622,964)</u>	<u>-10.56%</u>

*Securities lending collateral is eliminated since the asset and liability offset each other.

Although the System's net assets have grown consistently over past years, in the current year net assets decreased by 10.56%. This decrease is due almost entirely to continued declines in worldwide equity markets.

The vast majority of the System's assets are in cash and investments, which made up 98.90% of all assets as of June 30, 2002. NYSTRS diversifies its investments across various asset classes in a manner designed to achieve the best possible long-term returns at a prudent level of risk.

Management's Discussion and Analysis

(continued)

Table 2 Summary of Changes in Net Assets (dollars in thousands)

	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Percent</u>
Additions:				
Investment income:				
Net depreciation				
in fair value of investments	\$ (7,603,666)	\$ (6,952,556)	\$ (651,110)	9.37%
Interest income	1,120,433	1,162,566	(42,133)	-3.62%
Dividend income	682,620	677,801	4,819	0.71%
Real estate, net operating income	268,578	210,982	57,596	27.30%
Securities lending (net)	23,565	25,524	(1,959)	-7.68%
Other (net)	11,349	16,598	(5,249)	-31.62%
Less: Investment expenses	(73,804)	(87,122)	13,318	-15.29%
Contributions:				
Employer	51,861	152,718	(100,857)	-66.04%
Member	137,921	128,019	9,902	7.73%
Transfers in/out (net)	14,271	29,023	(14,752)	-50.83%
Total additions	<u>(5,366,872)</u>	<u>(4,636,447)</u>	<u>(730,425)</u>	<u>15.75%</u>
Deductions:				
Retirement benefits	3,223,631	2,916,103	307,528	10.55%
Administrative expenses	32,461	30,581	1,880	6.15%
Total deductions	<u>3,256,092</u>	<u>2,946,684</u>	<u>309,408</u>	<u>10.50%</u>
Change in Net Assets	<u>(8,622,964)</u>	<u>(7,583,131)</u>	<u>(1,039,833)</u>	<u>13.71%</u>
Prior Year Net Assets	<u>81,664,152</u>	<u>89,247,283</u>	<u>(7,583,131)</u>	<u>-8.50%</u>
Current Year Net Assets	<u>\$73,041,188</u>	<u>\$81,664,152</u>	<u>(\$8,622,964)</u>	<u>-10.56%</u>

For the fiscal year ended June 30, 2002, NYSTRS reported a net investment loss of \$5.6 billion. This loss was primarily attributable to a net depreciation in the fair value of equity investments totaling \$8.2 billion, offset by income generated from interest, dividends, real estate and securities lending.

Other noteworthy changes include:

- Investment expenses represent fees paid to portfolio managers and other costs related directly to either acquiring or managing investments. The management fees are generally tied to the market values of the assets under management, which explains their decrease in 2002.
- Employer contributions declined by over 66% for the 2002 fiscal year, largely because no retirement incentive legislation was enacted for the year that would have been billed in 2002.
- Member contributions grew by \$9.9 million in 2002. Most members are required to contribute 3% of their salary for their first 10 years of membership.
- In 2002 the System paid \$3.2 billion in benefits to over 110,000 plan participants compared to \$2.9 billion to over 106,000 participants in 2001.

Management's Discussion and Analysis

(continued)

Economic Factors

NYSTRS is committed to providing benefits to its members and beneficiaries, while keeping the cost to participating employers, and ultimately taxpayers, at an actuarially sound minimum. In 2002, the System experienced its second consecutive year of investment losses as the stock market continued its decline into the early part of the 2003 fiscal year. These losses come on the heels of unprecedented gains in the late 1990s. As a result of these gains, the employer contribution rate dropped substantially over the past several years. At the same time, our retiree population continues to grow to the point where the ratio of active members to retired members is 2:1 compared to 8:1 in 1970. Add to this fact that in the past few years benefit improvement legislation has been enacted that provides a permanent cost-of-living adjustment, allows the purchase of certain military service, reduces member contributions, reinstates membership to an earlier date and grants additional service credit to pre-July 27, 1976 members. Although the System's funded ratio was 125.0% as of June 30, 2001, it is expected the funded ratio will decline significantly beginning with the June 30, 2002 actuarial valuation as a result of the decline in the market value of assets.

Historically, the stock market has provided risk-adjusted returns that generally exceed those of other asset classes. As a public pension system, NYSTRS maintains a long-term investment strategy consistent with the fact that a significant portion of both investments and obligations to members are of a long-term nature. Nevertheless, losses of the magnitude experienced in the last two fiscal years along with improved benefits will inevitably cause the employer contribution rate to rise significantly.

Requests for Information

This financial report is designed to provide members, retirees, employers and interested parties, with a general overview of the financial activities of the NYSTRS. Questions about this report or requests for additional financial information should be addressed to the Public Information Office, New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by e-mail at communit@nystrs.state.ny.us.

Statements of Plan Net Assets—June 30, 2002 and 2001

(dollars in thousands)

Assets	2002	2001
Investments at fair value (Note 4):		
Short-term	\$ 2,544,693	\$ 3,098,906
Domestic fixed income securities	16,243,332	16,085,191
Domestic equities	38,817,974	46,680,553
International equities	5,826,091	6,730,334
Mortgages	4,178,519	3,796,545
Real estate	3,493,798	3,553,453
Alternative investments	1,320,269	1,068,098
Total investments	72,424,676	81,013,080
Receivables:		
Employer	14,503	24,227
Employer, long-term	159,528	253,165
Member	112,691	107,459
Investment income	240,729	221,792
Investment sales	34,330	34,663
Total receivables	561,781	641,306
Securities lending collateral, invested (Note 4)	4,187,529	3,620,278
Member loans	148,789	140,951
Building and equipment, net of depreciation	15,371	13,272
Miscellaneous assets	55,483	63,153
Total assets	77,393,629	85,492,040
Liabilities		
Securities lending collateral, due to borrowers (Note 4)	4,187,529	3,620,278
Investment purchases payable	39,613	68,851
Mortgage escrows and deposits, net of investments	45,951	59,750
Other liabilities (Note 7)	79,348	79,009
Total liabilities	4,352,441	3,827,888
Net assets held in trust for pension benefits (Notes 1 and 3)	\$73,041,188	\$81,664,152

Financial

Statements of Changes in Plan Net Assets—June 30, 2002 and 2001
(dollars in thousands)

Additions:	2002	2001
Investment income:		
Net depreciation in fair value of investments	\$ (7,603,666)	\$ (6,952,556)
Interest income	1,120,433	1,162,566
Dividend income	682,620	677,801
Real estate, net operating income	268,578	210,982
Securities lending, gross earnings	127,404	394,137
Other (net)	11,349	16,598
	(5,393,282)	(4,490,472)
Less: Investment expenses	73,804	87,122
Securities lending, rebates and fees	103,839	368,613
Net investment loss	(5,570,925)	(4,946,207)
Contributions:		
Employer	38,231	50,172
Employer, long-term	13,630	102,546
Member	137,921	128,019
Transfers in/out (net)	14,271	29,023
Total contributions	204,053	309,760
Total additions	(5,366,872)	(4,636,447)
Deductions:		
Retirement benefit payments, periodic	3,143,981	2,834,136
Beneficiary payments	57,664	53,560
Return of contributions	21,986	28,407
Administrative expenses	32,461	30,581
Total deductions	3,256,092	2,946,684
Net decrease	(8,622,964)	(7,583,131)
Net assets held in trust for pension benefits, beginning of year	81,664,152	89,247,283
Net assets held in trust for pension benefits, end of year	\$73,041,188	\$81,664,152

Notes to Financial Statements—June 30, 2002 and 2001

(dollars in thousands)

1. Plan Description

The New York State Teachers' Retirement System (the System) was created and exists, pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension benefits for teachers employed by participating employers in the State of New York, excluding New York City.

As of June 30, the number of participating employers was:

	<u>2002</u>	<u>2001</u>
Public School Districts	700	701
B.O.C.E.S.	38	38
S.U.N.Y.	31	31
Community Colleges	31	31
Charter Schools	13	5
Other	<u>10</u>	<u>7</u>
	<u>823</u>	<u>813</u>

As of June 30, the System membership consisted of:

	<u>2002</u>	<u>2001</u>
Retired members and beneficiaries		
currently receiving benefits	110,858	106,123
Terminated members entitled to but		
not yet receiving benefits	4,474	4,804
Active members	<u>238,360</u>	<u>229,546</u>
Total	<u>353,692</u>	<u>340,473</u>

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following four classes:

Tier 1—Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2—Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law.

Tier 3—Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the Retirement and Social Security Law.

Tier 4—Members who joined on or after September 1, 1983 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Service Retirements

Tier 1 members are eligible for a service retirement allowance, of approximately 2% per year of credited service times the final average salary, at age 55. Tiers 2, 3 and 4 are eligible for the same but with the following limitations: 1) Tier 2 members receive a reduced benefit for retirement before age 62 with less than 30 years of service; and 2) Tier 3 and Tier 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service.

Vested Benefits

Retirement benefits vest after 5 years of credited service and are payable at age 55 or greater with the limitations noted for service retirements above.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service, except for Tier 3, where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the Retirement and Social Security Law. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and tier of membership.

Notes to Financial Statements

*(dollars in thousands)***Member Contributions**

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member leaves covered employment with less than 5 years of credited service or dies, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Article 19 Benefit Enhancement

Article 19 of the Retirement and Social Security Law allows eligible Tier 1 and 2 members to receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years. Effective October 2000, Tier 3 and 4 members are no longer required to make 3% contributions after obtaining the earlier of 10 or more years of service credit or 10 or more years of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the Consumer Price Index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2002 is 1.0% compared to 1.5% paid beginning September 2001.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State

service. Certain members who retire pursuant to the provisions of Article 14 of the Retirement and Social Security Law are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

2. Summary of Significant Accounting Policies**Basis of Accounting**

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade date basis.

Method Used to Value Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on appraisals plus fiscal year-to-date capital expenditures. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued based on a good faith determination of the General Partner.

Employer/Member Contributions Receivable**Current:**

Employer contributions receivable are determined by applying the actuarially calculated contribution rate of 0.36% and 0.43% to the estimated covered payroll for fiscal years ended June 30, 2002 and 2001, respectively.

Notes to Financial Statements

(dollars in thousands)

Member contributions receivable are computed by multiplying the statutorily required member contribution rate of 3% against the estimated salaries of those Tier 3 and 4 members with less than 10 years of service or membership. Estimated voluntary Tier 1 contributions are also included in the member contributions receivable.

Long Term:

As a result of the enactment of Chapter 175 of the Laws of 1990, employer contributions due for the 1989 fiscal year which were payable in the 1990 fiscal year are to be paid in fifteen annual payments, including interest at 8%, and commenced in October 1990. Certain employers have prepaid some or all of the deferred amount.

Various retirement incentive programs have been enacted under which members are granted additional service credit as an inducement to retire. Numerous employers have elected to participate in one or more of these incentives. Employers have the option of payment in one year or over five years including interest at 8%. Retirement incentives have been offered for most years since 1991. No incentive legislation was passed in 2001. Since incentives are billed in the following year there was no incentive cost recorded in 2002.

Chapter 437 of the Laws of 1993 provides for improved benefits for certain qualifying members through transfer, prior service and retroactive membership. Employers have the option of payment over one, five or ten years including interest at 8%.

Building and Equipment

Fixed assets are recorded at historical cost. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

	<u>Years</u>
Building	50
Building Improvements	Various
Roads and Shrubbery	15
Office Furniture and Equipment	7
Office Machinery/Computer Equipment & Software	5
Automobiles	4

Federal Tax Status

The System is exempt from Federal income taxes under the Internal Revenue Code.

Reclassifications

Amounts in the prior year's financial statements are reclassified whenever necessary to conform to the presentation in the current year's financial statements.

Use of Estimates

Management of the System has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

New Accounting Standards Adopted

In fiscal year 2002, the System adopted three new statements of financial accounting standards issued by GASB:

- ♦ Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments
- ♦ Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus
- ♦ Statement No. 38, Certain Financial Statement Note Disclosures

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. It requires as required supplementary information Management's Discussion and Analysis which includes an analytical overview of the System's financial activities. Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. The primary impact of these new Statements on the System is the Management's Discussion and Analysis.

3. Funds

The following funds were established pursuant to the laws of the State of New York. All of the funds, with the exception of the Administrative Fund, are available for the payment of benefits to members or beneficiaries.

Annuity Savings Fund

The fund in which contributions of Tier 1 and 2 members covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law are accumulated.

Notes to Financial Statements

(dollars in thousands)

Annuity Reserve Fund

The fund from which the accumulated contributions of members covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law are paid as a life annuity.

Pension Accumulation Fund

The fund in which all reserves for the payment of all benefits are accumulated with the exception of the annuity provided by the accumulated contributions of Tier 1 and 2 members, supplemental retirement allowances and group term life insurance.

Pension Reserve Fund

The fund from which pensions are paid from reserves transferred from the Pension Accumulation Fund.

Group Life Insurance Fund

Pursuant to Article 4-B of the Retirement and Social Security Law, the Retirement Board established a Group Life Insurance Fund. The Group Life Insurance Fund provides a group term death benefit not to exceed fifty thousand dollars, payable upon the death of eligible members. Group term death benefits paid for the fiscal years ended June 30, 2002 and 2001 were \$9,240 and \$7,719, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

CO-ESC Member Contributions Fund

Members covered by the provisions of Article 14 and Article 15 of the Retirement and Social Security Law contributed 3% of salary to the System's CO-ESC Member Contribution Fund. Effective October 2000, contributions were eliminated for members with 10 or more years of service or membership. Contributions to this fund were \$123,716 and \$112,827 in fiscal years ended June 30, 2002 and 2001, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

Supplemental Retirement Allowance Fund

Pursuant to Section 518-a of Article 11 of the Education Law, the supplemental retirement allowances provided by Section 532 of such law are paid to eligible retired members and beneficiaries of the System from the Supplemental Retirement Allowance Fund. Supplemental retirement allowances paid for the fiscal years ended June 30, 2002

and 2001 were \$0 and \$16,652, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund. Chapter 125 of the Laws of 2000 replaces the Supplemental Fund and provides for a permanent, annually adjusted cost-of-living benefit.

Administrative Fund

All operating expenses of the System are paid through this fund. The fund receives an allocation from employer contributions which are designated by law to cover all non-investment related operating expenses. Investment expenses are offset directly by investment income.

Summary of Fund Balances

Net assets held in trust for pension benefits consisted of:

	June 30	
	<u>2002</u>	<u>2001</u>
Administrative Fund	\$ 8,183	\$ 7,872
Annuity Savings Fund	71,086	84,814
Annuity Reserve Fund	250,788	262,369
Pension Accumulation Fund	41,782,037	53,484,402
Pension Reserve Fund	<u>30,929,094</u>	<u>27,824,695</u>
Total	<u>\$73,041,188</u>	<u>\$81,664,152</u>

4. Deposits and Investments

The System has been authorized by the New York State Legislature pursuant to Section 177 of the Retirement and Social Security Law, as well as certain other provisions of the Banking Law, Education Law and Retirement and Social Security Law, to invest in stocks, bonds, mortgages, real estate and other investments. A specific investment within these broad asset classes may be subject to particular restrictions or limitations contained in the applicable statutory provision. Pursuant to regulations promulgated by the New York State Department of Insurance, investments must be made in a manner consistent with those of a reasonably prudent person exercising care, skill and caution. In addition to applicable legal constraints, the Retirement Board has adopted policies governing the investments made by the System. The System maintains certain deposits, cash equivalents and other investments with financial institutions.

Deposits

The head of the Division of the Treasury in the Department of Taxation and Finance is the statutory custodian of the funds of the System. In this capacity, the statutory custodian has arranged to have bank accounts collater-

Notes to Financial Statements

(dollars in thousands)

alized with the collateral being held in the name of the Treasurer as custodian for the System, by a bank, other than the System's depository bank. At June 30, 2002 and 2001, the System's bank accounts were fully collateralized.

Investments

The System's investments are categorized to give an indication of the level of custodial risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by the counterparty's trust department or agent, but not in the System's name.

Investments - categorized (in thousands):

	Category			Total Fair Value
	1	2	3	
				<u>6/30/2002</u>
Commercial paper	\$ 2,135,308	\$	\$	\$2,135,308
US Govt. & agency bonds:				
Not on securities loan	7,292,774			7,292,774
Corporate bonds:				
Not on securities loan	6,589,414			6,589,414
Domestic equities:				
Not on securities loan	37,524,724			37,524,724
On securities loan for non-cash collateral	552			552
Subtotal	<u>\$53,542,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$53,542,772</u>

Investments - not categorized (in thousands):

Investments held by broker-dealers under securities loans for cash collateral:	
US Govt. & agency bonds	2,602,943
Corporate bonds	167,586
Domestic equities	1,292,698
International equities, commingled funds	5,826,091
Mortgages	4,178,519
Real estate	3,493,798
Alternative investments	1,320,269
Subtotal	<u>72,424,676</u>
Securities lending collateral, short-term investment fund	4,187,529
Total	<u>\$76,612,205</u>

Disclosures relating to risk and type of investments as presented above are indicative of activity and positions held during the year. No significant fluctuations occurred during the periods presented, other than movement of investments in and out of the short-term category to the categories of a longer term nature.

Subsequent to June 30, 2002, the fair value of the System's investment portfolio has decreased consistent with market trends. This decline is attributed primarily to the inherent volatility of equity securities. Permanent impairment, if any, of individual holdings occurring subsequent to June 30, 2002 is considered to be immaterial to the aggregate value of the System's plan net assets and changes in plan net assets.

Securities Lending Transactions

Section 177-d of the Retirement and Social Security law authorizes the System to enter into securities lending transactions, which consist of loans of securities to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The market value of securities loaned may not exceed 20% of the market value of the System's invested assets. U.S. government and agency bonds, domestic bonds, and domestic equities are loaned. The System's custodial bank acts as its agent in lending securities for initial collateral of at least 102% of the market value of loaned securities. Collateral is marked to market daily and is required not to fall below 100%. Collateral may be cash or U.S. government and agency bonds. Securities loaned for cash at year end are presented as unclassified in the preceding schedule of custodial credit risk. Collateral securities cannot be pledged or sold by the System. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers (the collateral) exceeds the amounts the borrowers owe the System (the loaned securities). Under the terms of the contract with the lending agent, the System is fully indemnified against failure of the borrowers to return the loan securities (to the extent the collateral is inadequate to replace the loaned securities) or failure to pay the System for income distributions by the securities' issuers while the securities are on loan. There were no significant violations of legal or contractual provisions, no borrower or lending agent defaults, and no recoveries of prior-period losses during the year.

Notes to Financial Statements

(dollars in thousands)

The majority of securities on loan can be recalled by the System on demand or returned by the borrower at any time. There is no direct match of the maturities of the collateral investments with the maturities of the securities loans. Cash collateral is invested by the System's custodial bank/lending agent, State Street Bank and Trust Co., in a commingled short-term investment fund managed by State Street Bank & Trust Co. Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. At June 30, 2002 the average effective duration of the fund was 72 days.

5. Stock Option Program

The Retirement System Board has authorized a Covered Call Option program. Once the decision to sell a security has been made, the System can write covered call options on those stocks identified for sale. As of June 30, 2002 the System held open option contracts of \$1,028. Although option contracts were written in both years, no option contracts were open in 2001.

6. Off-Balance-Sheet Financing

The System in the normal course of business enters into commitments with off-balance-sheet risk. The System adheres to the same credit policies, financial and administrative controls and risk limiting and monitoring procedures for commitments as for on-balance-sheet investments.

The commitments for loans on real estate or purchases of real estate are subject to satisfactory appraisals prior to closing. Once investments are made, the System's exposure to potential loss is determined by the value of the underlying collateral.

The future financial commitments outstanding on June 30, 2002 are: real estate equity \$277,875, real estate commingled funds \$288,029, mortgage investments \$142,172, and private equity investments \$3,279,819.

7. Other Liabilities

Other liabilities include amounts due to bank for disbursements issued on previous business days which are funded when presented for payment at the issuing bank. Of the total other liabilities of \$79,348 and \$79,009 at June 30, 2002 and 2001, respectively, \$8,310 and \$15,607, respectively, were outstanding drafts.

8. System Employees' Pension Plan

Plan Description

As an employer, the System participates in the New York State and Local Retirement System (NYSLRS), a cost sharing, multi-employer defined benefit pension plan administered by the Comptroller of the State of New York. NYSLRS provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Retirement and Social Security Law of the State of New York. Benefits are guaranteed by the State Constitution and cannot be diminished or impaired. Benefits can be reduced for future members only by an act of the State Legislature. The NYSLRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement System, 110 State St., Albany, NY 12244.

Funding Policy

Funding of NYSLRS is accomplished through member and employer contributions and investment earnings, according to the New York State Retirement and Social Security Law.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 who have less than 10 years of service or membership are required to contribute 3% of their annual salary. Employers are required to contribute at an actuarially determined rate. Pension legislation enacted in 1973, 1976 and 1983 established distinct classes of membership referred to as Tiers 1, 2, 3 and 4. An average employer contribution rate for these tiers of 0.75% was applicable to the annual covered payroll for the fiscal year ended March 31, 2002. Average rates applicable to the fiscal years ended March 31, 2001 and 2000 were, respectively, 0.2% and 0.1%. The required contributions paid to NYSLRS during the System's fiscal years ended June 30, 2002, 2001 and 2000 were, respectively, \$124, \$36 and \$28 and were 100% of the contributions required.

9. Other Post Employment Benefits

Pursuant to contractual agreement and policy, the System provides post retirement health care benefits to System employees who retire from the System. Substantially all of the System's employees may become eligible for these ben-

Notes to Financial Statements

(dollars in thousands)

efits if they reach normal retirement age while working for the System. Approximately 177 retirees were enrolled in the health plan in the current year. The System's contribution to the health premium depends upon the date the employee retired. The System recognizes the cost of providing health insurance by recording its share of premiums as an expense in the year paid. For the years ended June 30, 2002 and 2001, the amounts recognized for post retirement health care were \$1,093 and \$845, respectively.

10. Risk Management

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters for which the System carries commercial insurance. There were no settlements in the past three years that exceeded coverage.

Required Supplementary Information

Actuarial Methods and Assumptions

Pursuant to Article 11 of the Education Law, the System uses the Aggregate Cost Method to calculate the annual required contribution, expressed as the employer contribution rate. Under this method, the difference between the actuarial present value of projected benefits for the group included in the valuation and the actuarial value of assets is allocated on a level percentage basis over the salary of the group between the valuation date and assumed exit from the System. Actuarial gains and losses are not separately amortized but are spread over the average future working lifetime of active members and included in the annual normal rate calculation. A schedule of funding progress is not required to be presented because this method does not identify or separately amortize an unfunded actuarial accrued liability.

Administrative expenses, the first \$50,000 of a member's death benefit and benefits in excess of the Internal Revenue Code Section 415 limits are valued on a one-year term cost or pay-as-you-go basis.

Updated actuarial assumptions were adopted by the Retirement Board on October 25, 2000 and were first used in the June 30, 2000 actuarial valuation.

The significant methods and assumptions used in the June 30, 2001 and 2000 actuarial valuation are as follows:

Economic

Valuation rate of interest*	8.0%
Salary scale*	Varies by age and gender

Demographic

Mortality rates	(Based upon
Withdrawal rates	recent member
Retirement rates	experience)

Asset valuation method	Techniques are consistent with the class and the holding period of the assets, including the use of a five-year market smoothing for equities, real estate, and alternative investments.
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*Includes an assumed annual inflation rate of 3.0%

Schedule of Employer Contributions

(dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1997	\$438,829	100%
1998	209,192	100
1999	230,926	100
2000	211,499	100
2001	152,718	100
2002	51,861	100

Administrative Expenses—Schedule 1
Years Ended June 30, 2002 and 2001

	2002	2001
Salaries and benefits:		
Salaries	\$18,511,922	\$17,500,231
Civil service	61,295	53,694
Employees' retirement	123,757	35,535
Health and dental insurance	3,364,823	2,799,033
Overtime salaries	125,605	112,340
Social Security	1,318,566	1,239,291
	23,505,968	21,740,124
Building occupancy expenses:		
Building, grounds and equipment	769,791	716,791
Depreciation - building and improvement	375,698	358,523
Depreciation - equipment	112,762	119,799
Office supplies and services	191,554	197,579
Utilities and municipal assessments	1,036,830	1,042,424
	2,486,635	2,435,116
Computer expenses:		
Amortization/depreciation - computer mainframe	44,534	51,862
Amortization/depreciation - computer micro	841,513	837,578
Computer hardware and software	1,901,147	1,106,884
Computer maintenance and supplies	305,184	285,371
	3,092,378	2,281,695
Investment expenses:		
Advisory committee expenses	53,960	42,405
Investment information services	584,389	497,280
Legal costs - investments and real estate	25,144	-
Service costs - real estate	57,071	55,228
	720,564	594,913
Personnel and meeting expenses:		
Board - meetings, travel and education	76,855	87,709
Delegates' meeting	32,594	35,104
Preretirement seminars	149,315	128,352
Professional development	585,506	640,031
Travel and automobile expense	106,307	95,603
Other personnel expenses	68,924	56,054
	1,019,501	1,042,853
Professional and governmental:		
Auditors - financial	64,868	71,890
Auditors - insurance department	44,000	40,000
Disability medical examinations	65,660	69,742
Postage and cartage	702,179	754,076
Printing	27,520	28,121
Professional fees and services	176,390	861,457
Publications	421,826	460,546
Statutory custodian charges	133,662	200,351
	1,636,105	2,486,183
Total expenses	\$32,461,151	\$30,580,884

See accompanying independent auditors' report.

Investment Summary—Schedule 2
Year Ended June 30, 2002

(dollars in thousands)

	Fair Value 2001	Acquisitions	Appreciation (Depreciation)	Sales, Redemptions, Maturities & Paydowns	Fair Value 2002	Percent of Fair Value
Short-term	\$ 3,098,906	\$27,750,249	\$ —	\$28,304,462	\$ 2,544,693	3.51%
Domestic fixed income	16,085,191	2,618,549	623,125	3,083,533	16,243,332	22.43
Domestic equities	46,680,553	4,129,555	(7,552,934)	4,439,200	38,817,974	53.60
International equities	6,730,334	1,050,306	(603,413)	1,351,136	5,826,091	8.05
Mortgages	3,796,545	526,100	131,586	275,712	4,178,519	5.77
Real estate separate accounts, commingled	937,561	347,216	(50,263)	66,790	1,167,724	1.61
Real estate	2,508,892	350,209	(116,646)	416,381	2,326,074	3.21
Other real estate owned	107,000	—	11,563	118,563	—	0.00
Alternative investments	1,068,098	580,796	(46,684)	281,941	1,320,269	1.82
Totals	\$81,013,080	\$37,352,980	\$ (7,603,666)	\$38,337,718	\$72,424,676	100.00%

Investment Expenses—Schedule 3
Year Ended June 30, 2002

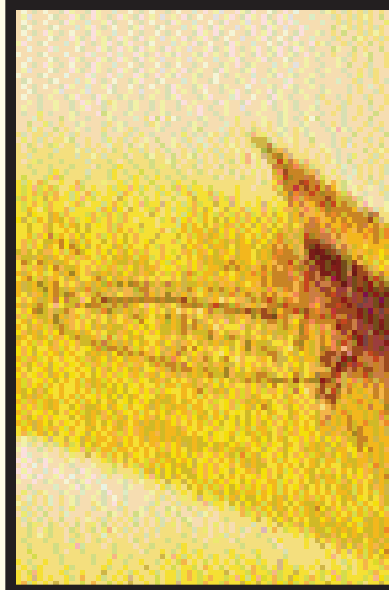
(dollars in thousands)

Investment Category	Assets Serviced or Under Management	Expenses
Domestic equities	\$ 2,265,540	\$14,694
International equities	5,826,091	16,111
Commercial mortgage backed securities	423,681	793
Mortgages	2,086,440	830
Real estate	3,298,959	30,861
REITS	616,370	2,451
Alternative investments	1,320,269	6,332
General investments	—	1,732
Totals	\$15,837,350	\$73,804

See accompanying independent auditors' report.

*As of June 30, 2002, 61 STRS
retirees were age 100 or older, while
8,451 were age 85 or older.*

Investments



*New York State
Teachers' Retirement System*

Chief Investment Officer's Overview

The portfolio of the Retirement System is diversified across high quality investment assets to preserve capital in periods when unexpected events, such as recent market downturns, can impact the performance of one or more asset classes. Equity related investments are the assets that experienced exceptional pressures during the past 30 months. Historically, the stock market has had to adjust to extremes caused by fear, or to those caused by greed. This year was unique in that the market had to cope with fear and greed at the same time, both on an unexpected basis.

First, the events of September 11 introduced terrorism to our country, creating an atmosphere of apprehension. Then a lengthy disclosure of corporate fraud unfolded, exacerbated by scandals within the accounting profession responsible for validating corporate results. This undermined confidence in the integrity of financial disclosure, which is the essence of equity valuation. However, we are optimistic that government actions will deal forcefully with the threats posed by terrorism and corporate malfeasance.

Disciplined management of cash flows and previous large sales of equities have kept our asset class weights close to their targets despite the turbulence caused by these devastating surprises. A sound asset allocation plan has protected the total fund and positioned it for better returns when markets recover.

Overall Objective and Performance

The Board's objective is to establish a long-term asset allocation plan that maximizes expected returns with an appropriate level of risk. To accomplish this, the asset allocation process takes into consideration capital market expectations, risk or expected volatility, how asset classes perform in comparison to other asset classes, investment goals and cash flow needs. Asset allocation is a long-term, strategic process and is not meant to be a reaction to short-term market fluctuations. The program is structured to generate a long-term return that equals or exceeds the actuarial assumption of 8% per annum.

The System's long-term performance of 10.0% per annum over the past ten years exceeded expectations. However, performance during the fiscal year ended June 30, 2002 yielded disappointing results of -6.8%. The current year's performance, coupled with a difficult 2001, had the effect of reducing our annualized five year return to 5.4%. The markets that delivered returns in the upper teens during the late 1990's have taken back a significant portion of those gains over the past 2¹/₂ years.

Looking back, our asset allocation process and the diversification of the portfolio has allowed the System to weather these turbulent markets. Domestic and international equities have experienced significant pressure over the past 30 months. Fortunately, fixed income and real estate related products have provided positive returns, dampening the effect of the volatile equity markets.

Chief Investment Officer's Overview

(continued)

Domestic Equities

September 11, followed by corporate accounting problems, created a difficult fiscal year. The System's domestic equities declined by 15.5%, compared with declines of 18.0% and 17.2% for the S&P 500 and Russell 3000 Indexes, respectively. For the past 10 years, however, the annual return for the System's Domestic equities was a positive 11.4% and has outperformed the blended benchmarks for that period. Although our recent performance for domestic equities has been disappointing, the long-term outlook for this asset class remains compelling. The U.S. economy has been the strongest in the world and one of the better ways to participate in expected economic growth is through the ownership of equities.

Approximately 92% of our portfolio is passively managed internally by System staff and emulates the Russell 1000 Value and Russell 3000 Indexes. External money managers actively manage the remaining 8%.

International Equities

All of the Retirement System's international equity assets are externally managed in commingled funds. The System's 11 international equity managers use different styles. The active managers make decisions on country, currency and stock. The passive managers are passive with respect to these three components and invest in the EAFE Index. The Retirement System's Board voted on January 23, 2002 to invest in enhanced passive international equity portfolios, the objective of which is to enhance the return relative to the EAFE Index.

During the year ended June 30, 2002, the System's active and passive international equity investments both outperformed the benchmark. The return of the entire international equity portfolio was -8.6% for the year, compared to -9.5% for the benchmark.

Domestic Fixed Income

The System's domestic fixed income portfolio is managed internally and purchases high quality investment grade securities, such as U.S. Government guaranteed bonds and mortgage-backed securities, as well as corporate bonds. These securities help to provide some of the cash flow required to pay the retirement payroll, which is currently \$275 million per month. It is expected that this amount will continue to increase as the number of members eligible for retirement grows.

The U.S. experienced a slowdown in economic growth during the past year. Consequently, the Federal Reserve Board and Chairman Greenspan moved to lower interest rates in an effort to stimulate economic growth. Consumers and businesses alike curtailed their normal spending patterns. The events of September 11 and the significant decline of the equity markets exacerbated the problems of the economy. However, during this time of uncertainty, investors purchased U.S. Treasury securities that helped push down interest rates. The Federal Reserve Board continued their expansionary policies and ultimately interest rates declined to the lowest level in a decade. These policies are expected to help the economy to recover and can be credited with helping to enhance our portfolio's performance, which posted a total return of 8.7%.

Chief Investment Officer's Overview

(continued)

Short-term (Cash Equivalents)

The short-term portfolio consists of high quality and very liquid fixed income securities that are available for the monthly payment of pension benefits, as well as the purchase of long-term investments. These securities generally mature in one year or less. Securities with a final maturity greater than 12 months at the time of purchase have interest rates that reset at a minimum of every 90 days. As of June 30, 2002, the portfolio duration was 37 days. For the 12-month period ended June 30, 2002, the short-term portfolio returned 2.5% versus the iMoneyNet Money Fund Report Averages/All Taxable benchmark return of 2.0%.

Real Estate

The System's real estate portfolio is comprised of an equity portfolio of approximately \$4.9 billion and a mortgage debt portfolio of approximately \$4.8 billion. Fiscal 2002 proved to be a difficult period for making new investments in real estate. Although new fundings were down significantly from 2001, the System was able to invest more than \$615 million in new equity investments and more than \$526 million in new mortgage investments during the fiscal year. The net increase in the total real estate and mortgage portfolios was approximately \$579 million, or 6.9% over fiscal 2001. In addition, at year end the System had over \$1.0 billion in equity commitments and \$336.3 million in debt commitments outstanding.

In the face of declining fundamentals, the income generating ability of commercial real estate allowed this asset class to produce positive returns. The System's equity and mortgage portfolios returned total after-fee returns of 6.9% and 11.4%, respectively. The equity portfolio represents 6.8% and the mortgage portfolio 6.6% of the System's invested assets. New York State investments make up approximately 18% of the mortgage portfolio. There were no mortgage foreclosures during fiscal 2002.

In keeping with the System's philosophy of actively managing its real estate investments, the System sold four properties. All of the sales were at or above appraised value. Opportunistic sales of additional properties will continue.

Alternative Investments

These investments may cover periods of 10 years or more and are intended to achieve higher long-term returns than are generally available through marketable securities. The investments are usually structured as limited partnerships in which NYSTRS commits a fixed amount of funds that will be invested over several years. Approximately 86% of the System's alternative investments consist of private equity and the remaining 14% are timberland. As of June 30, 2002, the total market value of these investments was \$1.3 billion. For asset allocation purposes \$602 million of private equity investments are based on real estate and timberland investments and are categorized as real estate equity. The market value of non-real estate alternative investments was \$718 million. The non-real estate private equity investments returned annualized rates of -12.9%,

Chief Investment Officer's Overview

(continued)

-0.2% and 11.6% for the 1, 3 and 5 year periods ended June 30, 2002. The three and five year returns exceeded NYSTRS' expectations of the S&P 500 total return of plus 5%. The weakness of the most recent year's performance reflects the economic downturn, which was particularly severe in the technology sector where many of these partnerships invested.

We continue to increase our investments in this asset class and currently have additional commitments of \$3.2 billion that will be funded over the next several years. Approximately \$2.6 billion of these additional commitments are to private equity type investments and \$635 million are to real estate funds.

Other Programs

Securities Lending

Securities from the System's domestic equity and fixed income portfolios are "loaned" by the System's agent lender, State Street Bank, to select borrowers such as banks and broker-dealers. At the inception of the loan, the System receives cash or non-cash collateral equal to 102% of the market value of securities borrowed under an agreement to return the collateral for the loaned security in the future. The System's agent lender invests the cash collateral in high-quality, short-term debt instruments pursuant to established investment guidelines. The System retains a portion of earnings on the cash collateral reinvestment and earns fees when accepting non-cash collateral. While securities are on loan, the System preserves the right to receive all distributions, including dividends and interest, while waiving the privilege to vote securities.

The securities lending program earned approximately \$23.6 million in income during the fiscal year ended June 30, 2002, a decrease of approximately 7.5% from the \$25.5 million earned the prior year. Although security utilization was up over the prior year, income earned decreased due to lower interest rates on collateral reinvestment and other market factors. Approximately 5.6% of the total investment portfolio was on loan at year-end, compared to 4.3% as of June 30, 2001.

Commission Recapture

For securities traded in the internally managed index funds, the System aggressively negotiates with brokers for the lowest commission possible. Outside managers have discretion to select brokers as they trade for their portfolios. The commission recapture program allows the System to recoup some of those commissions in the form of cash payments. During the fiscal year, the System recaptured approximately \$574,000 directly from brokers used by external managers.

Call Options

This program allows the System to generate additional revenue in the form of option premiums by writing covered call options against securities that are earmarked to be sold as part of the periodic rebalancing of the internally managed index funds. During the year ended June 30, 2002, the System generated approximately \$3.5 million in premiums.

Investments

Diversification of Investments—June 30, 2002 and 2001

(dollars in thousands)

<i>Investment Type</i>	<u>2002</u>	<u>Percent</u>	<u>2001</u>	<u>Percent</u>	<u>Increase (Decrease)</u>
Short-term:					
U.S. Treasury and agency	\$ 409,385		\$ 785,927		\$ (376,542)
Corporate	2,135,308		2,312,979		(177,671)
	2,544,693	3.51	3,098,906	3.82	(554,213)
Domestic fixed income securities:					
United States Treasury	5,706,038		5,910,487		(204,449)
Federal agency, notes and debentures	1,027,962		950,547		77,415
Federal agency, mortgage backed	2,752,332		2,993,242		(240,910)
Commercial mortgage backed	420,309		195,707		224,602
Corporate	6,078,034		5,813,865		264,169
Canadian	258,657		221,343		37,314
	16,243,332	22.43	16,085,191	19.85	158,141
Domestic equities:					
Basic materials	5,116,504		6,126,122		(1,009,618)
Capital goods	4,780,161		6,428,023		(1,647,862)
Consumer cyclicals	4,140,418		4,582,540		(442,122)
Consumer staples	3,420,271		3,325,847		94,424
Energy	2,336,375		2,419,335		(82,960)
Financial	9,698,586		10,653,539		(954,953)
Technology	4,701,698		7,055,836		(2,354,138)
Transportation	943,216		983,945		(40,729)
Utilities	3,680,745		5,105,366		(1,424,621)
	38,817,974	53.60	46,680,553	57.62	(7,862,579)
International equities, commingled	5,826,091	8.05	6,730,334	8.31	(904,243)
Mortgages:					
Conventional	3,727,403		3,271,788		455,615
Federal Housing Administration	451,116		524,757		(73,641)
	4,178,519	5.77	3,796,545	4.69	381,974
Real estate:					
Real estate separate accounts, commingled	1,167,724		937,561		230,163
Real estate investments	2,326,074		2,508,892		(182,818)
Other real estate owned	-		107,000		(107,000)
	3,493,798	4.82	3,553,453	4.39	(59,655)
Alternative investments:					
Private equity	718,541		551,559		166,982
Private equity, real estate	417,386		431,908		(14,522)
Private equity, timberland	184,342		84,631		99,711
	1,320,269	1.82	1,068,098	1.32	252,171
Total Investments	\$72,424,676	100.00	\$81,013,080	100.00	\$(8,588,404)

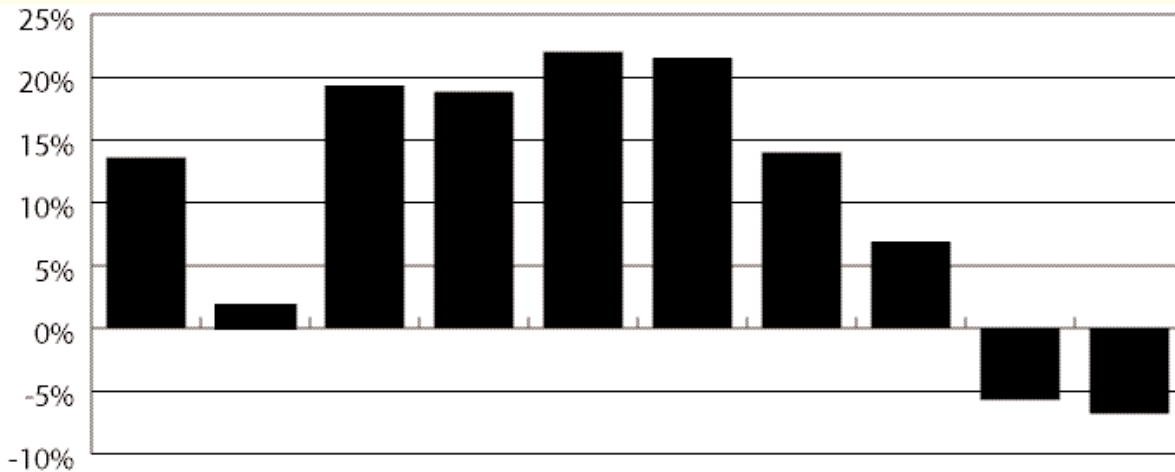
NOTE: For asset allocation purposes, certain investments have been reclassified to reflect the asset underlying the investment structure.

Asset Allocation—June 30, 2002

Approximately 90% of total long-term investment performance is attributable to the allocation decision among the various asset classes including equities, bonds and real estate. The allocation process helps control risk and sets the guidelines to diversify the System’s investments. The asset allocation policy permits ranges around an optimal target allocation. The Retirement Board annually reviews the asset allocation policy to analyze recent and historical investment experience as well as to consider new developments. At its meeting, July 26, 2001, the Retirement Board revised the targets and ranges for each asset class as follows:

	<u>Target</u>	<u>Range</u>	<u>Actual</u>
Domestic Equity	55%	45-65%	52.2%
International Equity	10%	5-15%	8.1%
Real Estate	6%	3- 9%	6.8%
Alternatives	3%	1- 5%	1.0%
Total Equities	74%		68.1%
Domestic Fixed-Income	20%	15-30%	21.8%
Mortgages	6%	3-10%	6.6%
Cash Equivalent	0%	0- 2%	3.5%
Total Fixed-Income	26%		31.9%

Annual Performance History



Fiscal Year Ending June 30

Investments

Investment Performance Results—June 30, 2002

The System is a long-term investor and, as such, can withstand some short-term volatility. Generally, the liabilities will not be paid for as many as 70 years. The performance (net of fees) and associated benchmark returns are shown in the following table.

	<i>Annualized Rates of Return</i>			
	<i>1-YR</i>	<i>3-YR</i>	<i>5-YR</i>	<i>10-YR</i>
<i>Domestic Equities</i>				
NYSTRS Index Fund	-16.7%	-7.6%	4.3%	11.4%
NYSTRS Value Tilt	-15.6	-	-	-
Benchmark: Russell 3000*	-17.2	-7.9	3.8	11.0
NYSTRS Value Index Fund	-8.3	-2.4	7.0	-
Benchmark: Russell 1000 Value	-9.0	-2.9	6.5	-
Total Active Large Cap Management	-19.5	-14.8	-2.7	8.4
Benchmark: S&P 500	-18.0	-9.2	3.7	11.4
Total Active Small Cap Management	-11.2	1.8	2.1	10.7
Benchmark: Russell 2000*	-8.6	1.7	4.4	10.3
Total	-15.5	-7.1	4.1	11.4
<i>International Equities</i>				
Total Active Management	-8.4	-6.3	-1.4	5.5
Total Passive/Enhanced Management	-8.8	-6.4	-1.3	5.7
Total	-8.6	-6.5	-1.2	5.7
Benchmark: MSCI EAFE	-9.5	-6.8	-1.6	5.4
<i>Real Estate</i>				
	6.9	10.5	11.2	9.0
Benchmark: Blended NCREIF/Wilshire*	7.3	10.4	11.1	7.8
<i>Alternative Investments</i>				
	-12.9	-0.2	11.6	-
Benchmark: S&P 500 plus 5%	-13.0	-4.2	8.7	-
<i>Domestic Fixed Income</i>				
	8.7	8.1	7.9	7.8
Benchmark: Lehman Bros. Aggregate*	8.6	8.1	7.6	7.6
<i>Mortgages</i>				
	11.4	9.4	8.7	9.4
<i>Short Term</i>				
	2.5	4.8	5.1	4.9
Benchmark: iMoneyNet™ Fund Avgs/All Taxable	2.0	4.2	4.5	4.4
<i>Total Fund</i>	-6.8%	-2.1%	5.4%	10.0%

**In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions.*

Manager Investment Performance Results—June 30, 2002

The assets under management (at market), time-weighted performance results (at market) and appropriate benchmark for each manager/advisor are summarized in the following table. Returns for periods over one year are annualized.

	<u>Assets Managed (\$ millions)</u>	<u>Rates of Return ¹ from Inception</u>		<u>Inception Date</u>
		<u>Fund</u>	<u>Benchmark</u>	
Domestic Equities				
Large Cap Value Management				
Iridian	549.4	4.2%	-6.6%	Apr-99
Large Cap Growth Management				
Alliance Capital Management	496.1	10.1	11.3	Apr-92
Montag & Caldwell	384.3	-7.3	-6.6	Apr-99
Small Cap Management				
Progress Investment Management	529.5	9.9	6.6	Oct-96
Small Cap Growth Management				
Peregrine Capital Management	375.4	14.9	11.2	Jan-89
International Equities				
Passive/Enhanced Management				
Alliance Capital Management	403.4	2.8	2.3	Mar-94
Barclays Global Investors	347.8	-1.0	-2.1	Mar-02
Deutsche Asset Management (Passive)	362.6	4.9	4.8	Jan-91
Deutsche Asset Management (Enhanced)	338.0	-2.6	-2.1	Mar-02
Merrill Lynch Asset Management	339.3	-1.9	-2.1	Mar-02
Active Management				
American Express	351.5	-19.4	-14.5	Nov-00
Baille Gifford	380.9	-15.1	-14.5	Nov-00
Bank of Ireland	570.0	-4.9	-6.9	May-99
Capital Guardian	865.5	-0.9	-6.9	May-99
Lazard	279.7	-6.0	-6.9	May-99
Morgan Stanley Investment Management	860.4	5.7	2.3	Jul-94
Putnam (Aggressive Growth)	324.0	-23.2	-14.5	Nov-00
Putnam (Core)	402.5	-12.6	-14.5	Nov-00
Mortgages				
BlackRock	216.8	11.0	11.2	Apr-01
Clarion	217.3	11.5	11.2	Apr-01
Real Estate				
Private Securities				
AG Realty Fund V, LP	11.5	14.1%	3.3%	Dec-01
Cornerstone Apartment Fund I, LLC	16.8	16.6	7.2	Nov-00
CB Richard Ellis Strategic Partners II, LP	8.0	2.7	1.7	Mar-02
Essex Apartment Value Fund, LP	11.1	14.7	3.3	Oct-01
Hines 1997 U.S. Office Devel Fund, LP	54.6	7.0	6.6	Jan-01

¹ Returns for periods over 1 year are annualized

Investments

Manager Investment Performance Results—June 30, 2002

(continued)

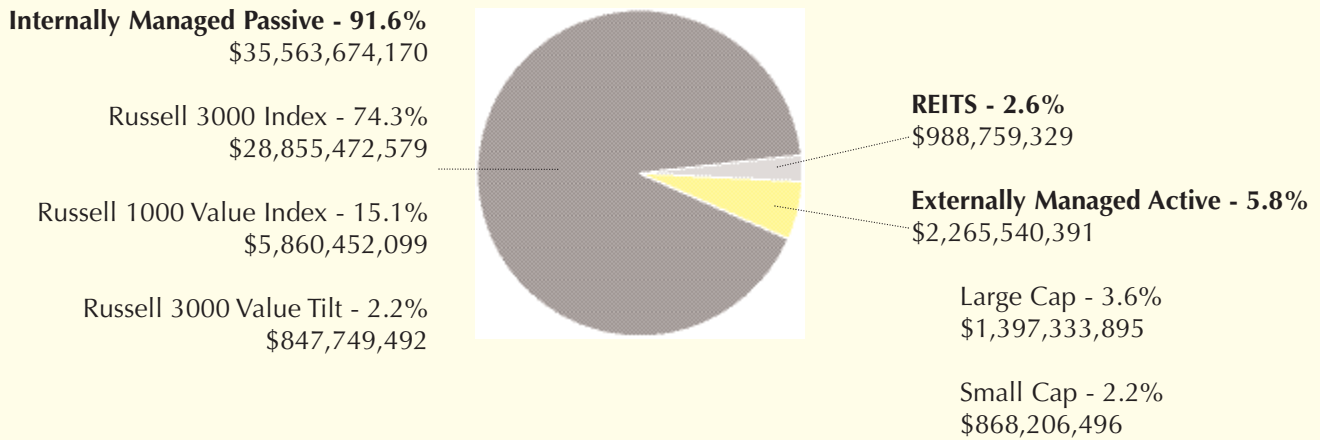
	<u>Assets Managed (\$ millions)</u>	<u>Rates of Return ¹ from Inception</u>		<u>Inception Date</u>
		<u>Fund</u>	<u>Benchmark</u>	
Real Estate (continued)				
Private Securities (continued)				
Landmark Real Estate Fund IV, LLC	3.4	1.5	1.7	Mar-02
Lend Lease Real Estate Investment, Inc.				
Prime Property Fund	61.4	6.4	6.9	Jul-85
Select Properties Fund	14.2	4.7	6.5	Dec-89
Lend Lease Real Estate Fund B	8.8	4.3	10.3	Jul-93
Prudential Real Estate Investors				
PRISA	270.0	6.7	6.9	Sep-85
PRISA II	119.7	8.8	6.5	Sep-89
Strategic Value Investors, LLC	41.7	9.5	12.1	Sep-97
Rockwood Capital Partners Real Estate Fund IV	23.4	23.0	8.1	Sep-00
SSR Realty Advisors: Tower Fund	75.8	11.2	11.1	Dec-97
Starwood Opportunity Fund IV, LP	143.9	20.3	12.3	Jan-97
UBS Realty Investors LLC RE Separate Acct.	299.5	7.7	6.9	Sep-85
Westbrook Real Estate Fund IV, LP	12.5	-3.9	5.7	Jun-01
Direct Investments				
Cabot Properties, Inc.	228.9	9.6	10.9	Nov-94
Clarion Partners	689.3	7.8	6.4	Jun-90
Invesco Realty Advisors	89.0	9.8	9.8	Dec-98
J. P. Morgan Fleming	1,332.4	9.8	6.8	Oct-90
Kennedy Assoc. Real Estate Counsel, Inc.	93.5	9.6	11.1	Apr-95
Lend Lease Real Estate Investments	66.9	14.7	11.2	Aug-95
Sentinel Real Estate Corporation	168.6	9.7	11.5	Mar-96
Public Securities				
Cohen & Steers Capital Management, Inc.				
Separate Account	238.0	13.3	12.7	Jun-95
Income REIT Separate Account	85.9	9.2 ²	7.9	Jul-98
Lend Lease Rosen RE Securities, LLC	160.8	12.8	10.2	Aug-98
RREEF America, LLC	155.7	12.0	10.2	Aug-98
Timber: Private Securities				
Xylem Investments, Inc.	8.2	-20.4	-	Mar-98
Timber: Direct Investments				
Forest Investment Associates	192.4	-0.5	-	Dec-98
Global: Private Securities				
Hines Interests	0.3	-54.6	-	Oct-99
Lend Lease Real Estate Investments	25.0	6.5	-	May-99
Lone Star Management Company				
Lone Star II	17.3	15.2	-	Apr-99
Lone Star III	107.8	25.9	-	Oct-00
The Peabody Group	29.2	3.6	-	Jul-99

¹ Returns for periods over 1 year are annualized

² Reflects income return only. Total return is 10.2%

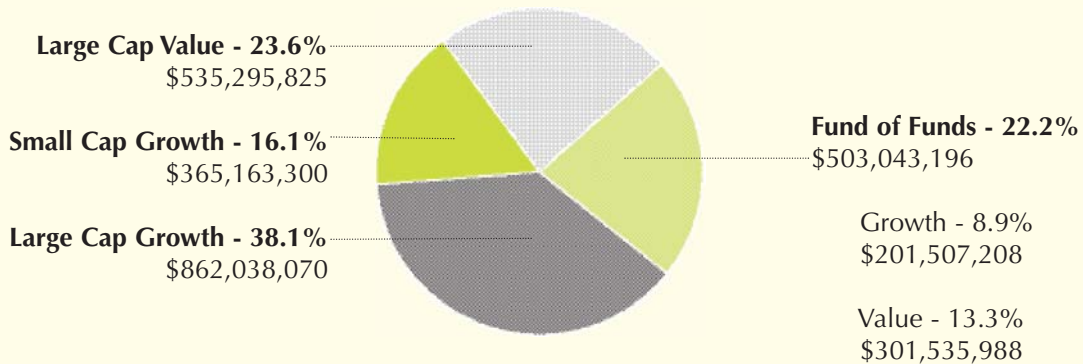
Domestic Equity Distribution—June 30, 2002

\$38,817,973,890



Domestic Equity Externally Managed Style Distribution—June 30, 2002

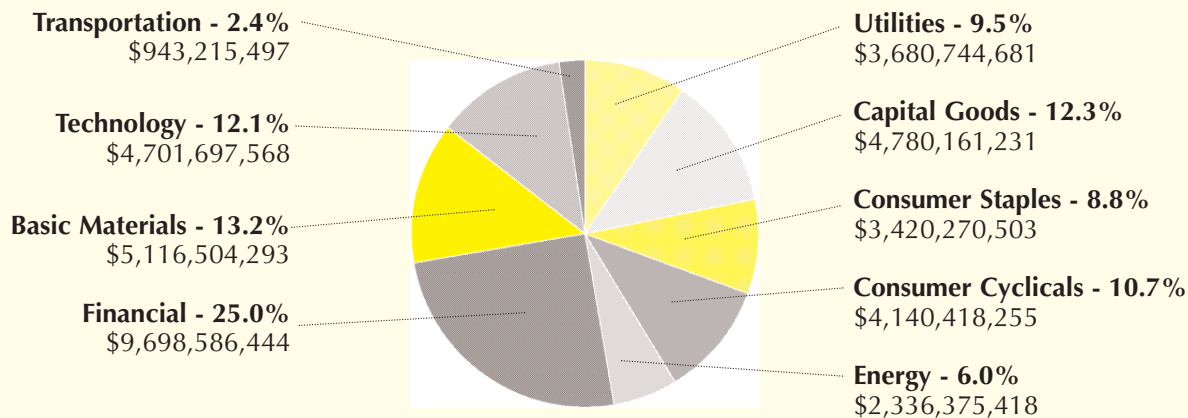
\$2,265,540,391



Investments

Domestic Equity Holdings by Industry Distribution—June 30, 2002

\$38,817,973,890



Ten Largest Domestic Equity Holdings—June 30, 2002

50

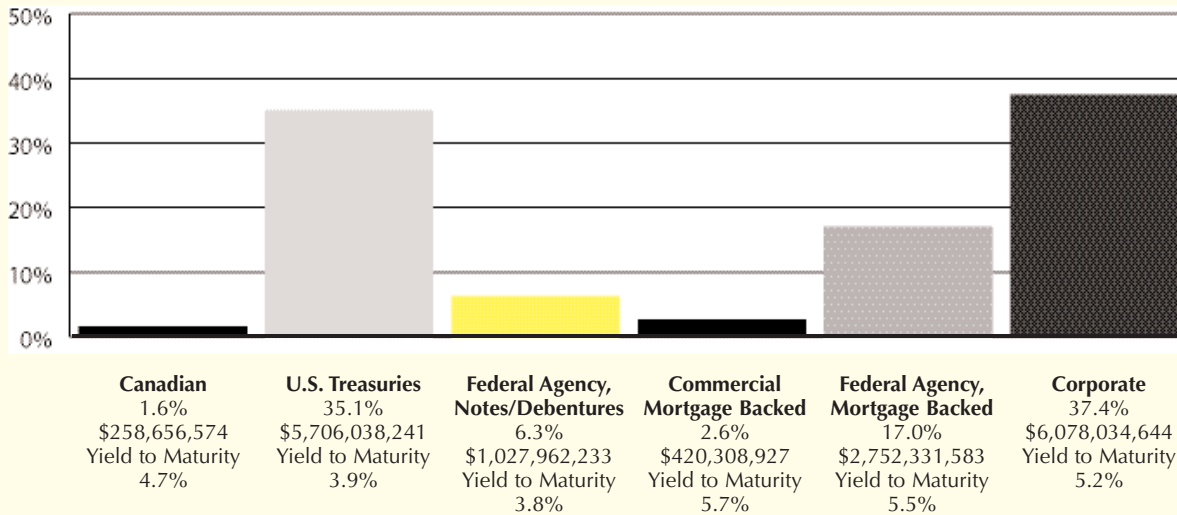
Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon Mobil	\$ 274,319,102	\$1,157,144,271	3.0%
2	General Electric	142,869,146	882,913,745	2.3
3	Citigroup	195,609,706	835,891,634	2.2
4	Microsoft	351,981,551	741,871,485	1.9
5	Pfizer	170,330,732	738,487,925	1.9
6	Johnson & Johnson	159,878,693	548,198,464	1.4
7	American Int'l Group	163,985,734	532,820,624	1.4
8	Proctor & Gamble	132,938,632	475,009,204	1.2
9	Wal-Mart	54,285,925	471,347,684	1.2
10	Bank of America	144,138,261	467,970,763	1.2
Total		\$1,790,337,482	\$6,851,655,799	17.7%

A complete list of the System's holdings is available on our Web site or through the Public Information Office.

Domestic Fixed Income Sector Distribution—June 30, 2002

\$16,243,332,202

Yield to Maturity—4.7%



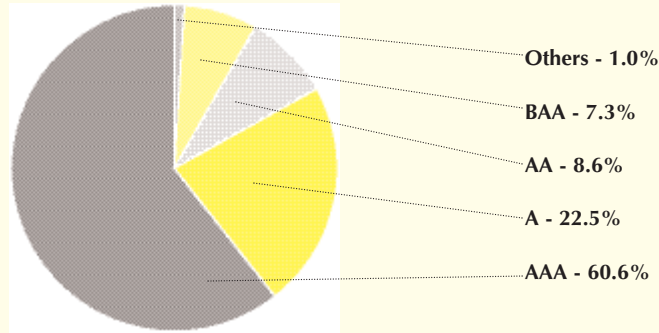
Ten Largest Domestic Fixed Income Holdings—June 30, 2002

Rank Income	Issue	Market Value	Percent of Fixed Income
1	U.S. Treasury Strips (Principal) Due 8/15/08	\$ 820,798,000	5.1%
2	U.S. Treasury Strips (Principal) Due 11/15/09	483,945,000	3.0
3	U.S. Treasury Strips (Principal) Due 5/15/06	372,974,400	2.3
4	U.S. Treasury Strips (Coupon) Due 11/15/10	332,300,000	2.0
5	U.S. Treasury Strips (Principal) Due 11/15/06	328,996,800	2.0
6	U.S. Treasury Strips (Principal) Due 11/15/07	251,507,288	1.5
7	U.S. Treasury Strips (Coupon) Due 5/15/11	223,303,500	1.4
8	U.S. Treasury Strips (Coupon) Due 11/15/05	222,765,000	1.4
9	U.S. Treasury Strips (Coupon) Due 2/15/08	192,701,695	1.2
10	U.S. Treasury Strips (Coupon) Due 11/15/03	186,468,000	1.1
Total		\$3,415,759,683	21.0%

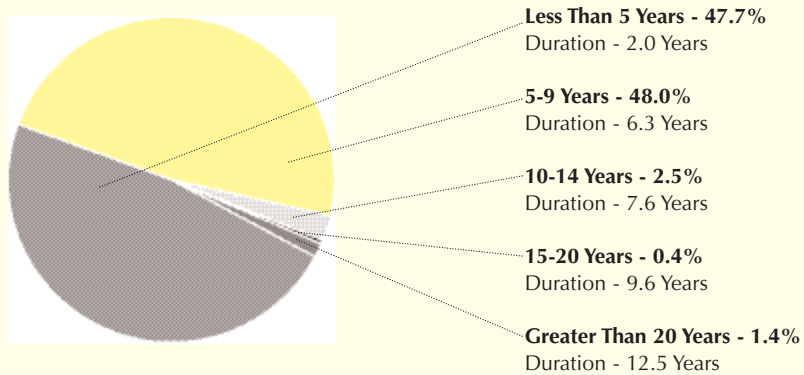
A complete list of the System's holdings is available on our Web site or through the Public Information Office.

Investments

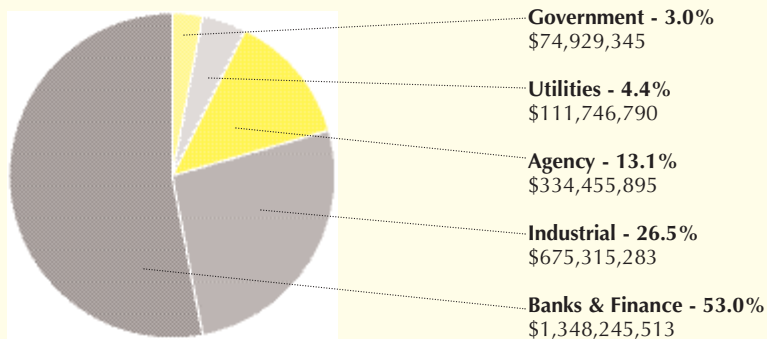
Domestic Fixed Income Quality Distribution—June 30, 2002



Domestic Fixed Income Average Maturity—June 30, 2002
Duration 4.4 Years

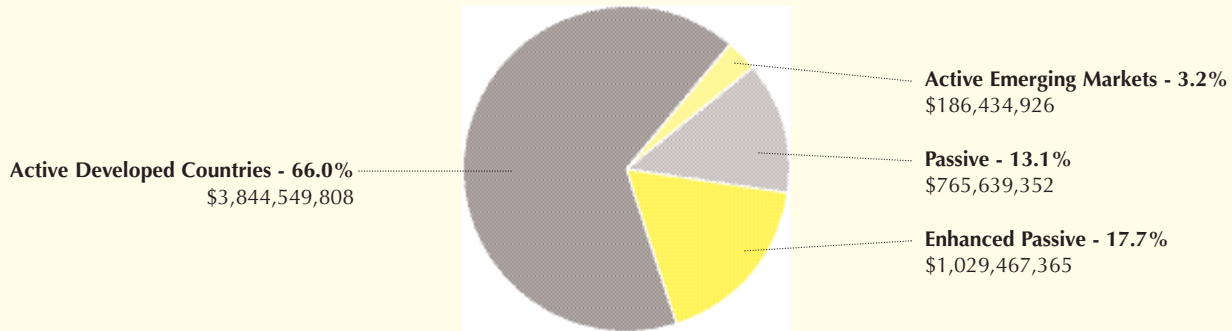


Short-term Sector Distribution—June 30, 2002
\$2,544,692,826



International Equity Style Distribution—June 30, 2002

\$5,826,091,451



A complete list of the System's holdings is available on our Web site or through the Public Information Office.

International Equity Exposure—June 30, 2002

Developed Countries
\$5,639,656,525



Emerging Markets
\$186,434,926



Investments

Ten Largest Real Estate Holdings—June 30, 2002

Five Largest Equity Investments

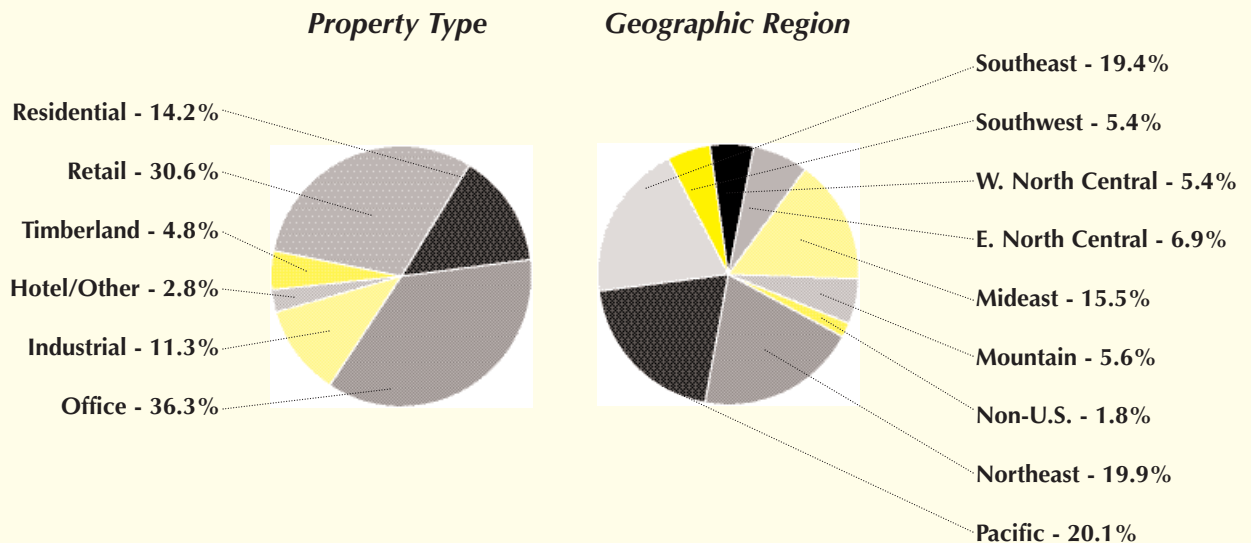
Rank	Property Name	Ownership	Market Value NYSTRS' Portion Only	Percent of Equity R.E.
1	525 Market Street, San Francisco, CA	100.0%	\$ 310,289,186	12.1%
2	Corporate Woods, Overland Park, KS	100.0%	265,000,000	10.3
3	Merritt 7 Corporate Park, Norwalk, CT	90.0%	231,858,600	9.0
4	Lynnhaven Mall, Virginia Beach, VA	100.0%	216,949,723	8.5
5	Edens & Avant Portfolio, various locations	25.8%	199,453,302	7.8
Total			\$1,223,550,811	47.7%

Five Largest Commingled Fund Investments

Rank	Fund Name	Market Value	Percent of Commingled R.E.
1	UBS Asset Management - RESA	\$300,299,232	21.3%
2	Prudential PRISA	269,613,425	19.2
3	Starwood Opportunity Fund IV	204,589,367	14.5
4	Prudential PRISA II	119,012,383	8.5
5	SSR Realty Advisors Tower Fund	75,320,948	5.4
Total		\$968,835,355	68.9%

A complete list of the System's holdings is available on our Web site or through the Public Information Office.

Distribution Charts for Real Estate
(including Commingled Fund Investments)

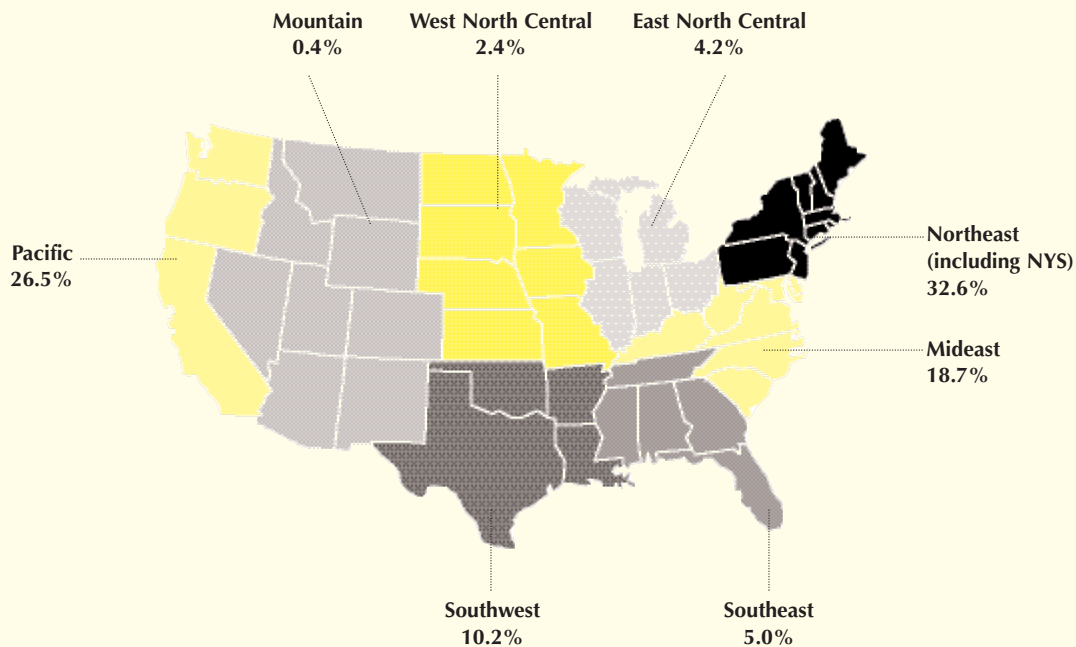


Ten Largest Mortgage Balances—June 30, 2002

Rank	Property Name	Mortgage Balance	Percent of Mortgages
1	South Coast Plaza, Costa Mesa, CA	\$ 180,619,235	4.5%
2	Garden State Plaza, Paramus, NJ	130,010,000	3.2
3	1001 Pennsylvania Avenue, Washington, DC	130,000,000	3.2
4	Fifty Fremont Center, San Francisco, CA	130,000,000	3.2
5	Chase Tower, Houston, TX	123,742,422	3.1
6	Park Avenue Plaza, New York, NY	115,951,081	2.9
7	Tysons Corner Center, McLean, VA	106,600,983	2.6
8	LaFayette Corporate Center, Boston, MA	100,922,763	2.5
9	Water Garden II, Santa Monica, CA	100,000,000	2.5
10	First Federal Square & Wilshire Landmark II, Los Angeles, CA	98,460,000	2.4
Total		\$1,216,306,484	30.0%

A complete list of the System's holdings is available on our Web site or through the Public Information Office.

Geographic Distribution of the Mortgage Portfolio



Investments

Corporate Governance

Shareholder responsibility is fundamental to good corporate governance, which recognizes an appropriate balance between the rights of shareholders (the owners of the corporation) and the need for management and the board to direct the corporation's affairs with a long-term perspective. The System's shareholder voting rights must be managed with the same care as any of its other assets. Therefore, the Retirement Board has established a formal proxy voting policy reflecting three objectives: to protect the System's rights; to promote responsible corporate policies and activities; and to enhance long-term value.

The System's proxy activity remained high during 2001-2002. Over 4,500 proposals were voted, representing more than 1,800 different companies in the System's equity portfolio. Many of the proxies focused on mergers, common stock or option related issues, and executive compensation. System policies generally support management if the position is reasonable, is not detrimental to the long-term economic prospects of the company and does not tend to diminish the rights of shareholders.

Management Proposals (4,166)

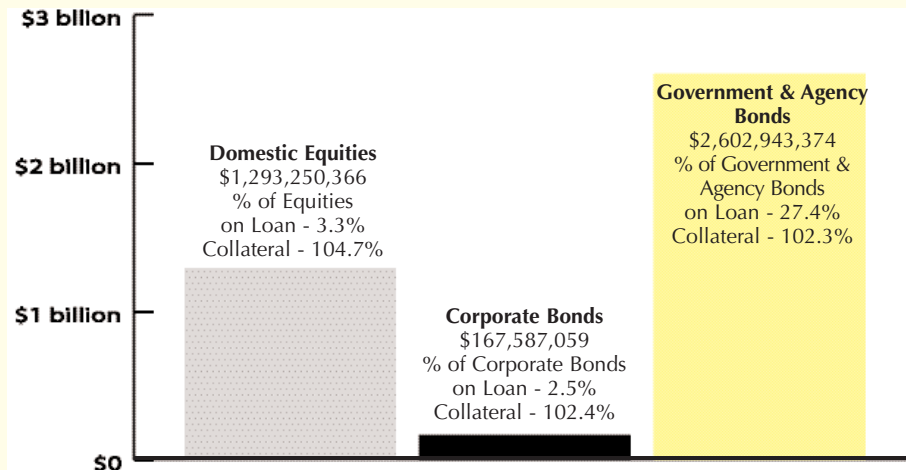
Yes	91.4%
No	8.6%

Shareholder Proposals (420)

Yes	51.2%
No	48.8%

Securities Lending Program—June 30, 2002

Value on Loan - \$4,063,780,799



Investment Advisory Committee

DAVID L. BRIGHAM, *Chairman*
Trustee
Church Pension Fund
New York, New York

LEONADE D. JONES
Director, six equity mutual funds
within The American Funds Group
American Funds Group
Burlingame, California

ROBERT G. WADE, JR.
Director (Retired)
Chancellor LGT Asset Management
New York, New York

DANIEL J. BUKOWSKI
Head of Equity Quantitative
Analysis
Citibank, N.A.
Stamford, Connecticut

HIRAM F. MOODY, JR.
President
Wicopesset Management Co.
Fishers Island, New York

CAROL A. ZIPKIN
Executive Vice President (Retired)
Alliance Capital Management L.P.
New York, New York

External Investment Managers

DOMESTIC EQUITIES:Active Large Cap

Alliance Capital Management, L.P. (Growth)
Iridian Asset Management LLC (Value)
Lincoln Capital Management LLC (Growth)
(terminated 5/02)
Montag & Caldwell, Inc. (Growth)

Active Small Cap

Peregrine Capital Management Co. (Growth)
Progress Investment Management Co. (Funds of Funds)

INTERNATIONAL EQUITIES:Active

American Express Trust Co.
Baillie Gifford Funds
Bank of Ireland Asset Management
Capital Guardian Trust Co.
Lazard Asset Management
Morgan Stanley Investment Management
Putnam Fiduciary Trust Co.

Passive/Enhanced

Alliance Capital Management L.P.
Deutsche Asset Management
Merrill Lynch Asset Management
Barlays Global Investors

CUSTODIAN:

State Street Bank & Trust Co.

SECURITIES LENDING:

State Street Bank & Trust Co.

Investments

External Investment Managers

(continued)

PRIVATE EQUITY—LIMITED PARTNERSHIPS:

ABRY Mezzanine Partners	Hellman & Friedman Capital Partners IV, L.P.
Apex V	Horsley Bridge Fund VII
Apollo Real Estate Investment Fund IV	JP Morgan Venture Capital II
Blackstone Capital Partners IV	Lexington Capital Partners V
Chisholm Partners II	Madison Dearborn Capital Partners IV
Chisholm Partners III	Mesirow Capital VI
Chisholm Partners IV	Mesirow Capital VII
Cinven III	Nautic V
Clayton Dubilier & Rice VI	Technology Crossover Ventures TCV IV
Compass Partners International	Texas Pacific Group TPG III
Corporate Venture Partnership (liquidated 12/01)	T. H. Lee Equity Partners V
DLJ Merchant Banking Partners III	TSG4 (The Shansby Group)
Excelsior II	VantagePoint NY Venture Partners
HarbourVest VII-Venture Fund	VantagePoint Venture Partners IV
HarbourVest International Private Equity Partners IV	Warburg Pincus Private Equity VIII
HarbourVest Partners VI	Welsh, Carson, Anderson & Stone IX
Hellman & Friedman Capital Partners III, L.P.	

Real Estate Advisory Committee

GLEN COVERDALE, *Chairman*

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Blackrock Financial Management, Inc.
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Investment Consultants

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*Over 75,000 STRS
retirees have received a
monthly COLA increase.*

Actuarial



*New York State
Teachers' Retirement System*

Actuarial Certification Letter



New York State Teachers' Retirement System

10 Corporate Woods Drive
Albany, New York 12211-2395
(800) 356-3128 or 447-2666 (Albany-area calls)
Web Site: www.nystrs.org

George M. Philip, Executive Director

Office of the Actuary

(518) 447-2611

Retirement Board
New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, New York 12211-2395

July 26, 2002

Dear Members of the Board:

The financial objective of the New York State Teachers' Retirement System is to properly fund the retirement and ancillary benefits of members in order to ensure sufficient assets are on hand to pay benefits as they become due. Employer contributions are made by participating employers in accordance with the actuarially determined employer contribution rate. This rate, determined by an actuarial valuation made each June 30, is intended to remain approximately level over time.

The most recent actuarial valuation was made as of June 30, 2001. This valuation relies on member data provided by the participating employers to the Retirement System's administrative staff. The administrative and actuarial staff review this data for reasonability as well as reconcile it against prior data. In addition, the valuation relies on financial data provided by the Retirement System's Finance Department. All data is reviewed by the Retirement System's independent auditors as part of the annual audit.

Actuarial assumptions, as adopted by the Retirement Board, are reviewed each year against experience on both an annual and quinquennial basis and changes are recommended when warranted. The actuarial funding method is the Aggregate Cost Method and is specified in statute. Actuarial gains and losses are not separately amortized but are spread over the average future working lifetime of active members and included in the annual normal rate calculation. A summary of the actuarial methods and assumptions used in the actuarial valuation is included later in this section.

There were no benefit improvements enacted during the 2001 Legislative Session that had a significant impact upon plan funding. The decline in the capital markets, however, led to a sharp decrease in the market value of assets for the fiscal year ending June 30, 2001. A further reduction in the market value of assets has occurred for the fiscal year ending June 30, 2002. These significant reductions in the market value of assets for two consecutive years have eroded the accumulated investment gains of the prior years. Therefore, it is highly likely that the June 30, 2002 actuarial valuation completed next year will produce a higher employer contribution rate than has been required over the last several years. Additionally, it is likely that this rate will continue to increase over the next several years.

The plan's funded ratio as of June 30, 2001 was 125.0%. Various exhibits in this section provide further information on the actuarial assumptions and the funding level.

All actuarial calculations have been prepared in accordance with Government Accounting Standards Board Statement No. 25 and generally accepted actuarial principles, procedures, and standards of practice as prescribed by the Actuarial Standards Board. All schedules in the Actuarial and Statistical sections and the Required Supplementary Information in the Financial section were prepared under my direction. I meet the qualification standards of the American Academy of Actuaries.

Respectfully submitted,

A handwritten signature in black ink that reads "Lawrence A. Johansen".

Lawrence A. Johansen, M.A.A.A., E.A., A.S.A., F.C.A., M.S.P.A.
Actuary

cc: G. Philip

Summary of Actuarial Methods and Assumptions—June 30, 2001

Methods

Actuarial funding method:	Aggregate Cost Method (gains and losses are smoothed over the average future working lifetime of active members) All benefits are included in the actuarial valuation. See "Summary of Benefits" in Introduction
Actuarial asset valuation method:	Five-year smoothing for equities, real estate, and alternative investments

Assumptions

(Selected sample rates)
(Adoption dates in parenthesis)

Assumptions are computed by the Actuary and adopted by the Retirement Board. They are based upon recent NYSTRS member experience.

Economic:

Valuation Rate of Interest: (5/90)
8.0% compounded annually. The valuation rate of interest and the salary scale each contain a 3.0% assumed annual rate of inflation.

Salary Scale:

(10/00)

Age	Female	Male
25	11.08%	11.53%
35	6.70	7.00
45	5.94	5.16
55	4.99	4.38

Demographic:

Mortality: (Deaths per 10,000 lives)

Withdrawal: (Ten-year ultimate rates) (10/00)
(Withdrawals per 10,000 lives)

Active Members (10/00)

Age	Female	Male
30	3	4
40	3	5
50	8	13
60	13	18

Age	Female	Male
35	260	76
40	159	84
45	105	83
50	129	69

Retired Members and Beneficiaries (10/00)

Age	Female	Male
20	3	5
40	10	11
60	55	66
80	359	539

Service Retirement: (10/00)

Age	Tier 1 & Tiers 2-4 age 62 or with 30 years of service		Tiers 2-4 less than age 62 & less than 30 years of service	
	Female	Male	Female	Male
55	26.31%	27.74%	6.58%	4.16%
60	22.06	27.14	5.52	4.07
65	33.31	42.86	-	-
70	28.70	28.83	-	-

Disabled Members (10/00)

Age	Female	Male
30	356	563
40	461	1,302
60	291	323
80	624	539

Disability Retirement: (10/00)

Age	Female	Male
35	0.01%	0.01%
40	0.03	0.03
45	0.06	0.07
50	0.13	0.18

The Actuary's Valuation Balance Sheet—June 30, 2001

(in thousands)

Since the liabilities of a retirement system consist largely of obligations on account of benefits which have not yet matured, an annual statement of its receipts and disbursements or of its income and expenditures is not sufficient to indicate its true financial position. These statements give a clear picture of the current transactions of a retirement system and show what the present assets are, but since these present assets are held for the payment of future benefits coming due over a longer period of time, we have no basis for judging the financial solvency of the System unless we determine by actuarial valuation what these future benefits are likely to amount to and whether the present assets, together with the prospective assets, will be sufficient to cover their costs.

The following balance sheet furnishes this comparison. It presents the results of the annual actuarial valuation of the present and prospective assets and liabilities of the Retirement System, which was prepared by the Actuary as of June 30, 2001.

Assets

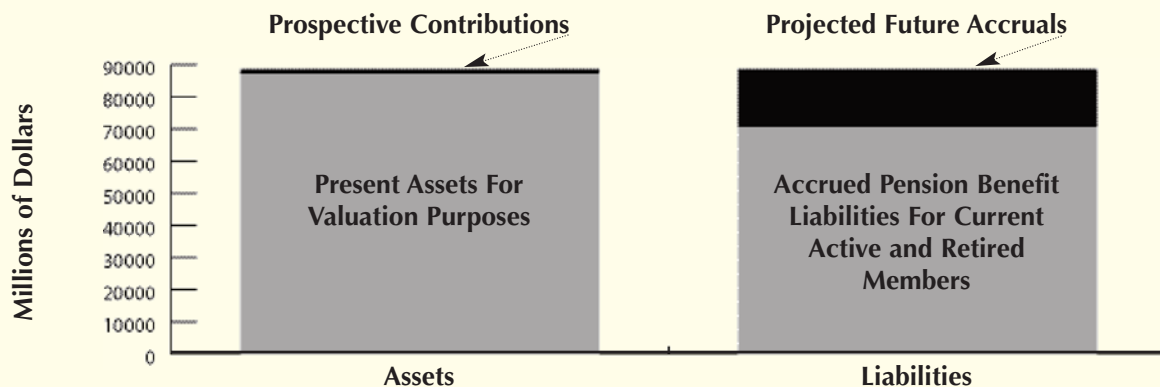
Present Assets of System for Valuation Purposes*	\$87,295,313
Present Value of Prospective Contributions to Pension Accumulation Fund:	
from Employer Contributions	540,997
from Member Contributions	<u>666,593</u>
Total Assets	\$88,502,903

Liabilities

Present Value of Future Benefits to:	
Retired Members and Beneficiaries	\$27,525,949
Active Members	42,902,308
Member Contributions Accumulated to Date	
in the Annuity Savings Fund	84,465
Benefits Due and Unpaid	10,696
Contingency Reserve	<u>17,979,485</u>
Total Liabilities	\$88,502,903

***Differs from the assets presented in the Retirement System's financial statements primarily because the actuarial value of assets is not at market value.**

Comparison of Assets and Liabilities—June 30, 2001



Funding Progress

The Actuary's Valuation Balance Sheet provides a point-in-time comparison, as determined by actuarial valuation, between the present value of projected future benefits and the present assets as well as prospective contributions. In order to effectively assess the funding progress of a retirement system, it is necessary to compare the actuarial value of assets and the accrued pension benefit liabilities calculated in a manner consistent with the retirement system's funding method over a period of time.

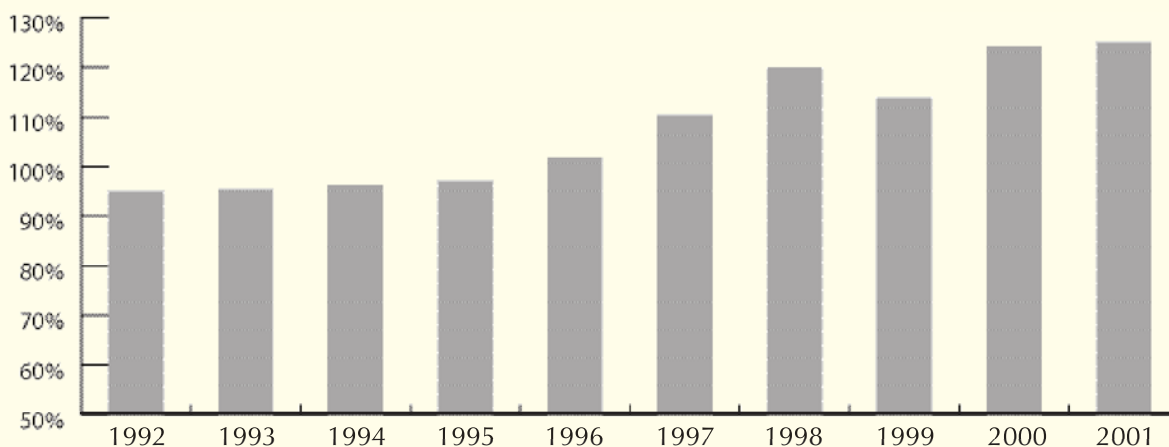
NYSTRS' funding method has allowed the accumulation of assets sufficient for the funding of its liabilities in a systematic and reasonable manner.

Analysis of Funding Progress in Conformity with the Retirement System's Funding Method

(in millions)

Fiscal Year	Actuarial Value of Assets	Accrued Pension Benefit Liability	Percentage Funded
1992	\$32,432.3	\$34,158.3	94.9
1993	35,527.1	37,230.3	95.4
1994	38,464.9	40,004.1	96.2
1995	42,984.8	44,258.2	97.1
1996	48,865.4	47,995.8	101.8
1997	56,085.3	50,868.0	110.3
1998	64,778.9	53,961.5	120.0
1999	74,721.1	65,636.7	113.8
2000	83,421.8	67,201.9	124.1
2001	87,295.3	69,817.0	125.0

Percent Funded Measured in Conformity with the Retirement System's Funding Method



History of Member Payroll and the Employer Contribution Rate

Fiscal Year Ending June 30	Active Members	Annual Member Payroll (in millions)	Percent Increase In Annual Member Payroll	Average Full-Time Member Salary	Employer Contribution Rate (percent of payroll)
1993	192,891	\$ 7,517.9	4.5%	\$48,114	8.00%
1994	195,691	7,909.5	5.2%	49,748	8.41%
1995	199,398	8,326.1	5.3%	51,228	7.24%
1996	200,918	8,516.0	2.3%	52,033	6.37%
1997	203,716	8,757.9	2.8%	52,806	3.57%
1998	209,080	9,163.8	4.6%	53,872	1.25%
1999	216,267	9,594.2	4.7%	54,537	1.42%
2000	224,986	10,093.3	5.2%	55,368	1.43%
2001	234,350	10,581.2	4.8%	56,197	0.43%
2002	242,834	10,985.5	3.8%	not available	0.36%

Schedule of Retired Members and Beneficiaries Added to and Removed from the Benefit Payroll*

Fiscal Year	Number of Retired Members and Beneficiaries		Annual Benefit of Retired Members and Beneficiaries		Total Number of Retired Members and Beneficiaries	Total Annual Benefit	Percentage Increase in Total Annual Benefit	Average Annual Benefit
	Added During the Year	Removed During the Year	Added During the Year	Removed During the Year				
1993	5,319	2,195	\$161,186,593	\$25,616,740	79,268	\$1,312,221,120	11.52%	\$16,554
1994	3,479	2,376	100,477,767	28,897,994	80,371	1,383,800,893	5.45%	17,218
1995	4,553	2,465	141,320,472	29,789,913	82,459	1,495,331,452	8.06%	18,134
1996	6,583	2,560	265,775,768	32,164,710	86,482	1,728,942,510	15.62%	19,992
1997	6,792	2,616	237,568,633	37,424,059	90,658	1,929,087,084	11.58%	21,279
1998	5,639	3,060	246,966,887	40,759,141	93,237	2,135,294,830	10.69%	22,902
1999	6,431	2,880	224,988,289	46,151,729	96,788	2,314,131,390	8.38%	23,909
2000	7,006	2,955	435,197,582	49,937,199	100,839	2,699,391,773	16.65%	26,769
2001	8,301	3,017	361,578,286	56,799,443	106,123	3,004,170,616	11.29%	28,308
2002	7,711	2,976	315,749,555	60,959,965	110,858	3,258,960,206	8.48%	29,398

*Computed on the Maximum Annual Benefit Including Supplementation and COLA.

Independent Actuarial Review



515 Broadway
Albany, NY 12207

Telephone 518 427 4600

August 9, 2002

The Retirement Board
New York State Teachers' Retirement System

The New York State Teachers' Retirement System (Retirement System), as part of the independent financial statement audit, has requested that KPMG LLP examine the actuarial assumptions, methods and procedures used by the Retirement System's Actuary to calculate the employer contributions for the plan. My examination consisted of the following procedures:

- A review of the actuarial assumptions, methods and procedures stated in the Retirement System's Actuarial Valuation Report as of June 30, 2000, and the resultant employer contribution rate of 0.36% applied to the payroll for the fiscal year ended June 30, 2002.
- A review of the methodology used to estimate the payroll as of June 30, 2002, and the employer and employee contributions receivable as of June 30, 2002.
- A review of the Retirement System's Experience Studies as of June 30, 2000 and 2001, and the opinions of the Actuary presented thereon, to ascertain whether the actuarial assumptions are reasonable and appropriate.

In performing my review I compared the methods and procedures utilized by the Retirement System's Actuary with Actuarial Standard of Practice No. 4 (Measuring Pension Obligations) as adopted by the American Academy of Actuaries. In addition, I compared the determination of employer contributions for the year ended June 30, 2002, with the requirements of Statement No. 25 of the Governmental Accounting Standards Board.

In my opinion, the methods, procedures and actuarial assumptions used by the Retirement System have been developed with appropriate oversight and judgment by the Retirement System's Actuary and comply with generally accepted actuarial principles and practices as set forth in Actuarial Standard of Practice No. 4. In addition, it is my opinion that the employer contributions were determined in accordance with Statement No. 25 of the Governmental Accounting Standards Board.

This report is intended solely for the use of the New York State Teachers' Retirement System and should not be used for any other purpose.

Sincerely,
KPMG LLP

Thomas Toher
Fellow, Society of Actuaries
Enrolled Actuary



Active Members

	Men	Women	Total
July 1, 2001	61,652	172,698	234,350
Changes During Year:			
Added	4,709	14,401	19,110
Withdrawn	757	2,378	3,135
Retired	2,782	4,562	7,344
Died	42	105	147
Total Membership July 1, 2002	62,780	180,054	242,834

Members Retired for:

	Service			Vesting			Disability			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2001	36,886	57,320	94,206	2,488	3,395	5,883	592	1,268	1,860	39,966	61,983	101,949
Changes During Year:												
Retired	2,432	4,051	6,483	305	373	678	45	138	183*	2,782	4,562	7,344
Died	781	1,671	2,452	40	47	87	56	92	148	877	1,810	2,687
Lump Sum	22	30	52	4	2	6	0	0	0	26	32	58
Restored to Active Membership	0	0	0	0	0	0	1	3	4	1	3	4
July 1, 2002	38,515	59,670	98,185	2,749	3,719	6,468	580	1,311	1,891**	41,844	64,700	106,544

Beneficiaries of Deceased:

	Service Annuitants			Disability Annuitants			Active Members			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2001	668	2,835	3,503	67	163	230	72	369	441	807	3,367	4,174
Changes During Year:												
Added	98	251	349	5	12	17	1	0	1	104	263	367
Died	51	155	206	1	4	5	1	15	16	53	174	227
July 1, 2002	715	2,931	3,646	71	171	242	72	354	426	858	3,456	4,314

Summary

	Men	Women	Total
Active Members	62,780	180,054	242,834
Retired Members	41,844	64,700	106,544
Beneficiaries	858	3,456	4,314
Total	105,482	248,210	353,692

*Includes 11 males and 6 females retired for disability who receive a service benefit.

**Includes 58 males and 67 females retired for disability who receive a service benefit.

Members and Annuitants 1922-2002

As of June 30	Members	Retirees	As of June 30	Members	Retirees
1922	–	1,296	1965	129,543	16,043
1925	29,057	1,815	1970	186,914	22,700
1930	39,663	2,732	1975	227,038	35,252
1935	45,031	3,919	1980	203,330	46,812
1940	48,193	4,771	1985	178,516	57,366
1945	52,359	5,637	1990	195,194	69,127
1950	56,504	6,374	1995	199,398	82,459
1955	71,273	7,897	2000	224,986	100,839
1960	99,555	10,796	2002	242,834	110,858

Number of Active Members by Tier

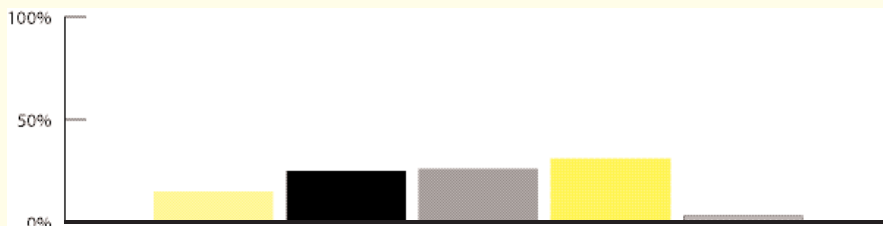
As of June 30	Tier 1	Tier 2	Tier 3	Tier 4	Total
1983	117,611	26,494	40,481	–	184,586
1984	111,989	23,983	38,836	5,453	180,261
1985	106,602	22,082	36,705	13,127	178,516
1986	101,060	20,736	34,691	22,761	179,248
1987	96,334	19,878	32,906	33,137	182,255
1988	92,858	19,809	32,095	43,171	187,933
1989	88,984	19,092	30,720	52,957	191,753
1990	85,103	18,590	29,422	62,079	195,194
1991	81,010	18,224	28,348	67,723	195,305
1992	74,872	17,801	27,495	72,205	192,373
1993	70,180	17,448	26,788	78,475	192,891
1994	67,423	17,212	26,121	84,935	195,691
1995	64,093	17,012	25,206	93,087	199,398
1996	58,850	16,596	24,546	100,926	200,918
1997	53,502	16,186	23,861	110,167	203,716
1998	49,266	15,860	23,302	120,652	209,080
1999	50,859	15,776	20,726	128,906	216,267
2000	47,234	15,700	20,159	141,893	224,986
2001	41,169	15,472	19,914	157,795	234,350
2002	35,601	15,121	19,674	172,438	242,834

Distribution of Active Members by Age and Years of Service*—June 30, 2001

AGE		YEARS				
		0-5	6-10	11-15	16-20	21-25
20-24	Number of Members	6,249	0	0	0	0
	Average Salary	\$32,437	\$0	\$0	\$0	\$0
25-29	Number of Members	26,905	1,367	0	0	0
	Average Salary	\$39,054	\$46,075	\$0	\$0	\$0
30-34	Number of Members	19,283	11,289	1,089	0	0
	Average Salary	\$41,973	\$48,748	\$52,461	\$0	\$0
35-39	Number of Members	10,487	6,676	7,998	1,005	0
	Average Salary	\$39,680	\$49,946	\$56,006	\$58,810	\$0
40-44	Number of Members	10,029	4,484	5,776	5,672	849
	Average Salary	\$37,104	\$46,883	\$57,103	\$62,578	\$65,706
45-49	Number of Members	9,121	4,905	5,742	5,022	6,908
	Average Salary	\$38,374	\$46,224	\$55,637	\$64,222	\$68,726
50-54	Number of Members	5,914	4,376	7,142	5,511	6,169
	Average Salary	\$40,122	\$46,125	\$55,416	\$63,418	\$69,971
55-59	Number of Members	2,595	1,452	2,672	3,063	3,004
	Average Salary	\$40,718	\$45,246	\$54,652	\$62,176	\$69,766
60-64	Number of Members	976	416	652	845	1,033
	Average Salary	\$41,172	\$43,324	\$52,589	\$61,416	\$67,906
65-69	Number of Members	307	107	132	156	167
	Average Salary	\$33,025	\$46,513	\$48,527	\$63,150	\$65,258
70+	Number of Members	158	38	47	46	57
	Average Salary	\$29,788	\$33,463	\$43,309	\$55,468	\$61,573
Total	Number of Members	92,024	35,110	31,250	21,320	18,187
	Average Salary	\$39,161	\$47,761	\$55,678	\$62,867	\$69,062

*Average salary data is for the 179,155 members who earned a full year of service.

Distribution of Active Members by Age—June 30, 2001

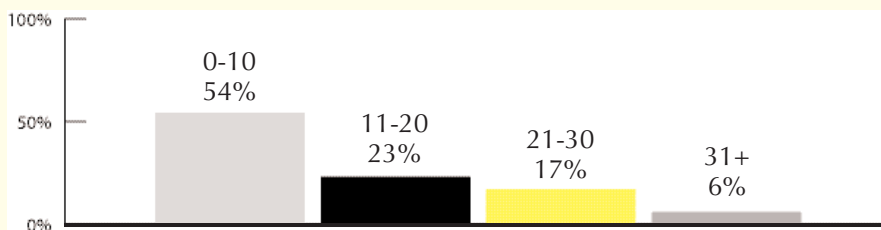


Averages—June 30, 2001

	Age	Years of Service
Female	43	11
Male	43	14

<u>OF</u>		<u>SERVICE</u>					
<u>26-30</u>	<u>31-35</u>	<u>36-40</u>	<u>41-45</u>	<u>46-50</u>	<u>51-55</u>	<u>Total</u>	
0	0	0	0	0	0	6,249	
\$0	\$0	\$0	\$0	\$0	\$0	\$32,437	
0	0	0	0	0	0	28,272	
\$0	\$0	\$0	\$0	\$0	\$0	\$39,500	
0	0	0	0	0	0	31,661	
\$0	\$0	\$0	\$0	\$0	\$0	\$45,372	
0	0	0	0	0	0	26,166	
\$0	\$0	\$0	\$0	\$0	\$0	\$49,653	
1	0	0	0	0	0	26,811	
\$86,063	\$0	\$0	\$0	\$0	\$0	\$51,915	
1,996	6	0	0	0	0	33,700	
\$73,152	\$96,902	\$0	\$0	\$0	\$0	\$57,284	
14,749	4,970	5	0	0	0	48,836	
\$75,661	\$80,826	\$89,703	\$0	\$0	\$0	\$67,138	
3,823	7,294	686	0	0	0	24,589	
\$77,093	\$82,235	\$85,701	\$0	\$0	\$0	\$71,159	
891	708	689	48	1	0	6,259	
\$76,240	\$82,221	\$85,690	\$88,420	\$103,825	\$0	\$68,803	
157	110	105	72	9	0	1,322	
\$75,627	\$80,749	\$89,891	\$90,500	\$92,192	\$0	\$68,860	
34	29	26	19	20	11	485	
\$80,911	\$75,908	\$90,621	\$87,407	\$85,785	\$86,829	\$66,632	
21,651	13,117	1,511	139	30	11	234,350	
\$75,711	\$81,681	\$86,074	\$89,373	\$88,308	\$86,829	\$56,197	

Distribution of Active Members by Service—June 30, 2001



2001-2002 Members Retired for:

	Service 6,500	Disability 166	Vesting 678
Number Retired			
Age at Retirement:			
Average	57 yrs., 9 mos.	51 yrs., 0 mos.	55 yrs., 3 mos.
Median	56 yrs., 3 mos.	51 yrs., 10 mos.	55 yrs., 0 mos.
Years of Service:			
Average	30 yrs., 2 mos.	21 yrs., 2 mos.	13 yrs., 6 mos.
Median	33 yrs., 0 mos.	19 yrs., 7 mos.	12 yrs., 6 mos.
*Benefit:			
Average	\$45,426.49	\$24,643.84	\$ 6,299.48
Median	\$47,572.80	\$22,532.04	\$ 3,535.80
Final Average Salary:			
Average	\$72,313.59	\$59,498.96	\$26,793.65
Median	\$73,037.69	\$57,722.98	\$22,311.70
**Benefit as % of FAS:			
Average	59.22%	39.31%	19.95%
Median	66.00%	33.33%	15.52%

2001-2002 Members Retired for Service with:

	Less Than 20 Yrs. N.Y. 749	Between 20 Yrs. N.Y. and 35 Yrs. Total 3,461	35 Yrs. Total or More 2,290
Number Retired			
Age at Retirement:			
Average	59 yrs., 2 mos.	57 yrs., 7 mos.	57 yrs., 6 mos.
Median	57 yrs., 9 mos.	55 yrs., 11 mos.	56 yrs., 5 mos.
Years of Service:			
Average	12 yrs., 8 mos.	29 yrs., 6 mos.	36 yrs., 6 mos.
Median	13 yrs., 0 mos.	31 yrs., 0 mos.	36 yrs., 0 mos.
*Benefit:			
Average	\$ 8,143.70	\$43,281.02	\$60,863.31
Median	\$ 5,965.56	\$43,517.28	\$58,428.84
Final Average Salary:			
Average	\$37,441.93	\$72,509.65	\$83,422.89
Median	\$36,150.16	\$71,518.95	\$80,470.92
**Benefit as % of FAS:			
Average	19.52%	58.77%	72.88%
Median	18.31%	62.00%	72.00%

*The maximum, even though the member may have chosen an option.

**The average and median of individual benefits as percentages of final average salary.

All Retirees—June 30, 2002 Retired for:

	Service 98,310	Disability 1,766	Vesting 6,468
Number Retired			
Age at Retirement:			
Average	58 yrs., 8 mos.	48 yrs., 6 mos.	55 yrs., 9 mos.
Median	57 yrs., 8 mos.	49 yrs., 4 mos.	55 yrs., 0 mos.
Years of Service:			
Average	28 yrs., 2 mos.	19 yrs., 3 mos.	14 yrs., 7 mos.
Median	30 yrs., 0 mos.	19 yrs., 0 mos.	14 yrs., 0 mos.
*Benefit:			
Average	\$28,995.54	\$14,516.09	\$ 5,588.65
Median	\$26,667.72	\$12,572.52	\$ 3,604.68
Final Average Salary:			
Average	\$49,092.53	\$38,249.22	\$21,113.17
Median	\$48,469.10	\$36,110.42	\$18,900.56
**Benefit as % of FAS:			
Average	55.13%	36.62%	23.91%
Median	58.93%	34.12%	20.48%

All Retirees—June 30, 2002 Retired for Service with:

	Less Than 20 Yrs. N.Y. 14,525	Between 20 Yrs. N.Y. and 35 Yrs. Total 64,665	35 Yrs. Total or More 19,120
Number Retired			
Age at Retirement:			
Average	59 yrs., 8 mos.	58 yrs., 2 mos.	59 yrs., 8 mos.
Median	58 yrs., 10 mos.	56 yrs., 10 mos.	59 yrs., 3 mos.
Years of Service:			
Average	15 yrs., 1 mo.	28 yrs., 5 mos.	37 yrs., 3 mos.
Median	15 yrs., 5 mos.	29 yrs., 3 mos.	36 yrs., 8 mos.
*Benefit:			
Average	\$ 6,937.58	\$29,065.06	\$45,517.31
Median	\$ 5,682.60	\$27,409.92	\$46,726.08
Final Average Salary:			
Average	\$27,567.71	\$50,201.61	\$61,693.42
Median	\$22,987.02	\$49,743.26	\$63,365.33
**Benefit as % of FAS:			
Average	24.51%	56.56%	73.57%
Median	24.01%	58.00%	73.11%

*The maximum, even though the member may have chosen an option.

**The average and median of individual benefits as percentages of final average salary.

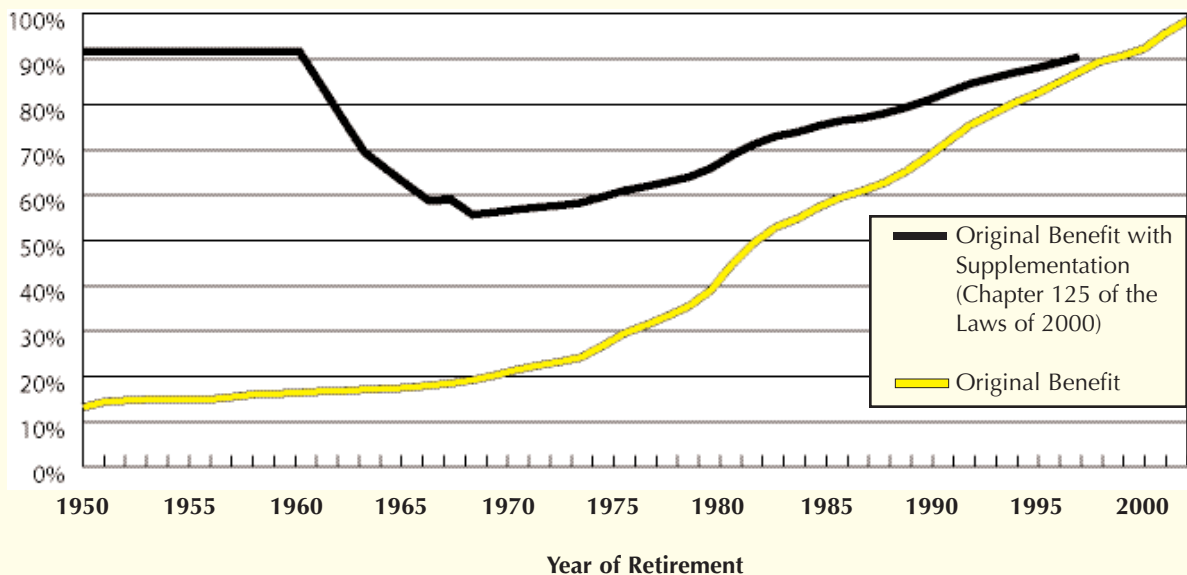
Distribution of Retired Members and Beneficiaries by Tier—June 30, 2002

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Total</u>
Members Retired for:					
Service	89,753	3,592	2,808 (282)*	2,032	98,185
Vesting	6,161	180	103 (9)*	24	6,468
Disability	1,336	169	203 (35)*	183	1,891
Beneficiaries of Deceased:					
Service Annuitants	3,527	78	30 (4)*	11	3,646
Disability Annuitants	188	22	22 (4)*	10	242
Active Members	423	2	1 (0)*	0	426
Total	101,388	4,043	3,167 (334)*	2,260	110,858

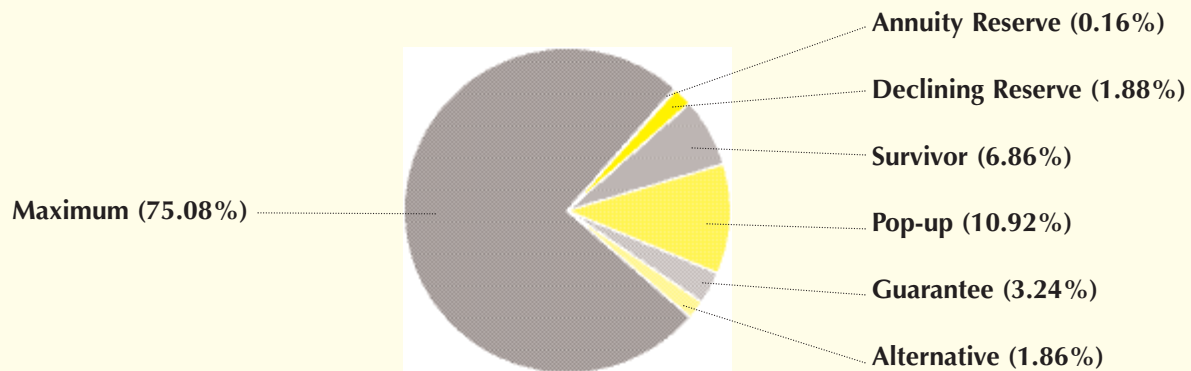
*Those receiving an Article 14 (Tier 3) benefit. The remainder are receiving an Article 15 (Tier 4) benefit. Tier 3 members receive the better of the two benefits.

Retired Members—Remaining Purchasing Power Through 2002

Inflation annually erodes the purchasing power of our retired members' benefits. The chart below illustrates the percentage of purchasing power remaining of the original benefit, and the original benefit plus supplementation including the cost-of-living adjustment, payable beginning September 2002 in accordance with Chapter 125 of the Laws of 2000.



Retirement Benefit Options and Percent of Election 1998-2002 Retirees

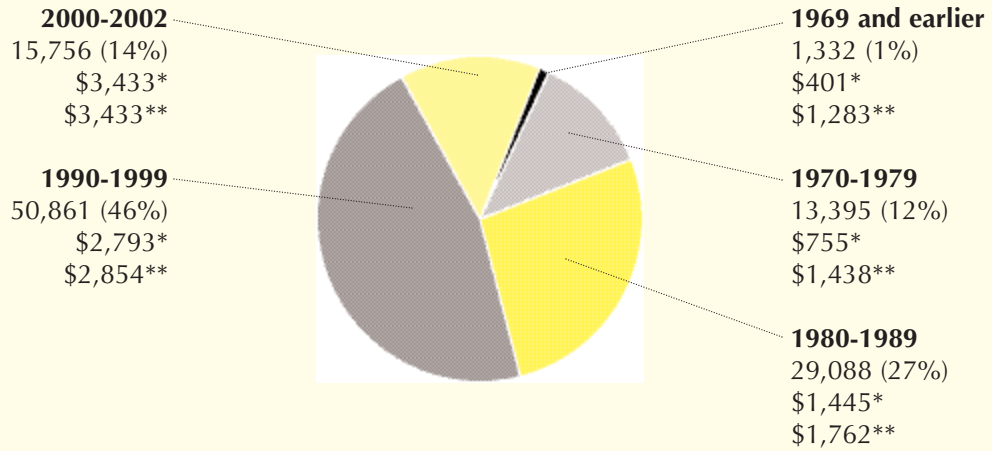


Retired Members' Characteristics* by Year of Retirement

Retired in Fiscal Year Ending	Number of Retired Members	Average Age at Retirement (yrs.-mos.)	Average Service at Retirement (yrs.-mos.)	Average Final Average Salary	Average Maximum Annual Benefit
1993	5,049	59-4	29-2	\$54,399	\$32,619
1994	3,171	58-10	27-7	56,047	32,151
1995	4,226	59-2	28-3	58,660	34,351
1996	6,267	59-1	29-5	61,226	37,151
1997	6,452	58-5	29-8	63,854	38,688
1998	5,303	58-1	29-6	65,351	39,254
1999	6,111	58-0	28-8	65,499	38,882
2000	6,658	58-1	28-3	67,458	39,739
2001	7,946	57-11	30-8	69,781	44,681
2002	7,344	57-9	30-2	72,314	45,426

*Averages are for service retirees only.

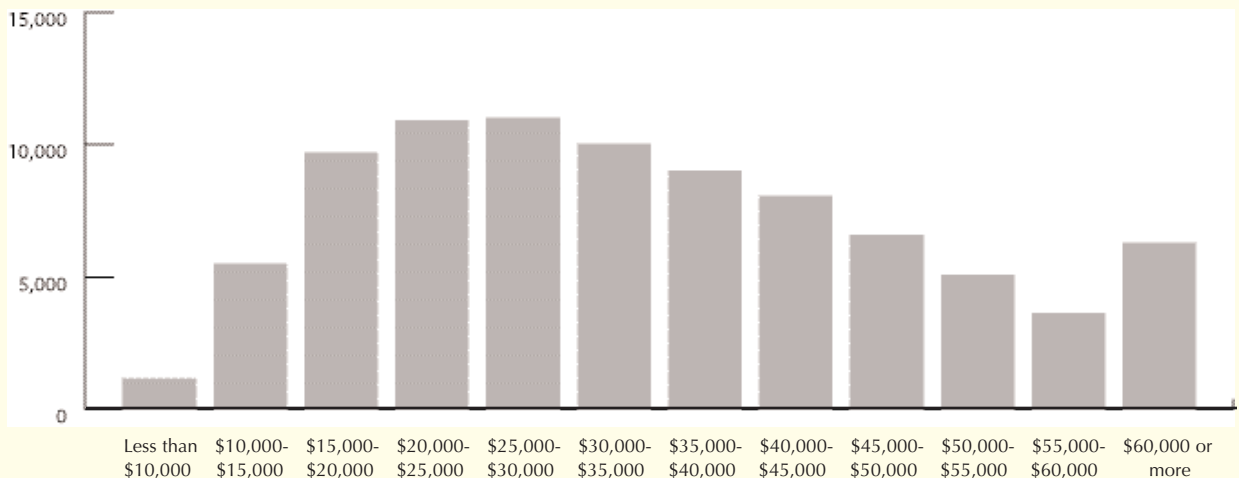
Number of Retired Members and Monthly Benefits by Decade of Retirement—June 30, 2002



*Average Monthly Benefit (based on the maximum benefit).

**Average Total Monthly Benefit Including Supplementation and COLA (based on the maximum benefit).

Distribution of the Annual Benefit* of All Retired Members with 20 or More Years of Total Service—June 30, 2002



*Maximum Annual Retirement Benefit Including Supplementation and COLA.

Distribution of Monthly COLA Increase
Commencing September 2002

Monthly COLA Increase	Number of Retired Members and Beneficiaries
\$15.00	48,859
\$12.00 - \$14.99	6,918
\$9.00 - \$11.99	5,534
\$6.00 - \$8.99	6,590
\$3.00 - \$5.99	4,216
\$0.01 - \$2.99	3,858
\$0 (currently ineligible)	34,883
Total	110,858

Commencing September	Fiscal Year Ending March 31 CPI	Applicable COLA Percentage	Maximum Annual Base Benefit Amount	Maximum Monthly COLA Increase	Cumulative Maximum Monthly COLA	Average Monthly COLA Increase	Cumulative Average Monthly COLA
2001	2.9%	1.5%	\$18,000	\$22.50	\$22.50	\$18.80	\$18.80
2002	1.5%	1.0%	\$18,000	\$15.00	\$37.50	\$12.64	\$31.44

Distribution of Cumulative Monthly COLA
Commencing September 2002

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
\$37.50	48,028
\$35.50 - \$37.49	2,295
\$30.50 - \$35.49	4,493
\$25.50 - \$30.49	4,064
\$20.50 - \$25.49	3,142
\$15.50 - \$20.49	5,226
\$10.50 - \$15.49	3,034
\$5.50 - \$10.49	3,186
Less than \$5.50	2,507
\$0 (currently ineligible)	34,883
Total	110,858

Distribution of the Increase in the Monthly Benefit for Minimum
Supplementation for Members Retired Before July 1, 1970
in Accordance with Chapter 580 of the Laws of 2001

Increase in Monthly Benefit	Number of Members and Beneficiaries—June 30, 2001
\$ 0 - \$ 49.99	94
\$ 50 - \$ 99.99	110
\$100 - \$149.99	119
\$150 - \$199.99	111
\$200 - \$249.99	124
\$250 - \$299.99	128
\$300 - \$349.99	111
\$350 - \$399.99	82
\$400 - \$449.99	141
\$450+	<u>0</u>
Total	1,020

Average Monthly Increase: \$231

Revenues by Source

(dollars in thousands)

Fiscal Year	Net Investment Income*	Employer Contributions	Employer Contributions to Finance Administrative Expenses	Member Contributions	Net Transfers	Total Revenues
1997	\$11,955,970	\$421,781	\$17,048	\$146,518	\$ 4,105	\$12,545,422
1998	13,534,138	191,659	17,533	162,265	25,446	13,931,041
1999	10,437,150	212,590	18,336	171,886	8,382	10,848,344
2000	5,840,710	192,296	19,203	186,751	43,247	6,282,207
2001	(4,946,207)	132,516	20,202	128,019	29,023	(4,636,447)
2002	(5,570,925)	30,679	21,182	137,921	14,271	(5,366,872)

*Includes the net appreciation (depreciation) in fair value of investments.

Expenses by Type

(dollars in thousands)

Fiscal Year	Retirement Benefit Payments	Beneficiary Payments	Return of Contributions	Administrative Expenses	Total Expenses
1997	\$1,844,089	\$51,168	\$40,541	\$24,720	\$1,960,518
1998	1,993,143	53,809	31,853	24,135	2,102,940
1999	2,212,239	45,896	30,206	26,094	2,314,435
2000	2,410,628	69,304	40,529	28,878	2,549,339
2001	2,834,136	53,560	28,407	30,581	2,946,684
2002	3,143,981	57,664	21,986	32,461	3,256,092

Participating Employers

Abbott UFS	Beacon City SD	Camden CS	Clarence CS
Addison CS	Beaver River CS	Campbell-Savona CS	Clarkstown CS
Adirondack CS	Bedford CS	Canajoharie CS	Cleveland Hill UFSD at Cheektowaga
Adirondack Com Col	Beekmantown CS	Canandaigua City SD	Clifton Fine CS
Afton CS	Belfast CS	Canaseraga CS	Clinton CS
Akron CS	Belleville-Henderson CS	Canastota CS	Clinton Com Col
Albany City SD	Bellmore UFS	Candor CS	Clinton-Essex-Warren- Washington BOCES
Albion CS	Bellmore-Merrick CS	Canisteo CS	Clyde Savannah CS
Albany-Schoharie- Schenectady-Saratoga	Bemus Point CS	Canton CS	Clymer CS
Alden CS	Berkshire UFS	Carle Place UFS	Cobleskill-Richmondville CS
Alexander CS	Berlin CS	Carmel CS	Cohoes City SD
Alexandria CS	Berne-Knox-Westerlo CS	Carthage CS	Cold Spring Harbor CS
Alfred Almond CS	Bethlehem CS	Cassadaga Valley CS	Colton Pierrepont CS
Allegany-Limestone CS	Bethpage UFS	Cato Meridian CS	Columbia-Greene Com Col
Altmar Parish-Williamstown CS	Binghamton City SD	Catskill CS	Commack UFS
Amagansett UFS	Blind Brook-Rye UFS	Cattaraugus-Allegany-Erie- Wyoming BOCES	Connetquot CS
Amherst CS	Bloomfield CS	Cattaraugus-Little Valley CS	Cooperstown CS
Amityville UFS	Bolivar-Richburg CS	Cayuga Com Col	Copake Taconic Hills CSD
Amsterdam City SD	Bolton CS	Cayuga-Onondaga BOCES	Copenhagen CS
Andes CS	Bradford CS	Cazenovia CS	Copiasque UFSD
Andover CS	Brasher Falls CS	Center Moriches UFS	Corinth CS
Ardsley UFS	Brentwood UFS	Central Islip UFS	Corning Com Col
Argyle CS	Brewster CS	Central NY School-Math/Science	Corning-Painted Post PS
Ark Com Charter School	Briarcliff Manor UFS	Central Square CS	Cornwall CS
Arkport CS	Bridgehampton UFS	Chappaqua CS	Cortland City SD
Arlington CS	Brighton CS	Charlotte Valley CS	Coxsackie Athens CS
Attica CS	Brittonkill CS	Charter School-Applied Tech	Croton Harmon UFS
Auburn City SD	Broadalbin-Perth CS	Charter School-Science & Tech	Crown Point CS
Ausable Valley CS	Brockport CS	Chateaugay CS	Cuba-Rushford CS
Averill Park CS	Brocton CS	Chatham CS	D. Valley-J. Youngsville- Narrowsburg CS
Avoca CS	Bronxville UFS	Chautauqua Lake CS	Dalton-Nunda
Avon CS	Brookfield CS	Chazy UFS	Dansville CS
Babylon UFS	Brookhaven Comsewogue UFSD	Cheektowaga CS	De Ruyter CS
Bainbridge Guilford CS	Broome Com Col	Cheektowaga-Maryvale UFSD	Deer Park UFS
Baldwin UFS	Broome-Delaware-Tioga BOCES	Cheektowaga-Sloan UFSD	Delaware-Chenango-Madison- Otsego BOCES
Baldwinsville CS	Brushton Moira CS	Chenango Forks CS	Delhi CS
Ballston Spa CS	Buffalo PS	Chenango Valley CS	Depew UFS
Barker CS	Burnt Hills-Ballston Lake CS	Cherry Valley-Springfield CS	Deposit CS
Batavia City SD	Byram Hills CSD at Armonk	Chester UFS	Dobbs Ferry UFS
Bath CS	Byron Bergen CS	Chittenango CS	
Bay Shore UFS	Cairo-Durham CS	Churchville Chili CS	
Bayport Blue Point UFSD	Caledonia Mumford CS	Cincinnati CS	
	Cambridge CS		

Participating Employers

(continued)

Dolgeville CS	Erie 1 BOCES	Geneseo CS	Hannibal CS
Dover UFS	Erie 2-Chautauqua-Cattaraugus	Geneva City SD	Harborfields CS
Downsville CS	Eugenio Maria De Hostas	George Jr Republic UFSD	Harpurville CS
Dryden CS	Fabius-Pompey CS	Georgetown South Otselic CS	Harrison CS
Duanesburg CS	Fairport CS	Germantown CS	Harrisville CS
Dundee CS	Falconer CS	Gilbertsville-Mt Upton CS	Hartford CS
Dunkirk PS	Fallsburg CS	Gilboa Conesville CS	Hastings-on-Hudson
Dutchess BOCES	Farmingdale UFS	Glen Cove City SD	Hauppauge UFS
Dutchess Com Col	Fashion Institute of Technology	Glens Falls City SD	Haverstraw-Stony Point CS
East Aurora UFS	Fayetteville Manlius CSD	Glens Falls Common School	Hawthorne Cedar Knolls UFSD
East Greenbush CS	Fillmore CS	Global Concepts	Hempstead PS
East Hampton UFS	Finger Lakes Com Col	Gloversville City SD	Hendrick Hudson CS
East Irondequoit CS	Fire Island UFS	Gorham-Middlesex CS	Herkimer CS
East Islip UFS	Fishers Island UFS	Goshen CS	Herkimer County Com Col
East Meadow UFS	Floral Park-Bellerose UFSD	Gouverneur CS	Herkimer-Fulton-Hamilton- Otsego BOCES
East Moriches UFS	Florida UFS	Gowanda CS	Hermon Dekalb CS
East Quogue UFS	Fonda Fultonville CS	Grand Island CS	Herricks UFS
East Ramapo CS	Forestville CS	Granville CS	Heuvelton CS
East Rochester UFS	Fort Ann CS	Great Neck PS	Hewlett Woodmere UFS
East Rockaway UFS	Fort Edward PS	Greece CS	Hicksville PS
East Syracuse-Minoa CS	Fort Plain CS	Green Island UFS	Highland CS
East Williston UFS	Frankfort Schuyler CS	Greenburgh CS	Highland Falls-Fort Montgomery CSD
Eastchester UFS	Franklin CS	Greenburgh Eleven UFSD	Hilton CS
Eastport UFS	Franklin Square UFS	Greenburgh-Graham UFSD	Hinsdale CS
Eastport-South Manor CSD	Franklin-Essex-Hamilton BOCES	Greenburgh-North Castle UFSD	Holland CS
Eden CS	Franklinville CS	Greene CS	Holland Patent CS
Edgemont UFSD-Greenburgh	Fredonia CS	Greenport UFS	Holley CS
Edinburg Common Schools	Freeport PS	Greenville CS	Homer CS
Edmeston CS	Frewsburg CS	Greenwich CS	Honeoye CS
Education Department	Friendship CS	Greenwood CS	Honeoye Falls Lima CS
Edwards-Knox CS	Frontier CS	Greenwood Lake UFS	Hoosic Valley CS
Edwin Gould Academy- Ramapo UFSD	Fulton City SD	Groton CS	Hoosick Falls CS
Elba CS	Fulton-Montgomery Com Col	Guilderland CS	Hopevale UFS
Eldred CS	Galway CS	Hadley Luzerne CS	Hornell City SD
Elizabethtown-Lewis CS	Gananda CS	Haldane CS	Horseheads CS
Ellenville CS	Garden City UFS	Half Hollow Hills CS	Hudson City SD
Ellicottville CS	Garrison UFS	Hamburg CS	Hudson Falls CS
Elmira City SD	Gates Chili CS	Hamilton CS	Hudson Valley Com Col
Elmira Heights CS	General Brown CS	Hamilton-Fulton-Montgomery BOCES	Hunter Tannersville CS
Elmont UFS	Genesee Com Charter School	Hammond CS	Huntington UFS
Elmsford UFS	Genesee Com Col	Hammondsport CS	Hyde Park CS
Elwood UFS	Genesee Valley CS	Hampton Bays UFS	Ichabod Crane CS
Erie Com Col	Genesee-Livingston-Stauben- Wyoming BOCES	Hancock CS	

Participating Employers

(continued)

Ilion CS	Lawrence UFS	Mattituck-Cutchogue UFSD	New Hyde Park-Garden City Park UFSD
Indian Lake CS	Le Roy CS	Mayfield CS	New Lebanon CS
Indian River CS	Letchworth CS	McGraw CS	New Paltz CS
Inlet Common Schools	Levittown UFS	Mechanicville City SD	New Rochelle City SD
Iroquois CS	Lewiston Porter CS	Medina CS	New Suffolk Common Schools
Irvington UFS	Liberty CS	Menands UFS	New York Mills UFS
Island Park UFS	Lindenhurst PS	Merrick UFS	Newark CS
Island Trees UFS	Lisbon CS	Mexico CS	Newark Valley CS
Islip UFS	Little Falls City SD	Middle Country CS	Newburgh City SD
Ithaca City SD	Little Flower UFSD at Wading River	Middleburgh CS	Newcomb CS
Jamestown City SD	Liverpool CS	Middletown City SD	Newfane CS
Jamestown Com Col	Livingston Manor CS	Milford CS	Newfield CS
Jamesville Dewitt CS	Livonia CS	Millbrook CS	Niagara County Com Col
Jasper-Troupsburg CS	Lockport City SD	Miller Place UFS	Niagara Falls City SD
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES	Locust Valley CS	Mineola UFS	Niagara Wheatfield CS
Jefferson CS	Long Beach City SD	Minerva CS	Niskayuna CS
Jefferson Com Col	Long Lake CS	Minisink Valley CS	North Babylon UFS
Jericho UFS	Longwood CSD at Middle Island	Mohawk CS	North Bellmore UFS
Johnsburg CS	Lowville CS	Mohawk Valley Com Col	North Collins CS
Johnson City CS	Lyme CS	Monroe Woodbury CS	North Colonie CS
Johnstown PS	Lynbrook UFS	Monroe 1 BOCES	North Country Com Col
Jordan-Elbridge CS	Lyncourt UFS	Monroe 2-Orleans BOCES	North Greenbush Common Sch
Katonah-Lewisboro UFSD	Lyndonville CS	Monroe Com Col	North Merrick UFS
Keene CS	Lyons CS	Montauk UFS	North Rose Wolcott CS
Kendall CS	Madison CS	Monticello CS	North Salem CS
Kenmore Town of Tonawanda UFSD	Madison-Oneida BOCES	Moravia CS	North Shore CS
King Center	Madrid Waddington CS	Moriah CS	North Syracuse CS
Kings Park CS	Mahopac CS	Morris CS	North Tonawanda City SD
Kingston City SD	Maine Endwell CS	Morristown CS	North Warren CS
Kiryas Joel Village UFSD	Malone CS	Morrisville Eaton CS	Northeastern Clinton CS
La Fargeville CS	Malverne UFS	Mount Markham CS	Northern Adirondack CS
La Fayette CS	Mamaroneck UFS	Mount Morris CS	Northport-East Northport UFSD
Lackawanna City SD	Manchester-Shortsville CS	Mt. Pleasant Blythedale UFSD	Northville CS
Lake George CS	Manhasset UFS	Mount Pleasant CS	Norwich City SD
Lake Placid CS	Maplewood-Colonie Common School	Mount Pleasant Cottage School	Norwood Norfolk CS
Lake Pleasant CS	Marathon CS	Mount Sinai UFS	Nyack UFS
Lake Shore CS	Marcellus CS	Mount Vernon PS	NYS School for the Blind
Lakeland CS	Margaretville CS	Nanuet UFS	NYS School for the Deaf
Lancaster CS	Marion CS	Naples CS	NYS Teachers' Ret System
Lansing CS	Marlboro CS	Nassau BOCES	Oakfield Alabama CS
Lansingburgh CS	Massapequa PS	Nassau Com Col	Oceanside UFS
Laurens CS	Massena CS	Nassau Co Vocational Board	Odessa Montour CS
		New Covenant	Ogdensburg City SD
		New Hartford CS	

Participating Employers

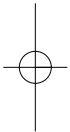
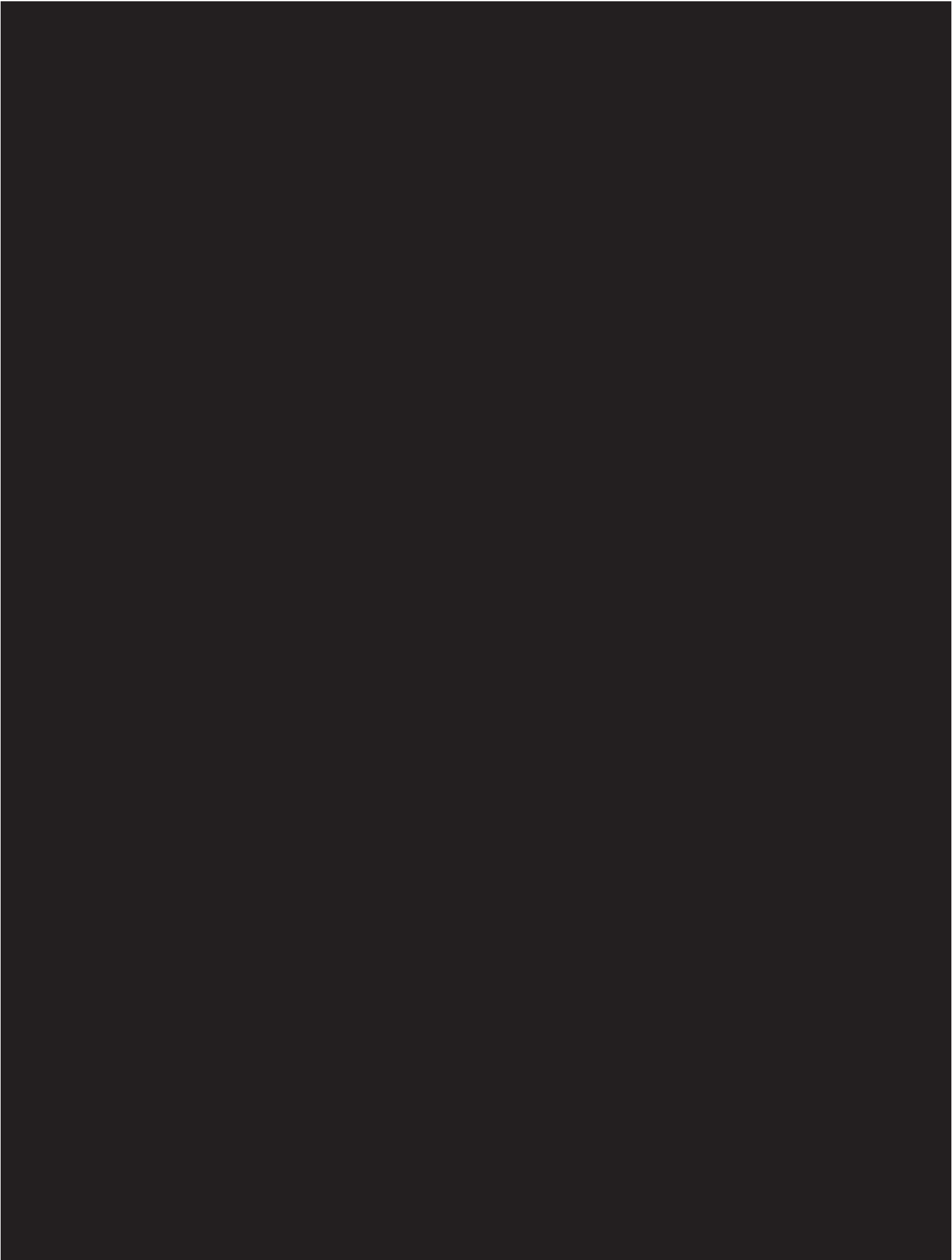
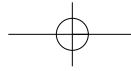
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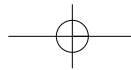
Olean City SD	Phelps-Clifton Springs CS	Ripley CS	Schuylerville CS
Oneida City SD	Phoenix CS	Riverhead CS	Scio CS
Oneida-Madison-Herkimer BOCES	Pine Bush CS	Riverhead Charter School	Scotia Glenville CS
Oneonta City SD	Pine Plains CS	Rochester City SD	Seaford PS
Onondaga CS	Pinevalley CS South Dayton	Rockland BOCES	Seneca Falls CS
Onondaga Com Col	Pioneer CS	Rockland Com Col	Sewanhaka CS
Onondaga-Cortland-Madison BOCES	Piseco Common Schools	Rockville Centre UFSD	Sharon Springs CS
Ontario-Seneca-Yates-Cayuga- Wayne BOCES	Pittsford CS	Rocky Point UFS	Shelter Island UFS
Onteora CS	Plainedge UFS	Rome City SD	Shenendehowa CSD at Clifton Park
Oppenheim Ephratah CS	Plainview-Old Bethpage CS	Romulus CS	Sherburne Earlville CS
Orange County Com Col	Plattsburgh City SD	Rondout Valley CS	Sherman CS
Orange-Ulster BOCES	Pleasantville UFS	Roosevelt UFS	Shoreham Wading River CS
Orchard Park CS	Pocantico Hills CS	Roscoe CS	Sidney CS
Oriskany CS	Poland CS	Roslyn PS	Silver Creek CS
Orleans-Niagara BOCES	Port Byron CS	Rotterdam-Mohonasen CS	Skaneateles CS
Ossining UFS	Port Chester Rye	Roxbury CS	Smithtown CS
Oswego BOCES	Port Jefferson UFS	Royalton-Hartland CS	Sodus CS
Oswego City SD	Port Jervis City SD	Rush Henrietta CS	Solvay UFS
Otego-Unadilla CS	Port Washington UFS	Rye City SD	Somers CS
Otsego-Delaware-Schoharie- Greene BOCES	Portville CS	Rye Neck UFS	South Buffalo
Owego Apalachin CS	Potsdam CS	Sachem CS	South Colonie CS
Owen D Young CS	Poughkeepsie City SD	Sackets Harbor CS	South Country CS
Oxford Academy and CS	Prattsburg CS	Sag Harbor UFS	South Glens Falls CS
Oyster Bay-East Norwich CS	Pulaski Academy and CS	Sagaponack Common Schools	South Huntington UFSD
Oysterponds UFS	Putnam CS	Salamanca City SD	South Jefferson CS
Palmyra-Macedon CS	Putnam Valley CS	Salem CS	South Kortright CS
Panama CS	Putnam-Westchester BOCES	Salmon River CS	South Lewis CS
Parishville Hopkinton CS	Queensbury UFS	Sandy Creek CS	South Manor UFS
Patchogue-Medford UFS	Quogue UFS	Saranac CS	South Orangetown CS
Pavilion CS	Ramapo CS	Saranac Lake CS	South Seneca CS
Pawling CS	Randolph Academy UFS	Saratoga Springs City Schools	Southampton UFS
Pearl River UFS	Randolph CS	Saugerties CS	Southern Cayuga CS
Peekskill City SD	Raquette Lake UFS	Sauquoit Valley CS	Southold UFS
Pelham UFS	Ravena-Coeymans-Selkirk CS	Sayville PS	Southwestern CS
Pembroke CS	Red Creek CS	Scarsdale UFS	Spackenkill UFS
Penfield CS	Red Hook CS	Schalmont CS	Spencer Van Etten CS
Penn Yan CS	Remsen CS	Schenectady City SD	Spencerport CS
Perry CS	Remsenburg-Speonk UFSD	Schenectady County Com Col	Springs UFS
Peru CS	Rensselaer City SD	Schenevus CS	Springville-Griffith Institute
	Rensselaer-Columbia-Greene BOCES	Schodack CS	St Johnsville CS
	Rhinebeck CS	Schoharie CS	St Lawrence-Lewis BOCES
	Richfield Springs CS	Schroon Lake CS	St Regis Falls CS
		Schuyler-Chemung-Tioga BOCES	

Participating Employers

(continued)

Stamford CS	SUNY Health Science Center at Brooklyn	Valley Stream UFSD 24	Westfield CS
Starpoint CS	SUNY Health Science Center at Brooklyn-Hospital	Valley Stream UFSD 30	Westhampton Beach UFSD
State Ag & Ind School	SUNY Health Science Center at Syracuse	Vernon-Verona-Sherrill CS	Westhill CS
Stepping Stone Academy Charter School	SUNY Health Science Center at Syracuse-Hospital	Vestal CS	Westmoreland CS
Steuben-Allegany BOCES	SUNY Maritime College	Victor CS	Westport CS
Stillwater CS	SUNY Morrisville Ag & Tech	Voorheesville CS	Wheatland Chili CS
Stockbridge CS	Susquehanna Valley CS	Wainscott Common Schools	Wheelerville UFS
Suffolk Co Vocational Board	Sweet Home CS	Wallkill CS	White Plains City SD
Suffolk County Com Col	Syosset CS	Walton CS	Whitehall CS
Suffolk 1 BOCES	Syracuse City SD	Wantagh UFS	Whitesboro CS
Suffolk 3 BOCES	Tapestry Charter School	Wappingers CS	Whitesville CS
Sullivan BOCES	Thousand Islands CS	Warrensburg CS	Whitney Point CS
Sullivan County Com Col	Three Village CS	Warsaw CS	William Floyd UFS
SUNY Alfred Ag and Tech	Ticonderoga CS	Warwick Valley CS	Williamson CS
SUNY at Albany	Tioga CS	Washington-Saratoga-Warren- Hamilton-Essex	Williamsville CS
SUNY at Binghamton	Tompkins-Cortland Com Col	Washingtonville CS	Willsboro CS
SUNY at Buffalo	Tompkins-Seneca-Tioga BOCES	Waterford Halfmoon UFSD	Wilson CS
SUNY at Stony Brook	Tonawanda City SD	Waterloo CS	Windham Ashland Jewett CS
SUNY at Stony Brook-Hospital	Town of Webb UFS	Watertown City SD	Windsor CS
SUNY Canton Ag and Tech	Tri Valley CS	Waterville CS	Worcester CS
SUNY Central Administration	Troy City Schools	Watervliet City SD	Wyandanch UFS
SUNY Cobleskill Ag and Tech	Trumansburg CS	Watkins Glen CS	Wynantskill UFS
SUNY College at Brockport	Tuckahoe Common Schools	Waverly CS	Wyoming CS
SUNY College at Buffalo	Tuckahoe UFSD	Wayland-Cohocton CS	Yonkers PS
SUNY College at Cortland	Tully CS	Wayne CS	York CS
SUNY College at Fredonia	Tupper Lake CS	Webster CS	Yorktown CS
SUNY College at Geneseo	Tuxedo UFS	Webutuck CS	
SUNY College at New Paltz	UFSD of the Tarrytowns	Weedsport CS	
SUNY College at Old Westbury	Ulster BOCES	Wells CS	
SUNY College at Oneonta	Ulster County Com Col	Wellsville CS	
SUNY College at Oswego	Unadilla Valley CS	West Babylon UFS	
SUNY College at Plattsburgh	Union Springs CS	West Canada Valley CS	
SUNY College at Potsdam	Union-Endicott CS	West Genesee CS	
SUNY College at Purchase	Uniondale PS	West Hempstead UFS	
SUNY College of Ceramics at Alfred	Utica City SD	West Irondequoit CS	
SUNY College of Environmental	Valhalla UFS	West Islip UFS	
SUNY College of Optometry	Valley CS	West Park UFS	
SUNY College of Technology	Valley Stream Central HS	West Seneca CS	
SUNY Delhi Ag & Tech	Valley Stream #13 UFSD	West Valley CS	
SUNY Empire State College		Westbury UFS	
SUNY Farmingdale Ag & Tech		Westchester 2 BOCES	
		Westchester Com Col	





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