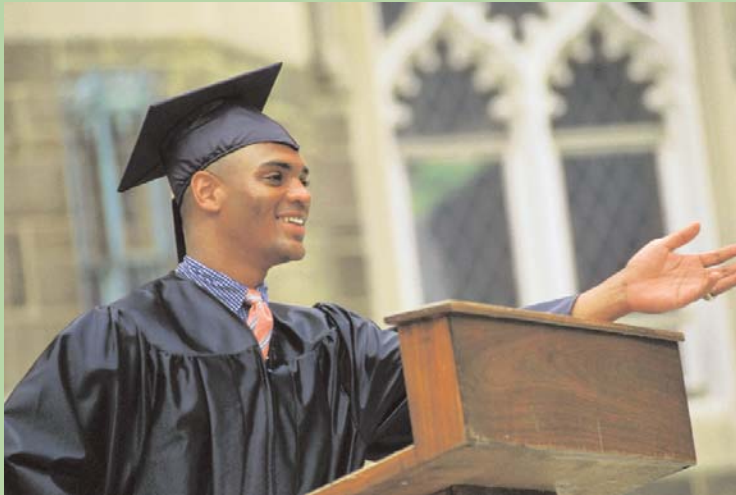
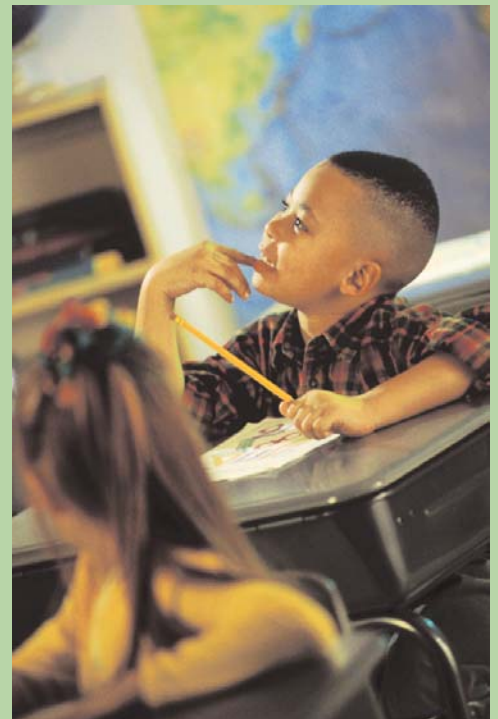


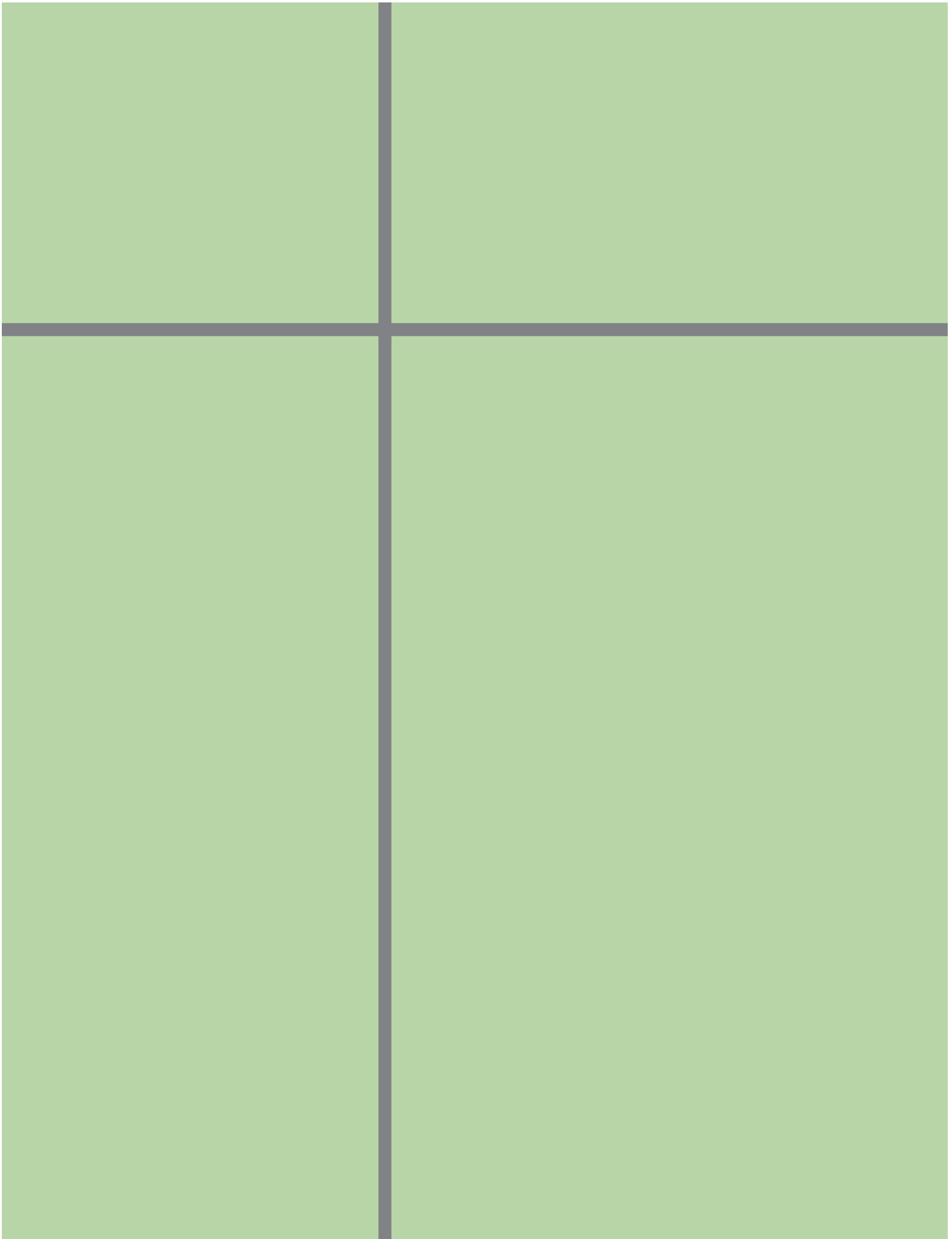
*New York State Teachers'  
Retirement System*



**Comprehensive Annual  
Financial Report**

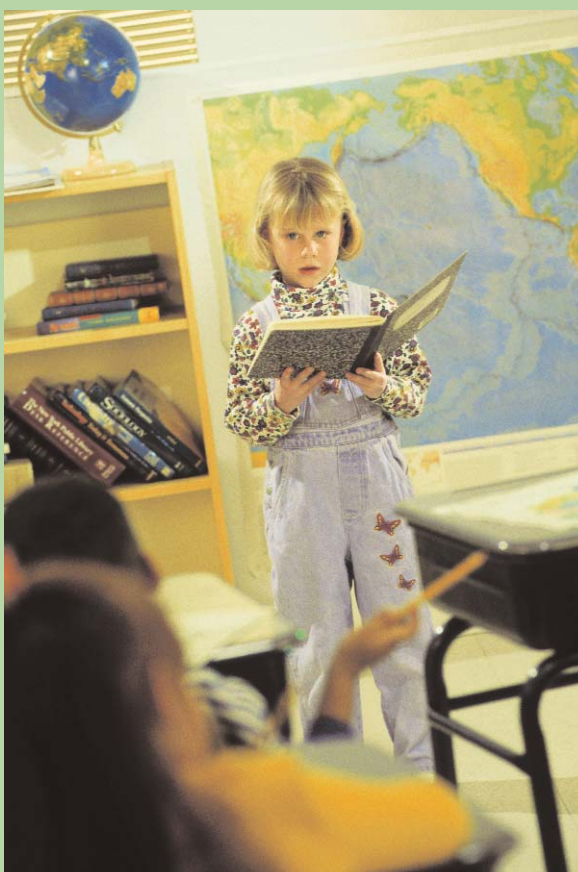
Fiscal Year Ended  
June 30, 2003





# New York State Teachers' Retirement System

10 Corporate Woods Drive  
Albany, NY 12211-2395  
[www.nystrs.org](http://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, 2003

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, 2002

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 employer retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

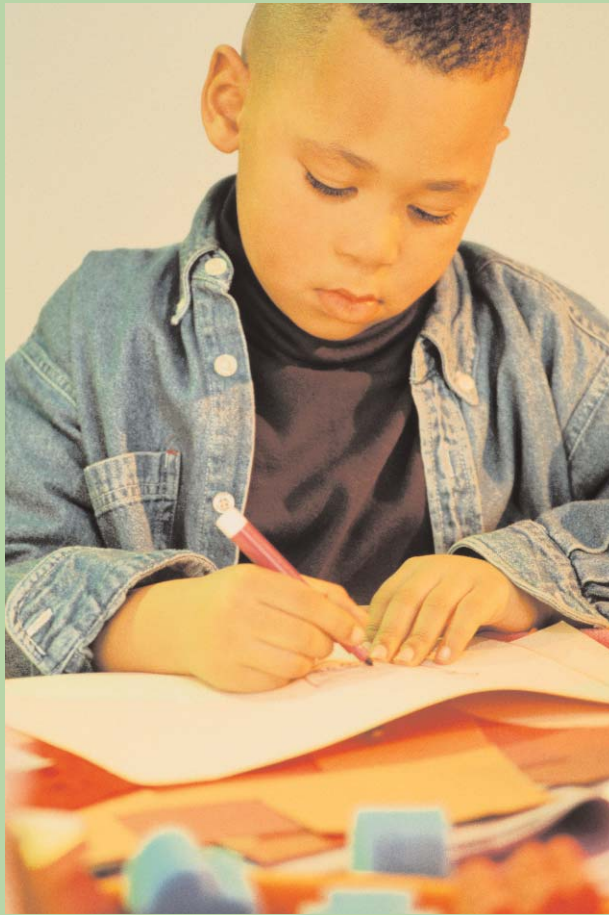


*William Robert Voth*  
President

*Jeffrey R. Egan*  
Executive Director

# Introduction

“Today is your day!  
Your mountain is waiting.  
So get on your way....”



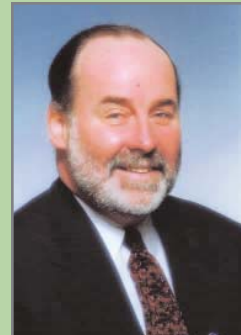
# Introduction

## Board of Trustees

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



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



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

**Josephine Davenport**  
Retired Teacher  
Member  
Elected by  
STRS Retirees  
First Elected 1996  
Hamburg



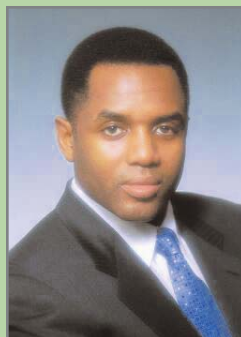
**Sheila J. Salenger**  
Teacher Member  
Elected by  
Delegates  
First Elected 1989  
Ballston Lake

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



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

**Stanley Laborde**  
State Comptroller's  
Representative  
Appointed 2003  
New York City



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



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

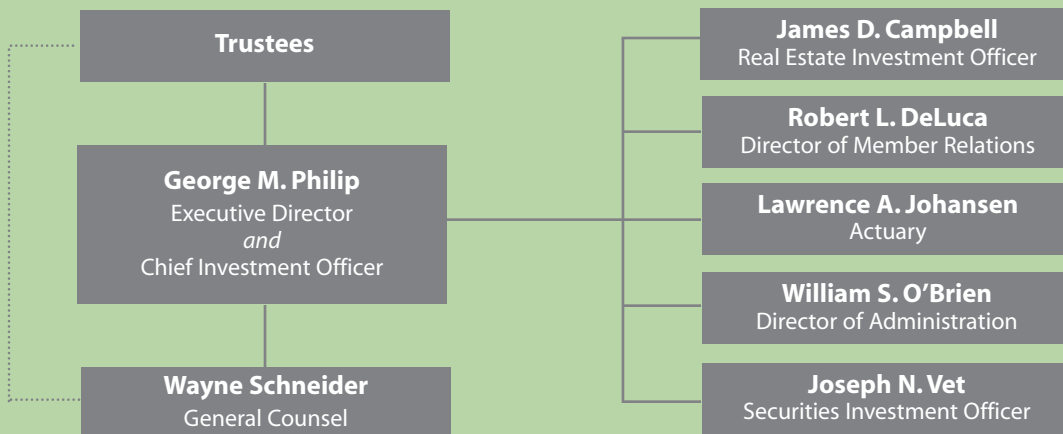


# Introduction

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

# Introduction

## Letter of Transmittal



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

**George M. Philip, Executive Director**

### TRUSTEES

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

August 30, 2003

Trustees of the Retirement System Board:

I present to you the Comprehensive Annual Financial Report of the New York State Teachers' Retirement System (NYSTRS, STRS, or the System) for the fiscal year ended June 30, 2003. 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 Deloitte & Touche LLP, as well as basic financial statements and accompanying footnotes.
- **Investments.** 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 certification and independent actuarial review letters, this section includes a summary of 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 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.

# Introduction

## 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 350 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, BOCES, charter schools that elect to participate in this System and institutions of higher learning.

Total membership at fiscal year-end was 365,555, consisting of 247,247 active members and 118,308 retired members and/or beneficiaries who receive benefit payments. More than 18,000 new members joined the System during the fiscal year, while approximately 10,000 others retired.

### **Awards**

Among the honors applicable to the recently completed 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 2002 Comprehensive Annual Financial Report for its conformance with the highest standards for preparation of state and local government financial reports.
- ◆ **The Distinguished Budget Presentation Award** for the fiscal year July 1, 2002 through June 30, 2003, 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.

### **Legislation**

The 2003 legislative session was a relatively quiet one in terms of public retirement legislation. Although several retirement-related bills were signed into law, a relatively small percentage of members are affected by each piece of legislation.

Among the new laws:

- ◆ **Chapter 92 of the Laws of 2003** extends certain "temporary" benefit and supplementation programs offered through state retirement systems.
- ◆ **Chapter 136 of the Laws of 2003** reduces from five years to two years the minimum amount of time a retired Tier 2 member must work in public employment to be eligible for additional credit in his/her public retirement system. This change also affects Tier 4 members, because Article 15 of the Retirement and Social Security Law directs the System to also apply the rules applicable to this earlier tier.
- ◆ **Chapter 167 of the Laws of 2003** allows a retired System member with an annual benefit of \$2,400 or less to elect to receive an actuarially determined lump sum in lieu of future monthly retirement benefits. (Currently, the threshold is \$1,000.)

A bill that did not pass was a previously routine yearly increase in the Retirement and Social Security Law Section 212 limit on earnings after retirement. The limit remains at \$25,000 per calendar year.

# Introduction

## Letter of Transmittal (continued)

Several bills introduced during the 2002 legislative session were signed into law early in the System's 2003 fiscal year, which began July 1, 2002.

- ◆ **Chapter 352 of the Laws of 2002** allows members to obtain service credit for teaching that occurred in New York City public schools when they were members of NYSTRS and prohibited from joining a city system.
- ◆ **Chapter 353 of the Laws of 2002** broadened active service definitions for Article 19 benefit enhancement eligibility.
- ◆ **Chapter 474 of the Laws of 2002** lowers the age at which public retirees can re-enter public employment without affecting their retirement benefits from age 70 to 65.
- ◆ **Chapter 481 of the Laws of 2002** requires concurrence of one teacher board member before the NYSTRS Board may adopt, amend, or repeal any rule or regulation relating to member benefits.
- ◆ **Chapter 547 of the Laws of 2002** allows refund of payment made by veterans to purchase military service if, at retirement, the military service does not produce a greater benefit.
- ◆ **Chapter 695 of the Laws of 2002** eliminates the 30-day filing requirement for service retirements and adjusts other deadlines for taking actions in connection with retirement.

### ***Major Initiatives and Accomplishments***

A two-part state **retirement incentive** that included a provision allowing Tier 2, 3 and 4 members age 55 or older with 25 years or more of service to retire without a penalty resulted in the System processing over 10,000 retirements—a record one-year figure. In the future, processing of these applications should be easier thanks to a major ongoing upgrade of the System's **technology infrastructure**. Work began and reached a fevered pitch during the fiscal year. The goal is for NYSTRS to improve its operating efficiency, with the payoff being improved service for members.

For example, because the new technology will allow for monthly reporting by employers, the information and projections provided in the NYSTRS *Benefit Profile* should be more current and useful. Centralized and streamlined record management are among the other benefits the technology will offer.

Eligible retired members will receive their third annual **cost-of-living adjustment** (COLA) in September 2003. Approximately 78,000 retirees will receive a 1.6% increase on the first \$18,000 of their benefit, as calculated under the provisions of Chapter 125 of the Laws of 2000. Under the law, NYSTRS retirees receive a 1%-to-3% increase annually based on 50% of the increase in the March-to-March Consumer Price Index. Since the annual COLA increases began in September 2001, the total maximum monthly COLA payment has reached \$61.50. Approximately 47,000 STRS retirees are receiving this increase monthly.

During 2002-2003, NYSTRS staff conducted almost 8,000 **consultations** with members and, for the first time, video consultations outpaced in-person meetings. Due to the popularity of video conferencing, former in-person sites in Dansville, Jamestown and Utica were converted to video locations. Staff also conducted 62 preretirement seminars and 54 benefit presentations statewide.

# Introduction

## Letter of Transmittal (continued)

A **Retired Member Benefit Profile** was introduced in fall 2002 and mailed to approximately 110,000 retirees and beneficiaries. It included beneficiary and tax information, and also addressed the most recent COLA.

### **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. 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 NYSTRS 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, the Office of the State Comptroller and the Retirement System's Internal Audit Department. In addition, financial statements are audited by Deloitte & Touche 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 2002 to 2003 is attributable to a net increase of about 7,500 retirees and beneficiaries. See the schedule of "Expenses by Type" on page 80 for more information.

### **Funding**

The STRS fund used to pay benefits has three income sources: investment income, employer contributions and member contributions. 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 to strong market performance in the final quarter of the fiscal year, we closed with total net assets of \$72.4 billion, a decrease of only \$0.65 billion compared to the end of the previous fiscal year.

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 as they accrue. System actuaries work with STRS trustees and executive staff to establish a rate that ensures sufficient assets are always on-hand to pay benefits as they come due. The contribution rate set shortly after the end of the fiscal year, and to be paid by employers during the 2004-2005 school year, was set at 2.52% of member payroll. That rate will be applied to the 2003-2004 STRS member payroll. Rates are set well in advance so school districts can budget for this cost.

The significant increase in the employer contribution rate was required because rates of return in the capital markets have been unfavorable over the previous few years. The effects of the downturns will require a continued increase in the employer contribution rate in the coming years.

As of June 30, 2002, the date of the most recent annual actuarial valuation prepared by our actuary, the plan's funded ratio was 99.6%. Details of our funding progress may be obtained by turning to page 65.

# Introduction

## Letter of Transmittal (continued)

### **Investments**

The primary function of the Retirement System is to pay legislated benefits to eligible members and their beneficiaries. These payments are made at the lowest possible cost to participating employers and the taxpayers that fund them. Accordingly, the System's investment portfolio is diversified prudently across the most attractive asset classes in appropriate proportions based on future expectations. This enables the fund to achieve the best available long-term total returns that are consistent with an acceptable level of risk. These asset allocations and the total portfolio construction are continuously reviewed, and are adjusted when necessary in order to achieve long-term goals.

During the July 23, 2003 Retirement System Board Meeting our asset allocation targets and ranges were reviewed. Careful analysis showed that sufficient leeway still existed for both real estate and mortgages to increase investments without exceeding the allowable rebalancing ranges. Both these asset classes continue to offer superior return and cash flow potential. Also the current asset mix and ranges permit us to maximize returns within acceptable risk levels. Therefore, no changes were made to our asset allocation targets.

The anticipated future growth of our retirement payroll creates the need for high cash flow from the portfolio. This demand is already being alleviated by increased dividend payments, resulting from better corporate profits and recently enacted federal legislation lowering tax rates. Rising interest rates, steady distributions from our private equity partnerships, and our growing real estate and mortgage portfolios have further aided the cash flow.

For the year ended June 30, 2003, the Retirement System's total portfolio returned 4.0%. The corresponding annualized total rate of return over the last 10 years was 9.1%. During both periods performance of the total fund exceeded that of the blended benchmark.

The total value of our portfolio has begun to rise since the end of the fiscal year. This reflects, in part, determined government action to combat corporate malfeasance. It also reflects successful allied military operations in Afghanistan and Iraq, which appear to have lessened the threat of terrorist acts in this country. As confidence gradually returns to the economy and financial markets, the value of our assets should be further enhanced. This will permit our long-term performance to continue exceeding our actuarially assumed required return rate of 8.0%. These returns are being achieved within a framework of efficiently controlled risk. Diversification across different asset classes, and within every asset class, is the key to these results. Further, risk controls and cost reductions continue to flow from our emphasis on managing investment portfolios internally. Internal trading costs have been rated again this year in the top five percentile of our peer group by an independent consultant for the minimization of commissions and low market impact through our efficient trading. Continued commitments in both staff and technology, together with newly expanded office space, should augment our ability to complete our mission, now and in the future.

The System selected seven new private partnerships in fiscal 2002-2003, committing \$400 million. This makes our exposure in alternative investments closer to the target. Sufficient leeway exists in the range to allow this asset class to grow. Investing in Private Equity also helps satisfy our need for cash flow and offers superior return potential.

# Introduction

## Letter of Transmittal (continued)

Refer to pages 40-59 for further information on STRS investments. A listing of our Equity and Fixed Income holdings can be viewed on our Web site ([www.nystrs.org](http://www.nystrs.org)).

### **Acknowledgements**

This report is distributed each year to libraries, government officials, and those members of the investment community and public who request copies. A summary of this report is printed each year in STRS member newsletters. The full report is available on the System's Web site ([www.nystrs.org](http://www.nystrs.org)).

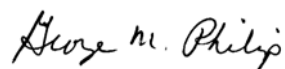
New York State Teachers' Retirement System staff prepared this report. It is intended to provide complete and reliable information for making management decisions, determining compliance with legal provisions and determining responsible stewardship of System assets.

NYSTRS management and staff are committed to high-quality service to its members. System staff developed a Vision and Values Statement during the year in support of this commitment to quality, and the Board of Trustees unanimously adopted the recommendations. The Trustees did an outstanding job of maneuvering the System through some potentially turbulent waters during the fiscal year, and we are a stronger organization as a result.

Also deserving of credit are the members of the Medical Board, and the Investment Advisory and Real Estate Advisory committees for their vital contributions to NYSTRS members and this organization.

The previously mentioned NYSTRS Vision is to be the best public retirement system, continuously working to exceed customer expectations. Among the values to help us achieve this goal are fairness, accuracy and reliability; honesty and integrity; imagination and innovation; and, collaboration to achieve our vision. Members can expect this and much more from NYSTRS staff, which ranks among the best public servants New York State has to offer.

Respectfully submitted,



George M. Philip  
Executive Director

# Introduction

## President's Message

Retirement systems are confronted with a variety of challenges. Some are long-term, such as the need to meet the funding obligations necessary to pay member benefits. Some are short-term, such as the need to quickly implement legislation impacting members. Others are ongoing, such as the need to enhance the services available to members.

As the past fiscal year shows, STRS continues to successfully meet challenges of each type.

Funding has been a concern for retirement systems recently as stock market investments were devastated by a dramatic downturn, the economic impact of the 9/11 attacks, and the corporate malfeasance scandals. After two years of negative returns on our investments, STRS turned the corner this fiscal year and produced a 4.0% total return.

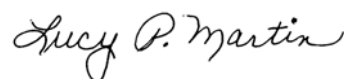
Although this is still below our actuarial assumption of 8%, our long-term planning and past investment success have enabled us to limit the necessary increase in the employer contribution rate (ECR). For fiscal year 2003-2004 member salaries, the rate is 2.52%. As a comparison, the rate would be approximately 12% if employers were required to contribute the actual cost of enrolling new members. Since the ECR has not been as high as 12% for the last 15 years, participating employers have saved a total of \$13 billion plus accumulated interest over that period.

On the legislative side, the State's early retirement incentives of 2002 helped attract almost 10,000 members to retire—a record number. STRS met the challenge of processing the unprecedented number of applications, and ensured that retirees began receiving benefit payments as quickly as possible.

Recent legislation expanding the types of prior service eligible for crediting has been a tremendous boon for our members, and an overwhelming number of prior service claims continue to flow into STRS' offices. This has required an inordinate amount of research and processing time, but STRS continues to meet that challenge as well.

While staff tackled these projects, they also worked diligently to plan and implement a variety of enhancements for our members. We introduced a *Benefit Profile* for retirees, built up our call center technology, and expanded the features on our Web site and interactive voice response system. We also began rolling out a new streamlined record management system—a technology upgrade that will deliver a variety of long-term improvements to members. All of these enhancements are emblematic of a System that works hard every day to fulfill its vision of continuously working to exceed customer expectations.

On behalf of the Retirement Board, we thank STRS staff for their ongoing commitment. I also thank my fellow trustees for their dedication and support. Working together, STRS has met its challenges head-on and continues to serve its members and employers in a manner that befits one of the leading public retirement systems in the country.



Lucy P. Martin  
President



# Introduction

## Summary of Benefits

### **Types of Benefits**

NYSTRS provides service, vested and disability retirement benefits, in addition to 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 also 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, an eligible 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 the Benefit Enhancement legislation.

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 1<sup>1</sup>/<sub>2</sub>% 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 cease 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 leave 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 between 6% and 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 between 6.7% and 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 between 6% and 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.

\*Tiers 1 and 2 cannot use military service to exceed the 79% maximum pension factor.

\*\*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.

# Introduction

## 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 can withdraw them with interest upon retirement, or 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 NYS 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.

# Introduction

## 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**

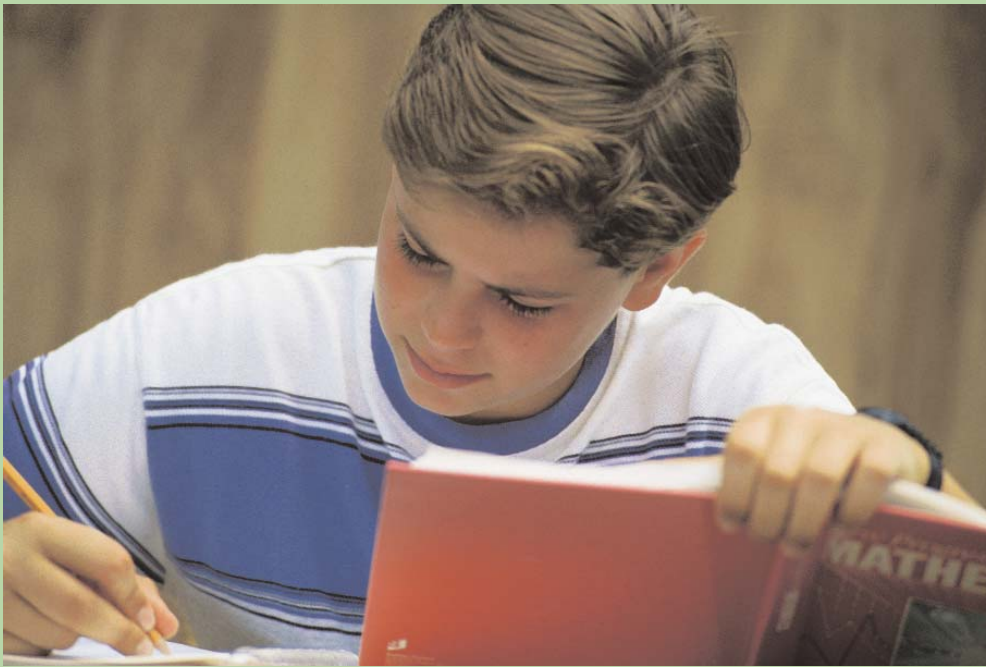
At the time of retirement, a member may elect the maximum retirement benefit with no protection for a beneficiary, or one of many actuarially equivalent options—lump sum, survivor, guarantee or alternative—providing protection for a beneficiary or beneficiaries.

### **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 increase from one March to the next. It will be a minimum of 1% and a maximum of 3% of the first \$18,000 of the retiree's maximum benefit and is effective each September. Most service retirees generally must be age 62 and retired five years.

# Financial

*“Oh, the places you’ll go!  
There is fun to be done!  
There are points to be scored.  
There are games to be won....”*



# Financial

## Independent Auditors' Report

Deloitte & Touche LLP  
Suite 250  
Key Bank Tower  
50 Fountain Plaza  
Buffalo, New York 14202

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www.us.deloitte.com

**Deloitte  
& Touche**

The Retirement Board  
New York State Teachers' Retirement System:

We have audited the accompanying statement of plan net assets of the New York State Teachers' Retirement System (the "System") as of June 30, 2003, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System for the year ended June 30, 2002 were audited by other auditors whose report, dated August 9, 2002, on those statements included an explanatory paragraph regarding the adoption of GASB Statement No. 34.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the plan net assets of the System as of June 30, 2003, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Required Supplementary Information as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 2003 supplementary information. However, we did not audit the information and do not express an opinion on it. The Required Supplementary Information for the years ended June 30, 1998 through 2002 were reported on by other auditors whose report stated that they did not audit this information and did not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the System, taken as a whole. The accompanying supplemental schedules of Administrative Expenses, Investment Activity and Investment Expenses as listed in the foregoing table of contents are not a required part of the basic financial statements. These schedules are the responsibility of the management of the System. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The introduction, investments, actuarial and statistical sections of this report, have not been subjected to the auditing procedures applied in our audit of the 2003 basic financial statements and accordingly, we express no opinion on them.



August 8, 2003

Deloitte  
Touche  
Tohmatsu



# Financial

## 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, 2003. 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**

- ♦ After experiencing significant losses in recent years (\$7.6 billion in fiscal 2002), investments showed appreciation of \$659 million in fiscal 2003.
- ♦ The System's net assets, which represent funds available to pay current and future benefits, were \$72.4 billion as of the end of the current fiscal year.
- ♦ Net assets declined from the prior year by \$650 million, or 0.89%.
- ♦ Contributions from employers increased from \$51.9 million in fiscal year 2002 to \$220.1 million in fiscal year 2003.
- ♦ Benefits paid to retirees and members increased from \$3.2 billion in fiscal year 2002 to \$3.6 billion in fiscal year 2003.
- ♦ The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, declined from 125.0% as of June 30, 2001 actuarial valuation to 99.6% as of the June 30, 2002 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 activity. 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, 2003. 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.

# Financial

## 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 Activity—Schedule 2 on page 37.

**Table 1 Summary of Net Assets (dollars in thousands)**

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percent</u>
<b>Investments at fair value:</b>				
Short-term	\$ 965,799	\$ 2,544,693	\$ (1,578,894)	-62.05%
Domestic fixed income	14,224,897	16,243,332	(2,018,435)	-12.43%
Domestic equities	41,368,456	38,817,974	2,550,482	6.57%
International equities	5,752,951	5,826,091	(73,410)	-1.26%
Mortgages	4,102,444	4,178,519	(76,075)	-1.82%
Real estate	3,586,041	3,493,798	92,243	2.64%
Alternative investments	1,658,924	1,320,269	338,655	25.65%
Total investments	<u>71,659,512</u>	<u>72,424,676</u>	<u>(765,164)</u>	-1.06%
<b>Receivables:</b>				
Employer and member	411,554	286,722	124,832	43.54%
Investment income and sales	252,683	275,059	(22,376)	-8.13%
Total receivables	<u>664,237</u>	<u>561,781</u>	<u>102,456</u>	18.24%
<b>Other assets</b>	<u>218,038*</u>	<u>219,643</u>	<u>(1,605)</u>	-0.73%
<b>Total assets</b>	<u>72,541,787</u>	<u>73,206,100</u>	<u>(664,313)</u>	-0.91%
<b>Total liabilities</b>	<u>150,267*</u>	<u>164,912</u>	<u>(14,645)</u>	-8.88%
<b>Net assets</b>	<u><b>\$72,391,520</b></u>	<u><b>\$73,041,188</b></u>	<u><b>\$ (649,668)</b></u>	-0.89%

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

The System's 2003 net assets declined very slightly from 2002. An increase in equities of \$2.6 billion was largely offset by a decrease in long-term and short-term bonds, as maturities were used to help fund benefit payments and other activity.

The vast majority of the System's assets are in investments, which made up 98.8% of all assets as of June 30, 2003. 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.

# Financial

## Management's Discussion and Analysis (continued)

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

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percent</u>
<b>Additions:</b>				
Investment income:				
Net appreciation (depreciation)				
in fair value of investments	\$ 658,544	\$ (7,603,666)	\$ 8,262,210	108.66%
Interest income	987,574	1,120,433	(132,859)	-11.86%
Dividend income	700,242	682,620	17,622	2.58%
Real estate, net operating income	315,995	268,578	47,417	17.65%
Securities lending (net)	11,070	23,565	(12,495)	-53.02%
Other (net)	30,100	11,349	18,751	165.22%
Less: Investment expenses	(62,961)	(73,804)	10,843	14.69%
Net Investment income	2,640,564	(5,570,925)	8,211,489	147.40%
Contributions:				
Employer	220,081	51,861	168,220	324.37%
Member	147,047	137,921	9,126	6.62%
Transfers in/out (net)	12,716	14,271	(1,555)	-10.90%
Total additions	3,020,408	(5,366,872)	8,387,280	156.28%
<b>Deductions:</b>				
Retirement benefits	3,635,133	3,223,631	411,502	12.77%
Administrative expenses	34,943	32,461	2,482	7.65%
Total deductions	3,670,076	3,256,092	413,984	12.71%
<b>Change in Net Assets</b>	(649,668)	(8,622,964)	7,973,296	92.47%
<b>Prior Year Net Assets</b>	73,041,188	81,664,152	(8,622,964)	-10.56%
<b>Current Year Net Assets</b>	<u>\$ 72,391,520</u>	<u>\$ 73,041,188</u>	<u>\$ (649,668)</u>	-0.89%

For the fiscal year ended June 30, 2003, NYSTRS reported net investment income of \$2.6 billion compared to a loss of \$5.6 billion in 2002. The most significant change was in appreciation on investments as follows:

**Table 3 Appreciation on Investments (dollars in thousands)**

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percent</u>
Short-term	—	—	—	—
Domestic fixed income	\$ 1,085,589	\$ 623,125	\$ 462,464	74.22%
Domestic equities	(459,979)	(7,552,934)	7,092,955	93.91%
International equities	(297,586)	(603,413)	305,827	50.68%
Mortgages	216,495	131,586	84,909	64.53%
Real estate investments	85,984	(155,346)	241,330	155.35%
Alternative investments	28,041	(46,684)	74,725	160.07%
<b>Totals</b>	<u>\$ 658,544</u>	<u>\$ (7,603,666)</u>	<u>\$ 8,262,210</u>	<b>108.66%</b>

# Financial

## Management's Discussion and Analysis (continued)

Other noteworthy changes include:

- ♦ Investment expenses represent fees paid to portfolio managers and other costs related directly to either acquiring or managing investments. Management fees are generally tied to the market values of the assets under management. Since market values were down for most of fiscal 2003, fees were also down.
- ♦ Employer contributions grew by \$168 million in fiscal 2003, largely as the result of retirement incentive costs which were billed in 2003.
- ♦ Member contributions grew by \$9.1 million in 2003. Most members are required to contribute 3% of their salary for their first 10 years of membership.
- ♦ In 2003 the System saw an increase in benefits paid of \$411.5 million or 12.8%. The number of retirees grew from 110,858 as of June 30, 2002 to 118,308 as of June 30, 2003. Based on the demographics of our membership, this rate of growth will continue over the next several years.

### ***Economic Factors***

As a defined benefit plan, NYSTRS funds its benefits via a combination of member and employer contributions and investment income. The greater our investment income and asset appreciation, the less we are required to collect in contributions. In order to help limit fluctuations in the contribution rate from one year to the next, NYSTRS' annual actuarial valuation employs a smoothing technique that essentially uses a five-year weighted average value for equity investments. The 1990s saw unprecedented gains in the equity markets that resulted in the virtual elimination of employer contributions for several years. Market reversals in more recent years have had an impact on both NYSTRS funded ratio (actuarial assets compared to actuarial liabilities) and the employer contribution rate. The funded ratio dropped from 125.0% as of the June 30, 2001 actuarial valuation to 99.6% as of June 30, 2002. At the same time, the employer contribution rate increased from 0.36% on 2002-03 salaries to 2.52% on 2003-04 salaries. This trend in the employer contribution rate is likely to continue for at least the next few years as recent losses are incorporated into the smoothing calculation.

The economic factors that impact NYSTRS have improved somewhat in recent months. The equity markets showed signs of recovery in the first half of the calendar year while interest sensitive investments in bonds and mortgages increased in value in response to lower interest rates. NYSTRS continues to maintain a long-term investment strategy consistent with the fact that obligations to members are of a long-term nature. We continue to believe that this approach is the best way to achieve our goal of providing benefits while keeping costs at an actuarially sound minimum.

### ***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](mailto:communit@nystrs.state.ny.us).

# Financial

## Statements of Plan Net Assets—June 30, 2003 and 2002 (dollars in thousands)

<b>Assets</b>	<b>2003</b>	<b>2002</b>
Investments at fair value (Note 4):		
Short-term	\$ 965,799	\$ 2,544,693
Domestic fixed income securities	14,224,897	16,243,332
Domestic equities	41,368,456	38,817,974
International equities	5,752,951	5,826,091
Mortgages	4,102,444	4,178,519
Real estate	3,586,041	3,493,798
Alternative investments	1,658,924	1,320,269
Total investments	<b>71,659,512</b>	<b>72,424,676</b>
Receivables:		
Employer	15,073	14,503
Employer, long-term	269,293	159,528
Member	127,188	112,691
Investment income	210,180	240,729
Investment sales	42,503	34,330
Total receivables	<b>664,237</b>	<b>561,781</b>
Other Assets:		
Securities lending collateral, invested (Note 4)	4,255,534	4,187,529
Member loans	153,461	148,789
Building and equipment, net of depreciation	26,879	15,371
Miscellaneous assets	37,698	55,483
Total assets	<b>76,797,321</b>	<b>77,393,629</b>
<b>Liabilities</b>		
Securities lending collateral, due to borrowers (Note 4)	4,255,534	4,187,529
Investment purchases payable	39,907	39,613
Mortgage escrows and deposits, net of investments	39,165	45,951
Other liabilities (Note 7)	71,195	79,348
Total liabilities	<b>4,405,801</b>	<b>4,352,441</b>
<b>Net assets held in trust for pension benefits</b>	<b>\$72,391,520</b>	<b>\$73,041,188</b>

See notes to financial statements.

# Financial

## Statements of Changes in Plan Net Assets—June 30, 2003 and 2002 (dollars in thousands)

<b>Additions:</b>	<b>2003</b>	<b>2002</b>
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 658,544	\$ (7,603,666)
Interest income	987,574	1,120,433
Dividend income	700,242	682,620
Real estate, net operating income	315,995	268,578
Securities lending, gross earnings	71,949	127,404
Other (net)	30,100	11,349
	<b>2,764,404</b>	<b>(5,393,282)</b>
Less: Investment expenses	62,961	73,804
Securities lending, rebates and fees	60,879	103,839
Net investment income (loss)	<b>2,640,564</b>	<b>(5,570,925)</b>
Contributions:		
Employer	41,580	38,231
Employer, long-term	178,501	13,630
Member	147,047	137,921
Transfers in/out (net)	12,716	14,271
Total contributions	<b>379,844</b>	<b>204,053</b>
Net additions	<b>3,020,408</b>	<b>(5,366,872)</b>
<b>Deductions:</b>		
Retirement allowance payments, periodic	3,539,456	3,143,981
Beneficiary payments	72,136	57,664
Return of contributions	23,541	21,986
Administrative expenses	34,943	32,461
Total deductions	<b>3,670,076</b>	<b>3,256,092</b>
<b>Net (decrease)</b>	<b>(649,668)</b>	<b>(8,622,964)</b>
<b>Net assets held in trust for pension benefits, beginning of year</b>	<b>73,041,188</b>	<b>81,664,152</b>
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$72,391,520</b>	<b>\$73,041,188</b>

See notes to financial statements.

# Financial

## Notes to Financial Statements—June 30, 2003 and 2002 (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>2003</u>	<u>2002</u>
Public School Districts	700	700
B.O.C.E.S.	38	38
S.U.N.Y.	31	31
Community Colleges	31	31
Charter Schools	15	13
Other	<u>9</u>	<u>10</u>
	<u>824</u>	<u>823</u>

As of June 30, the System membership consisted of:

	<u>2003</u>	<u>2002</u>
Retired members and beneficiaries currently receiving benefits	118,308	110,858
Active members	<u>247,247</u>	<u>242,834</u>
Total	<u>365,555</u>	<u>353,692</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 older 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, active members who had a prior membership in a NYS public retirement system may elect to be reinstated to their original date and tier of membership.

#### 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.

# Financial

## Notes to Financial Statements (dollars in thousands)

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. Tier 3 and 4 members cease making 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 \$18,000 of annual benefit. The applicable percentage payable beginning September 2003 is 1.6% compared to 1.0% paid beginning September 2002.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of \$17,500 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% to the estimated covered payroll for the fiscal years ended June 30, 2003 and 2002.

Member contributions receivable are computed by multiplying the statutorily required member contribution rate of 3% against the estimated salaries of those



# Financial

## Notes to Financial Statements (dollars in thousands)

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 15 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. The most recent incentive, Chapter 69, resulted in costs being recorded in 2003. 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.

### **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.

## **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.

### **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 \$50,000, payable upon the death of eligible members. Group term death benefits paid for the fiscal years ended June 30, 2003 and 2002 were \$8,502 and \$9,240, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

# Financial

## Notes to Financial Statements (dollars in thousands)

### 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 Contributions Fund. Effective October 2000, contributions were eliminated for members with 10 or more years of service or membership. Contributions to this fund were \$135,001 and \$123,716 in fiscal years ended June 30, 2003 and 2002, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

### 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 noninvestment 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	
	2003	2002
Administrative Fund	\$ 10,787	\$ 8,183
Annuity Savings Fund	60,681	71,086
Annuity Reserve Fund	241,455	250,788
Pension Accumulation Fund	39,050,419	41,782,037
Pension Reserve Fund	33,028,178	30,929,094
Total	<u>\$72,391,520</u>	<u>\$73,041,188</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, and, in this capacity, has arranged to have bank accounts collateralized. Collateral is held in the name of the Treasurer as custodian for the System, by a bank that does not act as an agent for the System. Although the System's bank accounts were fully collateralized during the year, at June 30, 2003 and 2002, the System's bank balance was (\$5,252) and (\$8,310) respectively, representing a managed overdraft.

### 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
	1	2	3	Value
				<u>6/30/2003</u>
Commercial paper	\$ 780,870	\$	\$	\$780,870
US Govt. & agency bonds:				
Not on securities loan	5,084,833			5,084,833
Corporate bonds:				
Not on securities loan	6,317,413			6,317,413
Domestic equities:				
Not on securities loan	40,225,550			40,225,550
On securities loan for				
non-cash collateral	<u>224</u>	<u>—</u>	<u>—</u>	<u>224</u>
Subtotal	<u>\$52,408,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$52,408,890</u>

# Financial

## Notes to Financial Statements (dollars in thousands)

Investments - not categorized (in thousands):	
Investments held by broker-dealers under securities loans for cash collateral:	
US Govt. & agency bonds	2,937,158
Corporate bonds	70,422
Domestic equities	1,142,682
International equities, commingled funds	5,752,951
Mortgages	4,102,444
Real estate	3,586,041
Alternative investments*	1,658,924
Subtotal	<u>\$71,659,512</u>
Securities lending collateral, short-term investment fund	4,255,534
Total	<u>\$75,915,046</u>

\*Alternative investments consist primarily of private equity investments with lesser amounts invested in real estate debt funds and timberland.

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.

### 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.

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, 2003 the average effective duration of the fund was 64 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. Although option contracts were written in both years, no option contracts were open as of June 30, 2003. As of June 30, 2002 the System held open option contracts of \$1,028.

## 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, 2003 are: real estate equity \$1,247,696, mortgage investments \$414,000, and private equity investments \$3,339,417.

# Financial

## Notes to Financial Statements (dollars in thousands)

### 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 \$71,195 and \$79,348 at June 30, 2003 and 2002, respectively, \$5,252 and \$8,310, 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 1.275% was applicable to the annual covered payroll for the fiscal year ended March 31, 2003. Average rates applicable to the fiscal years ended March 31, 2002 and 2001 were, respectively, 0.75% and 0.2%. The required contributions paid to NYSLRS during the System's fiscal years ended June 30, 2003, 2002 and 2001 were, respectively, \$229, \$124 and \$36 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 benefits if they reach normal retirement age while working for the System. Approximately 178 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, 2003 and 2002, the amounts recognized for post-retirement health care were \$1,090 and \$1,093, 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. Further, management of the System believes there will be no adverse effect on the financial statements as a result of the outcome of these matters.

# Financial

## Required Supplementary Information

### Actuarial Methods and Assumptions Year Ended June 30, 2003 (unaudited)

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, 2002 and 2001 actuarial valuation are as follows:

<b>Economic</b>		<b>Demographic</b>	
Valuation rate of interest*	8.0%	Mortality rates	<i>(Based upon</i>
Salary scale*	Varies by age and gender	Withdrawal rates	<i>recent member</i>
		Retirement rates	<i>experience)</i>
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.		

\*Includes an assumed annual inflation rate of 3.0%

### Employer Contributions (dollars in thousands)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
1998	\$209,192	100%
1999	230,926	100
2000	211,499	100
2001	152,718	100
2002	51,861	100
2003	220,081	100

# Financial

## Administrative Expenses—Schedule 1 Years Ended June 30, 2003 and 2002

	<b>2003</b>	<b>2002</b>
<b>Salaries and benefits:</b>		
Salaries	\$19,164,964	\$18,511,922
Civil service	93,206	61,295
Employees' retirement	229,039	123,757
Health and dental insurance	3,940,129	3,364,823
Overtime salaries	276,370	125,605
Social Security	1,385,458	1,318,566
	<b>25,089,166</b>	<b>23,505,968</b>
<b>Building occupancy expenses:</b>		
Building, grounds and equipment	757,740	769,791
Depreciation - building and improvement	379,835	375,698
Depreciation - equipment	119,464	112,762
Office supplies and services	264,169	191,554
Utilities and municipal assessments	1,135,386	1,036,830
	<b>2,656,594</b>	<b>2,486,635</b>
<b>Computer expenses:</b>		
Amortization/depreciation - computer mainframe	180,904	44,534
Amortization/depreciation - computer micro	866,511	841,513
Computer hardware and software	2,280,311	1,901,147
Computer maintenance and supplies	315,248	305,184
	<b>3,642,974</b>	<b>3,092,378</b>
<b>Investment expenses:</b>		
Advisory committee expenses	71,232	53,960
Investment information services	644,467	584,389
Legal costs - investments and real estate	—	25,144
Service costs - real estate	64,075	57,071
	<b>779,774</b>	<b>720,564</b>
<b>Personnel and meeting expenses:</b>		
Board - meetings, travel and education	73,131	76,855
Delegates' meeting	32,377	32,594
Preretirement seminars	138,669	149,315
Professional development	649,036	585,506
Travel and automobile expense	99,629	106,307
Other personnel expenses	108,223	68,924
	<b>1,101,065</b>	<b>1,019,501</b>
<b>Professional and governmental:</b>		
Auditors - financial	72,280	64,868
Auditors - insurance department	492	44,000
Disability medical examinations	73,341	65,660
Postage and cartage	824,558	702,179
Printing	23,384	27,520
Professional fees and services	143,373	176,390
Publications	418,292	421,826
Statutory custodian charges	117,307	133,662
	<b>1,673,027</b>	<b>1,636,105</b>
<b>Total</b>	<b>\$34,942,600</b>	<b>\$32,461,151</b>

See accompanying independent auditors' report.

# Financial

## Investment Activity—Schedule 2 Year Ended June 30, 2003 (unaudited) (dollars in thousands)

	Fair Value 2002	Acquisitions	Appreciation (Depreciation)	Sales, Redemptions, Maturities & Paydowns	Fair Value 2003	Percent of Fair Value
Short-term	\$ 2,544,693	\$22,202,129	\$ ----	\$23,781,023	\$ 965,799	1.35%
Domestic fixed income	16,243,332	455,862	1,085,589	3,559,886	14,224,897	19.85
Domestic equities	38,817,974	7,020,252	(459,979)	4,009,791	41,368,456	57.73
International equities	5,826,091	2,714,786	(297,586)	2,490,340	5,752,951	8.03
Mortgages	4,178,519	163,146	216,495	455,716	4,102,444	5.72
Real estate separate accounts, commingled	1,167,724	279,791	12,305	395,664	1,064,156	1.49
Real estate	2,326,074	730,176	73,679	608,044	2,521,885	3.51
Alternative investments	1,320,269	620,260	28,041	309,646	1,658,924	2.32
Totals	\$72,424,676	\$34,186,402	\$ 658,544	\$35,610,110	\$71,659,512	100.00%

## Investment Expenses—Schedule 3 Year Ended June 30, 2003 (dollars in thousands)

Investment Category	Assets Serviced or Under Management	Expenses
Domestic equities	\$ 1,758,460	\$ 9,349
International equities	5,752,951	18,291
Commercial mortgage backed securities	459,034	1,001
Mortgages	1,986,484	783
Real estate	3,586,041	21,434
REITS	658,305	2,481
Alternative investments	1,658,924	8,451
General investments	—	1,171
Totals	\$15,860,199	\$62,961

See accompanying independent auditors' report.

# Investments

“You have brains in your head.  
You have feet in your shoes.  
You can steer yourself  
Any direction you choose....





# Investments

## Chief Investment Officer's Overview

### Overall Objective and Performance

The objective of our investment program is to fund retirement benefits for eligible members and beneficiaries, now and in the future. We accomplish this by maximizing total returns while keeping risks at acceptable levels through diversification and prudent investment disciplines. The program operates to achieve total returns which match or surpass those of each index for our separate asset classes. The combined long-term return is expected to meet our actuarial assumption of 8%.

Improvement in economic activity shapes our ability to carry out this task. After a long recession, there are signals we are beginning a sustainable recovery. For the first time in a half century, productivity growth has accelerated during a recession. This improvement in efficiency has enabled companies to repair their balance sheets, resulting in liquidity levels as strong as they have been in 20 years. Free cash flow has also reached a record high. These gains have been accompanied by positive actions from government and its agencies to enforce corporate oversight. Restoring trust for stock and bondholders is the most fundamental step in restoring healthy financial markets.

Our long-term performance for every asset class has exceeded the benchmark index. The total fund has also performed better than the long and short-term blended index for each period. On an absolute basis, domestic fixed income, mortgages and real estate gave the highest returns for this year. On a long-term basis, domestic equities, real estate and mortgages have all generated returns in excess of 9%. Once again these returns have validated the benefit of careful diversification between and within asset classes.

### Domestic Equities

For more than two years from mid-2000 until the latter part of 2002, the domestic stock market declined in price. It was one of the market's largest recorded declines. From January-to-June 2003 the market rallied, but only returned to levels seen at the end of our last fiscal year. The stock market continues to remain substantially below the historical high levels reached in 2000. Nevertheless, there are indications the bottom has been reached and the stock market may continue to have an upward bias toward more normal returns.

The NYSTRS domestic equity portfolio was down only slightly (-0.2%) in 2003. Our asset allocation to domestic equities stabilized near the 55% target and we continue to assume that annual growth from domestic equities will return to a more long-term historical level of 9%. The internally managed passive portfolios represent 96% of the total domestic equity portfolio. External managers actively manage the remaining 4% of our exposure to equities.

Beginning this fiscal year we adopted the S & P 1500 Index as our benchmark for our largest portfolio, changing from the Russell 3000 Index. The Standard & Poor's group has committed significant resources in order to create a superior database, which now gives us the best universe of companies with which to measure the U.S. stock market. We continue to add to the equity assets being managed internally. This reduces turnover and many other costs, permitting us to deliver consistent performance. Another portion of our portfolio continues to follow the Russell 1000 Value Index.

# Investments

## Chief Investment Officer's Overview (continued)

### International Equities

The Retirement System's international equity assets are externally managed in commingled funds. We transferred \$1 billion from our passive managers to fund five active managers with \$200 million each. The Board chose these managers because of their investment talent, investment methodology and records of positive performance. These five new active managers were added in an effort to increase our exposure to active management and the potential to increase returns from this asset class. The System has 13 international equity managers, all of which are measured against the unhedged MSCI EAFE Total Return Index. The managers use one of the following three styles: active, passive or enhanced passive.

Ten external managers actively manage country, currency and security selection. Their goal is to exceed the return of the benchmark. For the year ended June 30, 2003, the active managers returned -6.3%, slightly outperforming the benchmark return of -6.4%.

The System has one manager who is passive with respect to the country, currency and security components and invests in the EAFE index. This manager's goal is to achieve minimal tracking error against the benchmark. The two enhanced passive managers attempt to return 50 to 100 basis points above the MSCI EAFE Index, with a very risk-controlled portfolio structure.

The return of the entire international equity portfolio was -6.1% for the year. Aggregated together our other active, enhanced and passive managers beat the benchmark, the EAFE Index, for fiscal 2003 by 30 basis points.

### Domestic Fixed Income

The portfolio purchases only high-quality securities with the emphasis on Government guaranteed bonds and mortgages, in addition to investment grade corporate bonds. Like most financial assets, fixed income returns have two components: income and capital appreciation/depreciation. The System's domestic fixed income portfolio provides cash flow from interest income, which is necessary to pay retirement benefits. Over the past year, the System's portfolio also experienced significant appreciation as interest rates fell significantly.

During the past fiscal year, the U.S. economy appeared fragile and showed no signs of sustainable growth. Consumer confidence declined and the equity markets were down for most of the year. Much of this was in large part due to the uncertainty created by the Iraqi conflict. The unemployment rate rose to 6.4% from 5.8% and overall growth of the economy as measured by GDP was mired in the 2% range, well below the range desired by the Federal Reserve Board. Inflation remained under control with so little upside movement that some financial analysts expressed concern about deflation, which is an uncontrollable collapse in prices. In response, the Fed once again moved to lower interest rates with two additional cuts in an effort to stimulate the economy. This helped to start a record-setting decline in yields, with US Treasury rates declining to a 45-year low of 3.1%. This unprecedented decline helped the System's domestic fixed income portfolio produce a total return of 11.7% for the year.

### Short-term (Cash Equivalents)

The short-term fixed income portfolio consists of high-quality securities that are readily convertible into cash in order to satisfy the monthly payment of pension benefits, facilitate investment into other asset

# Investments

## Chief Investment Officer's Overview (continued)

classes and meet the operating obligations of the Retirement System. The majority of these fixed income securities mature in 12 months or less. If, at the time of purchase, a security has a final maturity greater than 13 months, the security's interest rate must re-set a minimum of every 90 days. As of June 30, 2003, the portfolio's duration was 24 days. During the 2003 fiscal year, the Federal Reserve cut the Fed Funds rate twice, reducing short-term rates to their lowest level since 1958. For the 12 months ended June 30, 2003, the short-term portfolio returned 1.5% versus the benchmark, the iMoneyNet Money Fund Report Averages/All Taxable return of 1.0%.

### Real Estate

The System's real estate portfolio is comprised of equity investments of approximately \$5.0 billion and mortgage debt investments of approximately \$4.6 billion. Fiscal 2003 proved to be another challenging period for making new investments in real estate. New fundings were roughly equal to 2002, as the System was able to invest more than \$498 million in new equity investments and more than \$224 million in new mortgage investments during the fiscal year. In addition, at fiscal year end the System had over \$1.2 billion in equity commitments and \$424 million in debt commitments outstanding.

Although market fundamentals continued to decline, 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 8.1% and 13.0% respectively. The equity portfolio represents 6.9% and the mortgage portfolio 6.6% of the System's net plan assets. New York State investments make up approximately 18.4% of the mortgage portfolio. There were no mortgage foreclosures during fiscal 2003.

Continuing the System's philosophy of actively managing its real estate investments, the System sold ten investments during the fiscal year. All of the sales were at or above appraised value. Opportunistic sales of additional properties will continue.

### Alternative Investments

The investments are generally structured as limited partnerships in which NYSTRS, as a limited partner, commits a fixed amount that the General Partner will invest over several years. The partnership structure may cover periods of 10 years or more and are intended to achieve higher long-term returns than available through marketable securities. Performance of these private partnerships are generally negative in the first few years because, while fees and expenses are collected annually, profits do not generally materialize until the partnership's investments are either sold or value is otherwise realized—a process that typically takes several years. The negative returns in the first few years of this investment phase are also known as the J-Curve effect.

Approximately 63% of the System's alternative investments consist of private equity and the remaining 37% are Real Estate alternative investments, such as timberland. As of June 30, 2003 the total market value of these investments was \$1.6 billion. For asset allocation purposes, \$614 million of alternative investments based on real estate and timberland investments is categorized as real estate equity. The market value of non-real estate alternative investments was \$1.0 billion. The non-real estate private equity investments returned 0.5% and 5.0% for the 1 and 5-year periods ended June 30, 2003. The 5-year returns exceed NYSTRS' expectations of the S&P 500 total return plus 5%. The one-year return is below

# Investments

## Chief Investment Officer's Overview (continued)

the benchmark due to the fact that the program was restarted three years ago. Because this program is relatively young (68% of the funds having been committed in the past three years), it is experiencing the J-Curve effect.

We continue to increase our investments in this asset class and currently have additional commitments of \$2.9 billion that will be funded over the next several years. Approximately \$2.6 billion of these additional commitments fall under the heading of private equity investments, while \$306 million is targeted for real estate related 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 a group of borrowers, such as banks and broker-dealers. When the loan is originated, the Retirement 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 fixed income instruments in compliance with established investment guidelines. The System keeps a portion of the 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 right to vote securities.

The securities lending program earned approximately \$11.1 million in income during the fiscal year ended June 30, 2003, a 53% decrease from the \$23.6 million in income in the previous fiscal year. The impact of a flat, and at times inverted, yield curve caused by the market's anticipation of Fed action squeezed the margins on collateral reinvestment opportunities. As of June 30, 2003, the aggregate securities lending portfolio was 102.5% collateralized, with approximately 5.8% of the total Retirement System investment portfolio on loan.

#### **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 \$483,000 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, 2003, the System generated approximately \$3.9 million in premiums.

# Investments

## Diversification of Investments—June 30, 2003 and 2002 (dollars in thousands)

Investment Type	2003		2002		Increase (Decrease)
		Percent		Percent	
Short-term:					
U.S. Treasury and agency	\$ 184,929		\$ 409,385		\$ (224,456)
Corporate	780,870		2,135,308		(1,354,438)
	<u>965,799</u>	1.35	<u>2,544,693</u>	3.51	<u>(1,578,894)</u>
Domestic fixed income securities:					
United States Treasury	6,125,400		5,706,038		419,362
Federal agency, notes and debentures	782,899		1,027,962		(245,063)
Federal agency, mortgage backed	928,763		2,752,332		(1,823,569)
Commercial mortgage backed	445,034		420,309		24,725
Corporate	5,687,100		6,078,034		(390,934)
Canadian	255,701		258,657		(2,956)
	<u>14,224,897</u>	19.85	<u>16,243,332</u>	22.43	<u>(2,018,435)</u>
Domestic equities:					
Basic materials	5,399,031		5,116,504		282,527
Capital goods	4,972,039		4,780,161		191,878
Consumer cyclicals	4,520,022		4,140,418		379,604
Consumer staples	3,248,215		3,420,271		(172,056)
Energy	2,490,027		2,336,375		153,652
Financial	10,056,301		9,698,586		357,715
Technology	5,529,825		4,701,698		828,127
Transportation	1,136,889		943,216		193,673
Utilities	4,016,107		3,680,745		335,362
	<u>41,368,456</u>	57.73	<u>38,817,974</u>	53.60	<u>2,550,482</u>
International equities, commingled	5,752,951	8.03	5,826,091	8.05	(73,140)
Mortgages:					
Conventional	3,809,952		3,727,403		82,549
Federal Housing Administration	292,492		451,116		(158,624)
	<u>4,102,444</u>	5.72	<u>4,178,519</u>	5.77	<u>(76,075)</u>
Real estate:					
Direct equity real estate investments	2,521,885		1,167,724		1,354,161
Commingled real estate investments	1,064,156		2,326,074		(1,261,918)
	<u>3,586,041</u>	5.00	<u>3,493,798</u>	4.82	<u>92,243</u>
Alternative investments:					
Private equity	1,045,297		718,541		326,756
Real estate equity funds	267,750		219,015		48,735
Real estate debt funds	146,955		198,371		(51,416)
Timberland	198,922		184,342		14,580
	<u>1,658,924</u>	2.32	<u>1,320,269</u>	1.82	<u>338,655</u>
Total Investments	<u>\$71,659,512</u>	100.00	<u>\$72,424,676</u>	100.00	<u>\$ (765,164)</u>

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

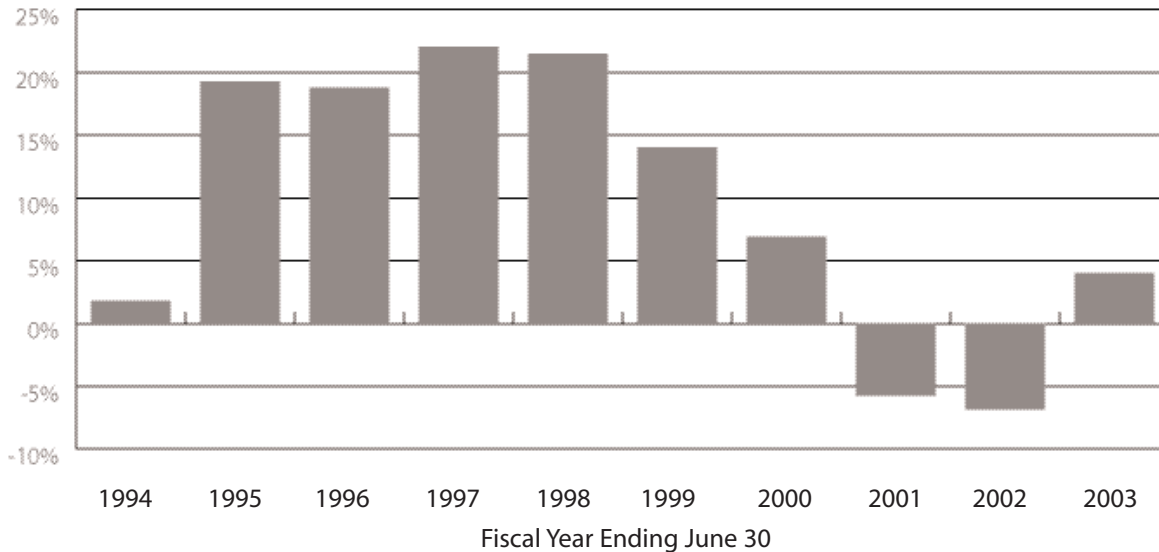
# Investments

## Asset Allocation—June 30, 2003

The most significant contributor to a fund's long-term investment performance is the allocation decision among the various asset classes including equities, fixed income and real estate. The allocation process helps control risk and sets the guidelines to diversify the System's portfolio. The asset allocation policy adopted by the Board allows ranges around an optimal target allocation. The Retirement Board, with the assistance of an external consultant, reviews the asset allocation policy on an annual basis to analyze recent and historical investment experience. Since this is a long-term plan, adjustments to the allocation are usually made on an annual basis as considered necessary. At its July 25, 2002 meeting, the Retirement Board revised the targets by increasing our allocations to real estate and mortgages by 2% each and reducing the allocation to international equities and domestic fixed income by similar amounts. The revised targets and ranges by asset class are detailed below:

	<b>Target</b>	<b>Range</b>	<b>Actual</b>
<b>Domestic Equity</b>	55%	45-65%	56.5%
<b>International Equity</b>	8%	4-12%	8.0%
<b>Real Estate</b>	8%	5-11%	6.9%
<b>Alternatives</b>	<u>3%</u>	1- 5%	<u>1.5%</u>
<b>Total Equities</b>	74%		72.9%
<b>Domestic Fixed Income</b>	18%	15-25%	19.2%
<b>Mortgages</b>	8%	5-11%	6.6%
<b>Cash Equivalent</b>	<u>0%</u>	0- 5%	<u>1.3%</u>
<b>Total Fixed Income</b>	26%		27.1%

## Annual Performance History



# Investments

## Investment Performance Results—June 30, 2003

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 time-weighted performance (at market and net of fees) and associated benchmark returns are shown in the following table.

	<b><u>Annualized Rates of Return</u></b>			
	<b><u>1-YR</u></b>	<b><u>3-YR</u></b>	<b><u>5-YR</u></b>	<b><u>10-YR</u></b>
<b><i>Domestic Equities</i></b>				
NYSTRS Index Fund	-0.1%	-10.3%	-1.0%	10.0%
NYSTRS Value Tilt	-1.5	-9.1	-	-
Benchmark: S&P 1500*	0.0	-10.7	-1.3	9.6
NYSTRS Value Index Fund	-0.2	0.8	1.7	-
Benchmark: Russell 1000 Value	-1.0	-0.2	1.1	-
Total Active Large Cap Management	-2.0	-14.4	-6.7	6.2
Benchmark: S&P 500	0.3	-11.2	-1.6	10.0
Total Active Small Cap Management	0.8	-6.8	-0.5	8.2
Benchmark: Russell 2000*	-1.6	-3.3	1.0	7.8
Total	-0.2	-8.9	-1.0	9.8
<b><i>International Equities</i></b>				
Total Active Management	-6.3	-14.0	-4.2	3.9
Total Passive/Enhanced Management	-5.7	-13.0	-3.6	3.1
Total	-6.1	-13.3	-3.9	3.7
Benchmark: MSCI EAFE	-6.4	-13.5	-4.0	2.8
<b><i>Real Estate</i></b>				
	8.1	9.7	9.8	9.9
Benchmark: Blended NCREIF/Wilshire*	7.0	9.3	9.2	8.9
<b><i>Alternative Investments</i></b>				
	0.5	-7.8	5.0	14.8
Benchmark: S&P 500 plus 5%	5.3	-6.2	3.4	15.0
<b><i>Domestic Fixed Income</i></b>				
	11.7	10.5	7.8	7.6
Benchmark: Lehman Bros. Aggregate*	10.4	10.1	7.5	7.3
<b><i>Mortgages</i></b>				
	13.0	11.6	8.5	9.0
<b><i>Short Term</i></b>				
	1.5	3.4	4.2	4.7
Benchmark: iMoneyNet™ Fund Avgs/All Taxable	1.0	2.8	3.7	4.2
<b>Total Fund</b>	<b>4.0%</b>	<b>-2.9%</b>	<b>2.2%</b>	<b>9.1%</b>

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



# Investments

## Manager Investment Performance Results—June 30, 2003

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.

	<b>Assets Managed (\$ millions)</b>	<b>Rates of Return <sup>1</sup> from Inception</b>		<b>Inception Date</b>
		<b>Fund</b>	<b>Benchmark</b>	
<b>Domestic Equities</b>				
Large Cap Value Management				
Iridian	536.3	2.7%	-5.0%	Apr-99
Large Cap Growth Management				
Montag & Caldwell	372.5	-6.1	-5.0	Apr-99
Small Cap Management				
Progress Investment Management	544.9	8.8	5.3	Oct-96
Small Cap Growth Management				
Peregrine Capital Management	366.7	13.6	10.3	Jan-89
<b>International Equities</b>				
Passive/Enhanced Management				
Alliance Capital Management	379.2	1.8	1.3	Mar-94
Barclays Global Investors	677.9	-3.8	-6.8	Mar-02
Merrill Lynch Asset Management	635.2	-6.8	-6.8	Mar-02
Active Management				
Arnhold & S. Bleichroeder	242.4	20.5	16.6	Oct-02
Artisan Partners	219.6	9.8	16.6	Oct-02
Baillie Gifford	354.4	-12.1	-11.6	Nov-00
Bank of Ireland	515.2	-6.1	-6.8	May-99
Capital Guardian	815.6	-2.2	-6.8	May-99
Causeway Capital	252.2	25.5	16.6	Oct-02
Harris Associates	252.3	26.2	16.6	Oct-02
Mercator	229.8	14.3	16.6	Oct-02
Morgan Stanley Investment Management	804.9	4.2	1.3	Jul-94
Putnam	372.8	-10.8	-11.6	Nov-00
<b>Mortgages</b>				
BlackRock	234.1	12.6	12.6	Apr-01
ING Clarion	231.7	12.8	12.6	Apr-01
<b>Real Estate</b>				
Private Securities				
Angelo, Gordon & Co: AG Realty	21.0	15.1	7.2	Dec-01
CBRE Investors Strategic Partners	50.8	9.5	7.4	Mar-02
CIGNA Realty Investors - AASA	2.0	-1.4	4.0	Dec-02
Cornerstone Apartment Fund	32.4	13.0	7.2	Nov-00
Essex VFGP	17.1	15.8	7.2	Oct-01
Hines Interests				
1997 US Office Development Fund	42.8	9.4	7.0	Jan-01
1999 US Office Development Fund	17.5	72.0	5.7	Jul-02

<sup>1</sup> Returns for periods over 1 year are annualized.

# Investments

## Manager Investment Performance Results—June 30, 2003 (continued)

	<b>Assets Managed (\$ millions)</b>	<b>Rates of Return <sup>1</sup> from Inception</b>		<b>Inception Date</b>
		<b>Fund</b>	<b>Benchmark</b>	
<b>Real Estate (continued)</b>				
Private Securities (continued)				
Landmark Realty Advisors	13.9	11.3	7.4	Mar-02
Lend Lease Real Estate Investment, Inc.				
Select Properties	1.0	3.9	6.6	Dec-89
Lend Lease/Schroder	0.4	6.8	10.0	Jul-93
Prudential Real Estate Investors				
PRISA	273.5	6.8	6.9	Sep-85
PRISA II	120.5	8.8	6.5	Sep-89
Strategic Value Investors, LLC	26.7	8.6	11.3	Sep-97
Rockwood Capital Partners	48.1	21.2	7.8	Sep-00
SSR Realty Advisors: Tower Fund	75.3	10.0	10.4	Dec-97
Starwood Capital Group	61.3	18.1	11.5	Jan-97
UBS Realty Investors	309.9	7.8	6.9	Sep-85
Westbrook Partners	49.3	3.3	6.6	Jun-01
Direct Investments				
Cabot Advisors, Inc. <sup>2</sup>	228.3	9.4	10.5	Nov-94
ING Clarion Partners	493.9	7.3	6.5	Jun-90
Invesco Realty Advisors	34.4	9.1	9.3	Dec-98
J. P. Morgan Fleming Asset Management	1,383.2	10.4	6.8	Oct-90
Kennedy Assoc. Real Estate Counsel, Inc.	98.3	9.5	10.6	Apr-95
Lend Lease Real Estate Investments	66.6	13.8	10.7	Aug-95
Sentinel Real Estate Corporation	240.0	9.9	11.0	Mar-96
Public Securities				
Cohen & Steers Capital Management, Inc.				
Separate Account	247.9	12.1	11.5	Jun-95
Income REIT Separate Account	93.1	8.9 <sup>3</sup>	7.8	Jul-98
Lend Lease Rosen RE Securities, LLC	169.1	11.1	8.8	Aug-98
RREEF America, LLC	169.2	11.2	8.8	Aug-98
Timber: Private Securities				
Xylem Investments, Inc.	7.8	-17.4	-	Mar-98
Timber: Direct Investments				
Forest Investment Associates	188.3	-0.6	-	Dec-98
Global: Private Securities				
Hines Interests	0.0	-38.1	-	Oct-99
Lend Lease Real Estate Investments	49.8	3.9	-	May-99
Lone Star Management Company				
Lone Star II	14.7	14.9	-	Apr-99
Lone Star III	108.8	27.0	-	Oct-00
Lone Star IV	48.0	4.3	-	Dec-01
The Peabody Group	34.8	5.4	-	Jul-99

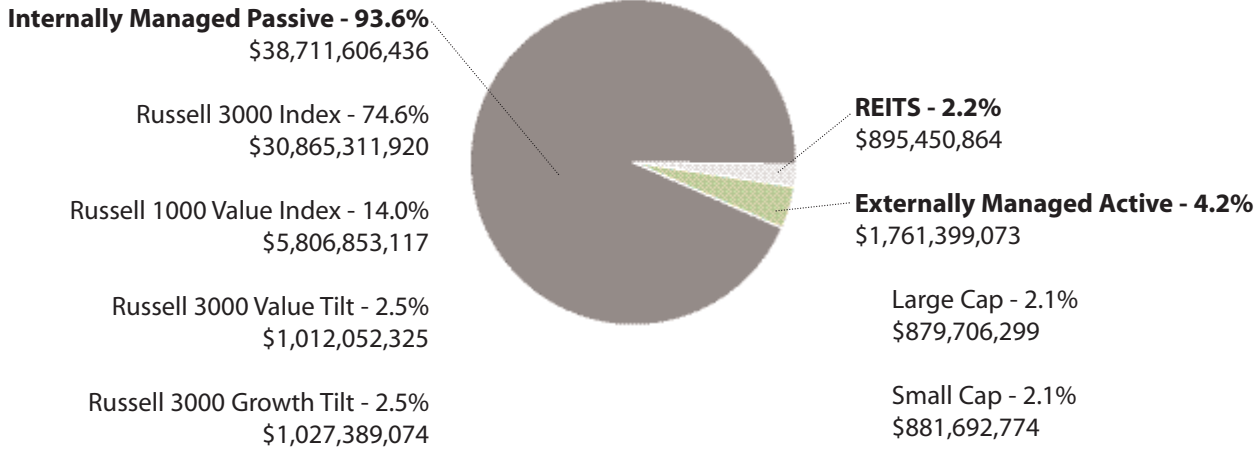
<sup>1</sup> Returns for periods over 1 year are annualized.

<sup>2</sup> Portfolio was transferred to Invesco Realty Advisors on April 1, 2003.

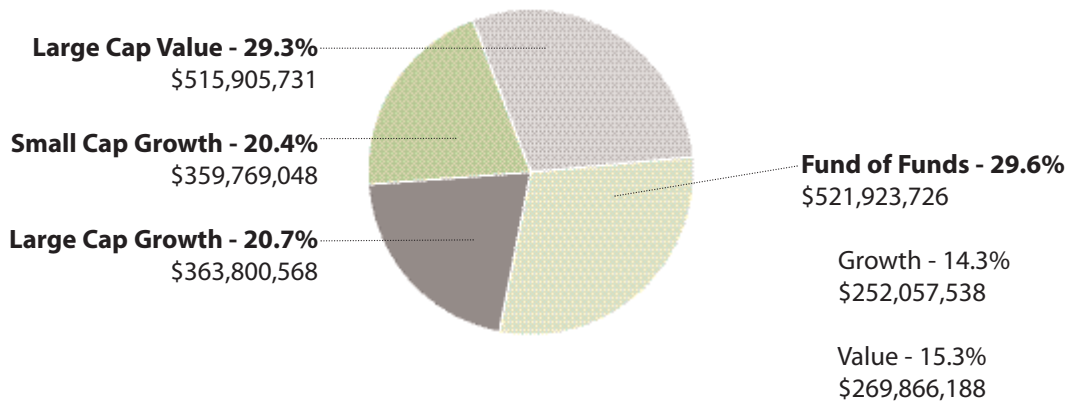
<sup>3</sup> Reflects income return only. Total return is 9.8%.

# Investments

## Domestic Equity Distribution—June 30, 2003 \$41,368,456,373

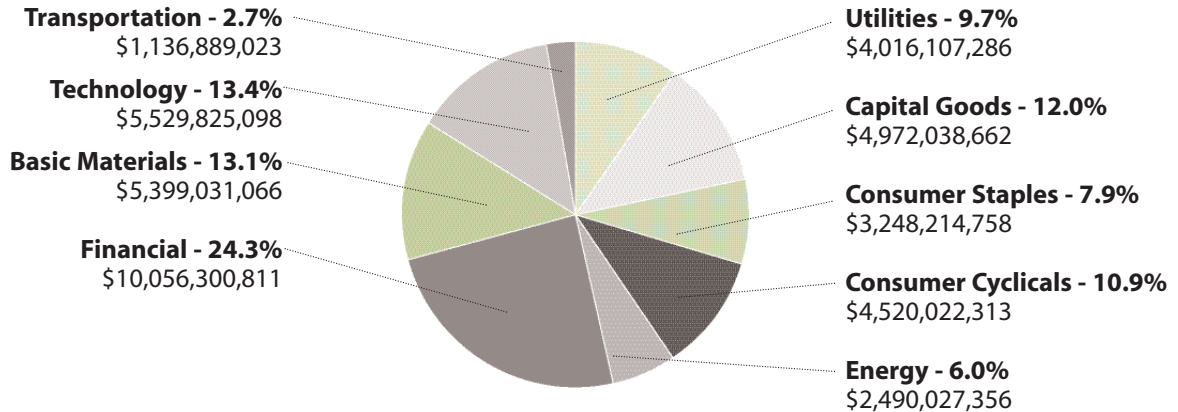


## Domestic Equity Externally Managed Style Distribution—June 30, 2003 \$1,761,399,073



# Investments

## Domestic Equity Holdings by Industry Distribution—June 30, 2003 \$41,368,456,373



## Ten Largest Domestic Equity Holdings—June 30, 2003

Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon Mobil	\$ 331,237,970	\$1,073,809,835	2.6%
2	Citigroup	218,739,267	947,642,504	2.3
3	Microsoft	562,695,139	907,840,608	2.2
4	Pfizer	250,644,197	892,048,747	2.2
5	General Electric	166,667,165	888,371,604	2.1
6	Wal-Mart	319,629,116	735,053,586	1.8
7	Bank of America	179,220,565	564,961,050	1.4
8	IBM	209,619,229	548,619,390	1.3
9	American Int'l Group	289,843,866	548,240,007	1.3
10	Merck	163,662,397	525,834,365	1.3
<b>Total</b>		<b>\$2,691,958,911</b>	<b>\$7,632,421,696</b>	<b>18.5%</b>

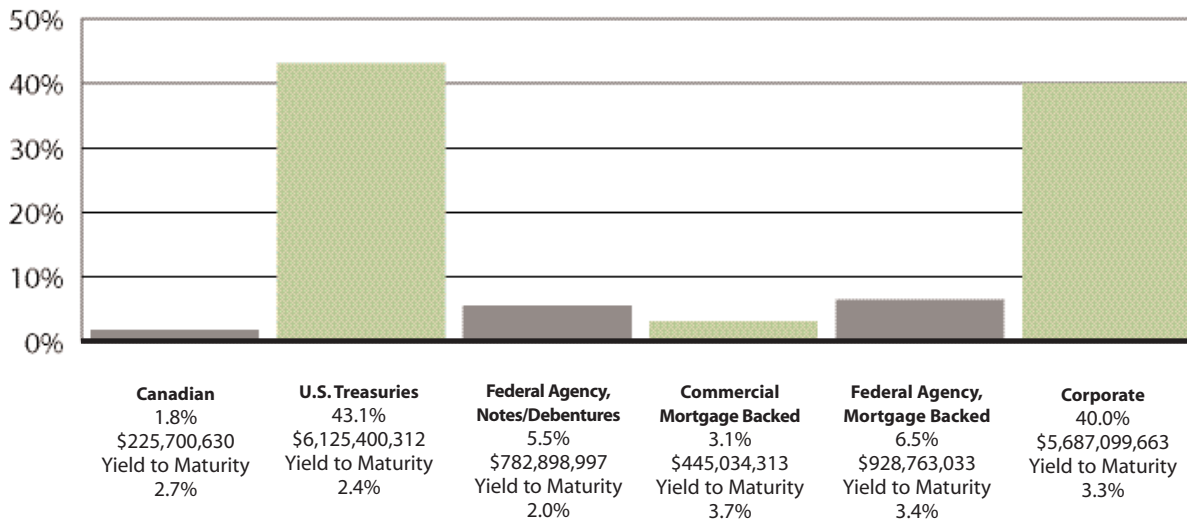
A complete list of the System's holdings is available on our Web site or through the Public Information Office.

# Investments

## Domestic Fixed Income Sector Distribution—June 30, 2003

**\$14,224,896,948**

Yield to Maturity—2.8%



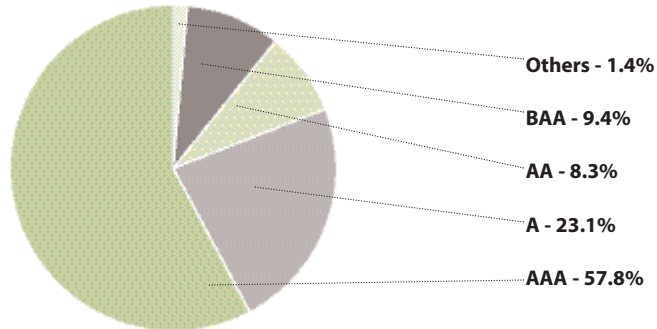
## Ten Largest Domestic Fixed Income Holdings—June 30, 2003

Rank	Issue	Market Value	Percent of Fixed Income
1	U.S. Treasury Strips (Principal) Due 8/15/08	\$ 954,943,000	6.7%
2	U.S. Treasury Strips (Principal) Due 11/15/09	572,516,000	4.0
3	U.S. Treasury Strips (Principal) Due 5/15/06	415,074,500	2.9
4	U.S. Treasury Strips (Coupon) Due 11/15/10	395,090,000	2.8
5	U.S. Treasury Strips (Principal) Due 11/15/06	372,398,400	2.6
6	U.S. Treasury Strips (Principal) Due 11/15/07	286,062,557	2.0
7	U.S. Treasury Strips (Coupon) Due 5/15/11	267,792,000	1.9
8	U.S. Treasury Strips (Coupon) Due 11/15/05	241,805,000	1.7
9	U.S. Treasury Strips (Coupon) Due 2/15/08	220,649,856	1.6
10	U.S. Treasury Strips (Coupon) Due 11/15/03	214,118,400	1.5
<b>Total</b>		<b>\$3,940,449,713</b>	<b>27.7%</b>

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

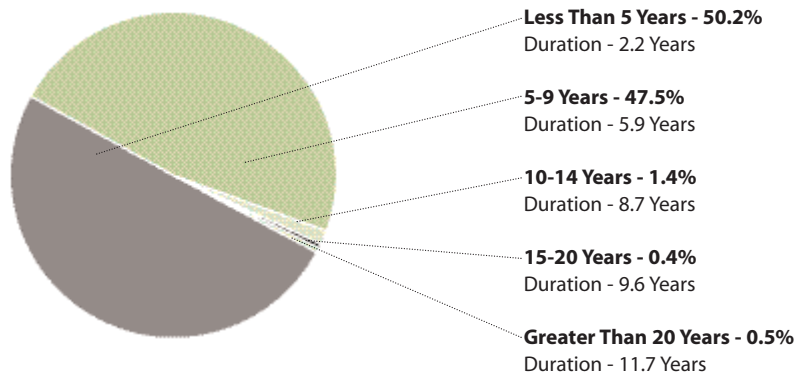
# Investments

## Domestic Fixed Income Quality Distribution—June 30, 2003



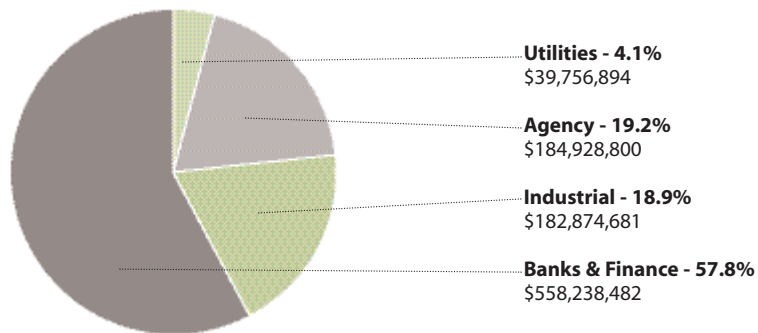
## Domestic Fixed Income Average Maturity—June 30, 2003

**Duration 4.1 Years**



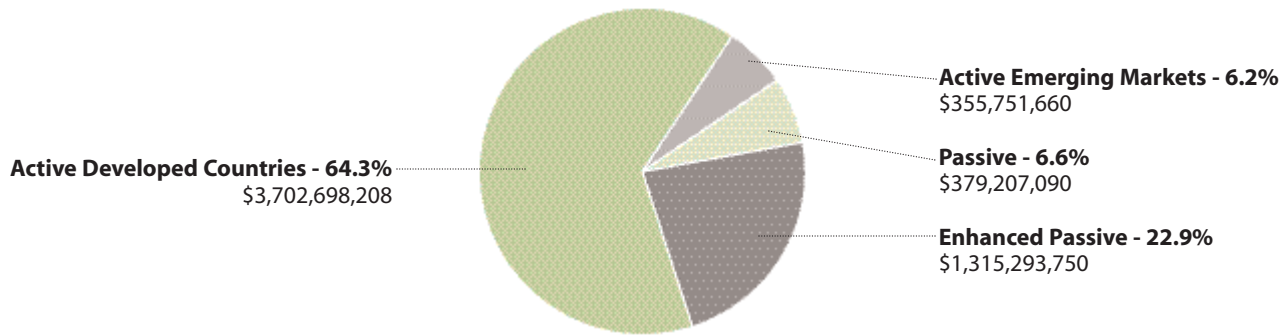
## Short-term Sector Distribution—June 30, 2003

**\$965,798,857**



# Investments

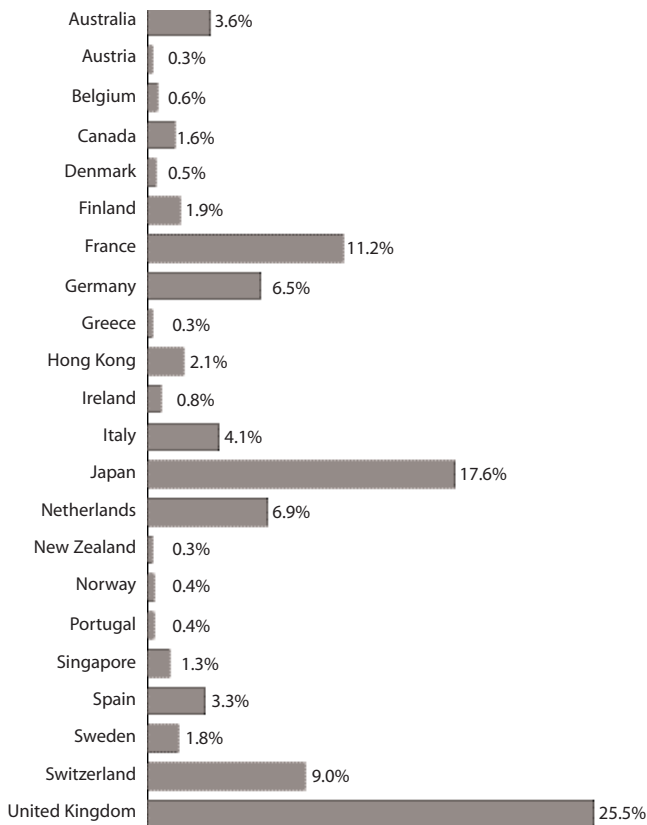
## International Equity Style Distribution—June 30, 2003 \$5,752,950,708



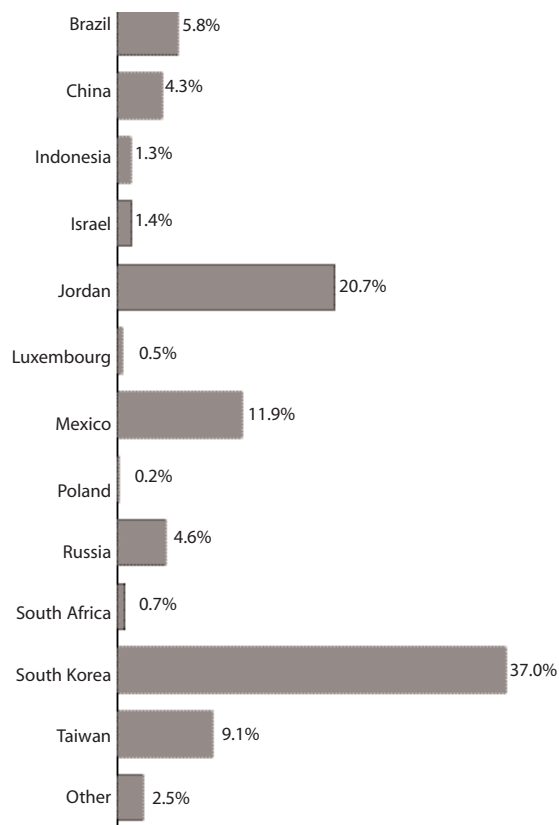
A complete list of the System's holdings is available on our Web site or through the Public Information Office.

## International Equity Exposure—June 30, 2003

### Developed Countries \$5,397,199,048

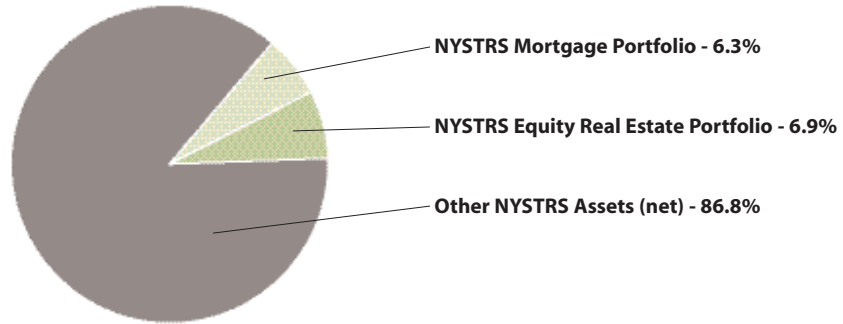


### Emerging Markets \$355,751,660

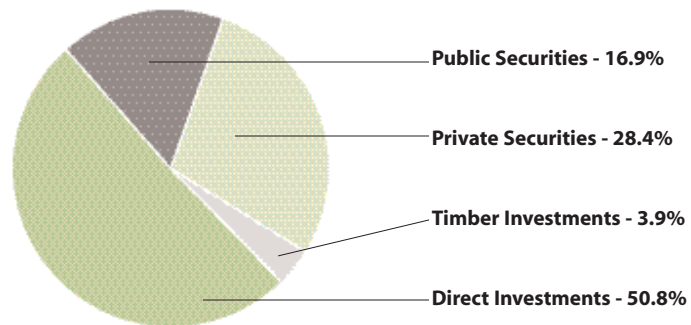


# Investments

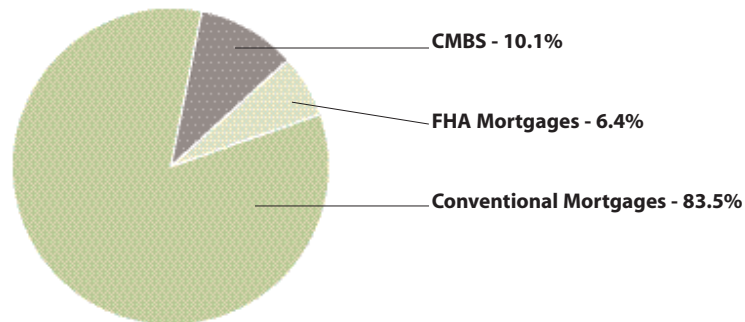
## Real Estate as a Percentage of NYSTRS Total Net Assets — June 30, 2003



## Breakdown of Real Estate Equity Portfolio — June 30, 2003



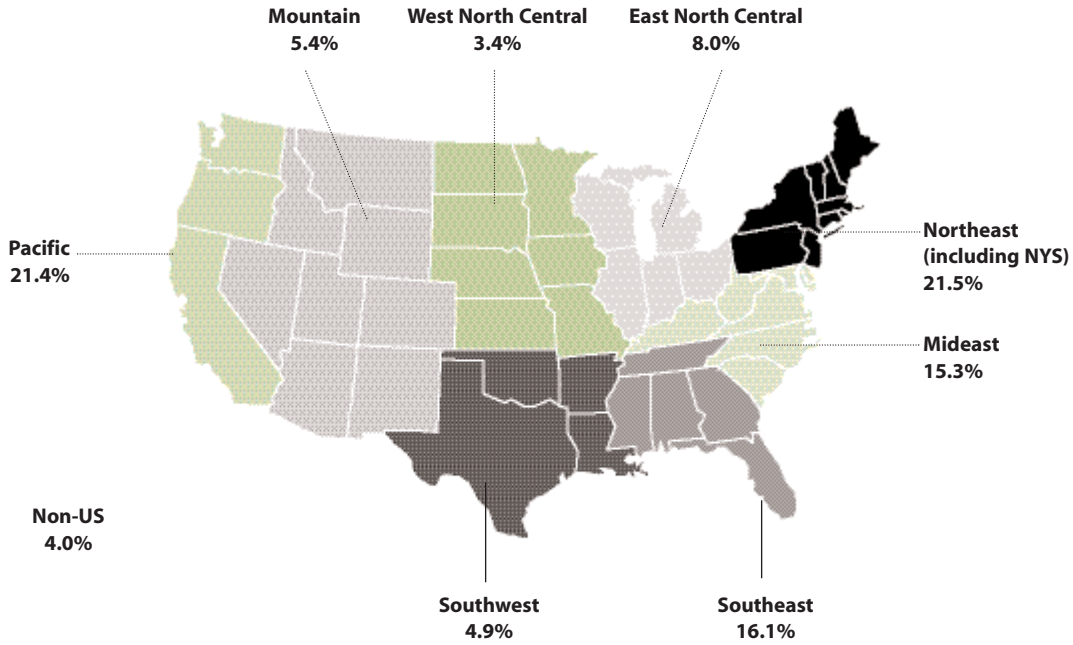
## Breakdown of Mortgage Portfolio — June 30, 2003



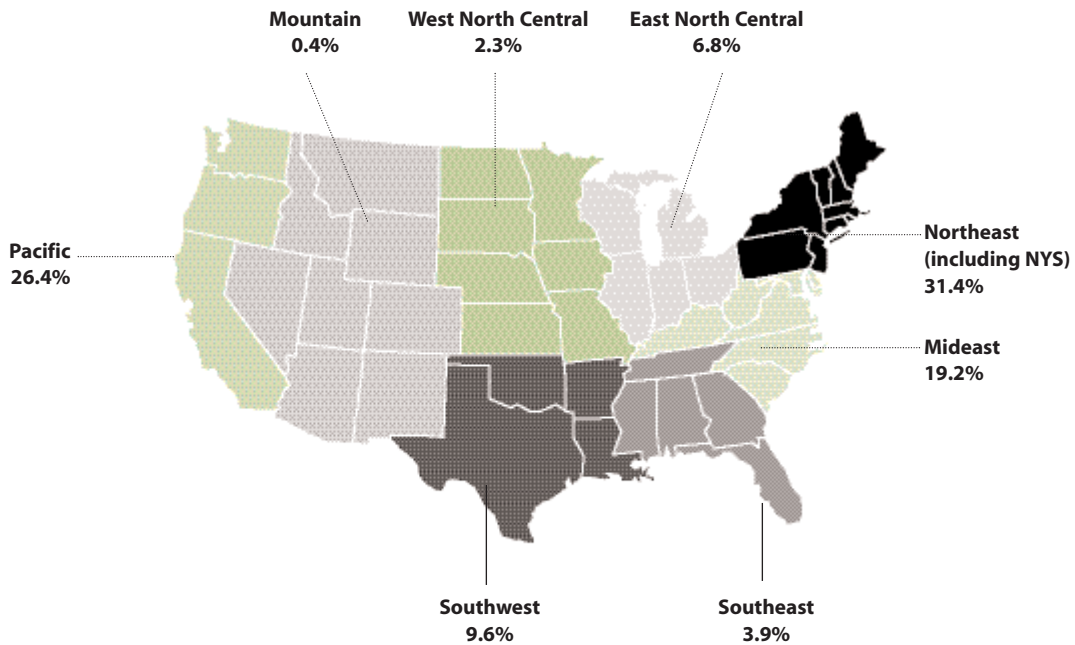


# Investments

## Geographic Distribution of the Real Estate Equity Portfolio — June 30, 2003



## Geographic Distribution of the Mortgage Portfolio — June 30, 2003



# 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 2002-2003. Over 3,700 proposals were voted, representing more than 1,300 different companies in the System's equity portfolio. Many of the proxies focused on auditors/CPA, Board 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 (3,257)

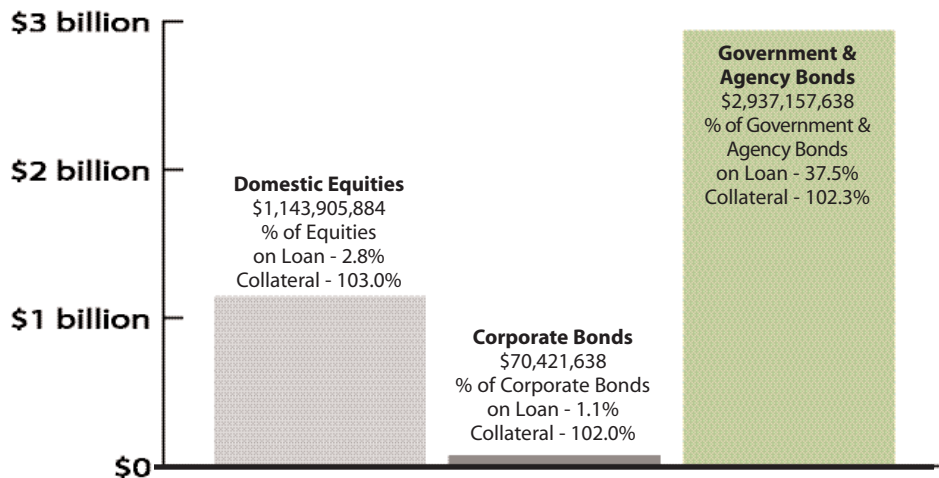
<b>Yes</b>	<b>92.8%</b>
<b>No</b>	<b>7.2%</b>

### Shareholder Proposals (529)

<b>Yes</b>	<b>50.7%</b>
<b>No</b>	<b>49.3%</b>

## Securities Lending Program—June 30, 2003

Value on Loan - \$4,151,485,160



# Investments

## 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)  
*(terminated 7/02)*

Iridian Asset Management LLC (Value)

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. *(terminated 8/02)*

Arnhold & S. Bleichroeder Advisors, Inc.

Artisan Partners Limited Partnership

Baillie Gifford Funds

Bank of Ireland Asset Management

Capital Guardian Trust Co.

Causeway Capital Management, LLC

Harris Associates L.P.

Lazard Asset Management *(terminated 8/02)*

Mercator Asset Management, L.P.

Morgan Stanley Investment Management

Putnam Fiduciary Trust Co.

Passive/Enhanced

Alliance Capital Management L.P.

Deutsche Asset Management *(terminated 11/02)*

Merrill Lynch Asset Management

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

## Real Estate Advisory Committee

### **GLEN COVERDALE, Chairman**

*Senior Executive Vice President (Retired)*  
Metropolitan Life Insurance Company  
New York, New York

### **PAUL J. DOLINOY**

*President (Retired)*  
Lend Lease Real Estate Investments (U.S.)  
Atlanta, Georgia

### **BLAKE EAGLE**

*Chief Executive Officer*  
National Council of Real Estate Investment Fiduciaries  
Chicago, Illinois

### **MAUREEN A. EHRENBERG**

*National President of Management Services*  
Grubb & Ellis Management Services, Inc.  
Northbrook, Illinois

### **THOMAS P. MAHONEY**

*Managing Director (Retired)*  
CIGNA Investments  
Hartford, Connecticut

### **BRIAN K. REED**

*Senior Vice President*  
Dallas City Home  
Dallas, Texas

### **DAVID SIMON**

*Chief Executive Officer*  
Simon Property Group  
Indianapolis, Indiana

# Investments

## Real Estate Advisors

### **EQUITY:**

ING Clarion Partners  
Forest Investment Associates  
Invesco Realty Advisors  
Jones Lang LaSalle  
J. P. Morgan Fleming Asset Management  
Kennedy Associates Real Estate Counsel, Inc.  
Lend Lease Real Estate Investment, Inc.  
Sentinel Real Estate Corporation

### **DEBT:**

ARCap Diversified Risk Fund, LLC  
Blackrock Financial Management, Inc.  
Capital Trust, Inc.  
Carbon Capital, Inc.  
Clarion Capital, LLC  
CT Mezzaine Partners III Inc.  
Legg Mason Real Estate Capital, Inc.  
Prima Capital Advisors, LLC

### **COMMINGLED:**

Angelo, Gordon & Co.  
CB Richard Ellis Investors, LLC  
Cabot Properties, Inc.  
CIGNA Realty Investors  
Cornerstone Real Estate Advisers  
Essex Property Trust, Inc.  
Hines Interests  
Landmark Partners, Inc.  
Lend Lease Real Estate Investments, Inc.  
Lone Star Management Company  
The Peabody Group  
Prudential Real Estate Investors  
Rockwood Capital Corporation  
SSR Realty Advisors  
Starwood Capital Group LLC  
UBS Asset Management  
Westbrook Partners LLC  
Xylem Investments, Inc.

### **REITS:**

Cohen & Steers Capital Management, Inc.  
Lend Lease Rosen Real Estate Securities, LLC  
RREEF America, LLC

## Investment Consultants

Abel/Noser Corporation  
New York, New York

Callan Associates  
San Francisco, California

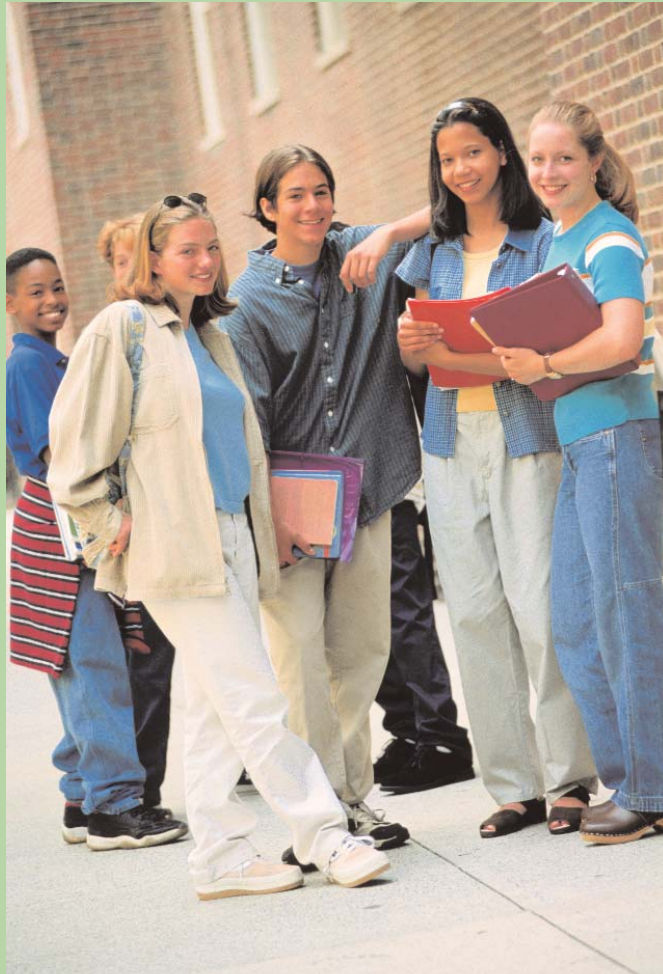
Elkins/McSherry Co., Inc.  
New York, New York (*contract expired 2/03*)

INVESCO Private Capital  
Denver, Colorado

Russell Real Estate Advisors, Inc.  
San Diego, California

# Actuarial

“And will you succeed?  
Yes! You will indeed!  
(98 and  $\frac{3}{4}$  percent guaranteed)....



# Actuarial

## Actuarial Certification Letter



### **New York State Teachers' Retirement System**

10 Corporate Woods Drive  
Albany, New York 12211-2395  
(800) 356-2138 or 447-2666 (Albany-area calls)  
Web site: [www.nystrs.org](http://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

August 22, 2003

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, 2002. 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 2002 Legislative Session that had a significant impact upon plan funding. The continued decline in the capital markets further decreased the market value of assets for the fiscal year ending June 30, 2002. A further reduction in the market value of assets has occurred for the fiscal year ending June 30, 2003. These significant reductions in the market value of assets for three consecutive years have eroded the accumulated investment gains of the prior years.

Additionally, the Retirement System's liabilities continue to grow each year as existing members are closer to retirement, and new members join. The June 30, 2002 actuarial valuation produced a required employer contribution rate of 2.52% of payroll. As a result of all the factors above, the employer contribution rate will continue to increase over the next several years.

The plan's funded ratio as of June 30, 2002 was 99.6%. Various exhibits in this section provide further information on the actuarial assets, liabilities, 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,

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

cc: G. Philip



# Actuarial

## Summary of Actuarial Methods and Assumptions - June 30, 2002

### 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 parentheses)

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)

<u>Age</u>	<u>Female</u>	<u>Male</u>
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)

<u>Age</u>	<u>Female</u>	<u>Male</u>
30	3	4
40	3	5
50	8	13
60	13	18

<u>Age</u>	<u>Female</u>	<u>Male</u>
35	260	76
40	159	84
45	105	83
50	129	69

Retired Members and Beneficiaries (10/00)

<u>Age</u>	<u>Female</u>	<u>Male</u>
20	3	5
40	10	11
60	55	66
80	359	539

Service Retirement: (10/00)

<u>Age</u>	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	
	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
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)

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

Disability Retirement: (10/00)

<u>Age</u>	<u>Female</u>	<u>Male</u>
35	0.01%	0.01%
40	0.03	0.03
45	0.06	0.07
50	0.13	0.18

# Actuarial

## The Actuary's Valuation Balance Sheet—June 30, 2002 (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, 2002.

### Assets

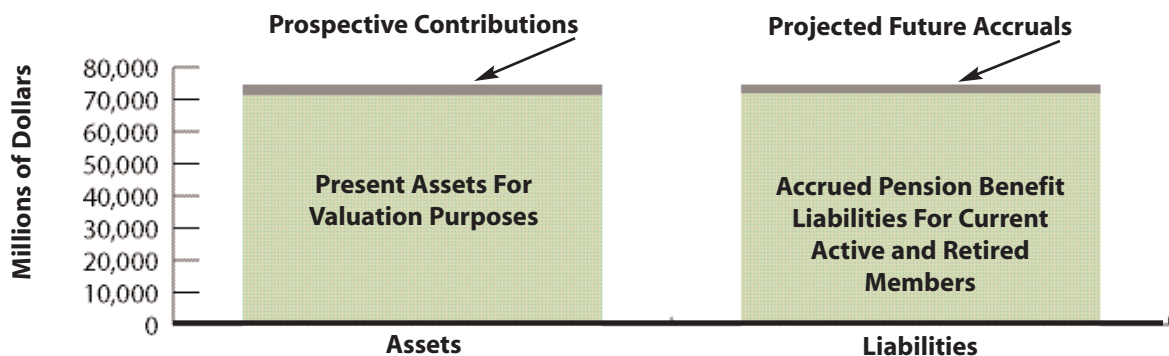
Present Assets of System for Valuation Purposes*	\$71,374,382
Present Value of Prospective Contributions to Pension Accumulation Fund:	
from Employer Contributions	2,469,270
from Member Contributions	566,875
Total Assets	\$74,410,527

### Liabilities

Present Value of Future Benefits to:	
Retired Members and Beneficiaries	\$30,054,250
Active Members	44,275,121
Member Contributions Accumulated to Date	
in the Annuity Savings Fund	70,893
Benefits Due and Unpaid	10,263
Total Liabilities	\$74,410,527

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

## Comparison of Assets and Liabilities—June 30, 2002



# Actuarial

## 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.

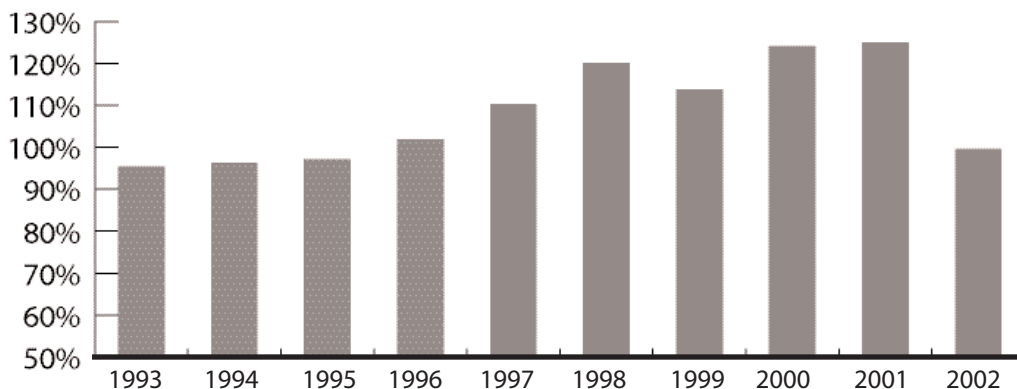
NYSTRS' funding method has allowed the accumulation of assets sufficient for the funding of its liabilities in a systematic and reasonable manner.

### 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
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
2002	71,374.4	71,693.4	99.6

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



# Actuarial

## History of Member Payroll and the Employer Contribution Rate

<b>Fiscal Year Ending June 30</b>	<b>Active Members</b>	<b>Annual Member Payroll (in millions)</b>	<b>Percent Increase In Annual Member Payroll</b>	<b>Average Full-Time Member Salary</b>	<b>Employer Contribution Rate (percent of payroll)</b>
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	11,171.5	5.6	57,308	0.36
2003	247,247	11,498.3*	2.9*	not available	0.36

\*Estimated

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

<b>Fiscal Year</b>	<b>Number of Retired Members and Beneficiaries</b>		<b>Annual Benefit of Retired Members and Beneficiaries</b>		<b>Total Number of Retired Members and Beneficiaries</b>	<b>Total Annual Benefit</b>	<b>Percentage Increase in Total Annual Benefit</b>	<b>Average Annual Benefit</b>
	<b>Added During the Year</b>	<b>Removed During the Year</b>	<b>Added During the Year</b>	<b>Removed During the Year</b>				
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
2003	10,547	3,097	479,080,366	66,520,014	118,308	3,671,520,558	12.66	31,034

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

# Actuarial

## Independent Actuarial Review

Deloitte & Touche LLP  
Suite 250  
Key Bank Tower  
50 Fountain Plaza  
Buffalo, New York 14202

Tel: (716) 843-7200  
Fax: (716) 856-7760  
www.us.deloitte.com

# Deloitte & Touche

August 8, 2003

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 Deloitte & Touche, 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, 2001 and the resultant employer contribution rate of 0.36% applied to the payroll for the fiscal year ended June 30, 2003.
- A review of the methodology used to estimate the payroll as of June 30, 2003, and the employer and employee contributions receivable as of June 30, 2003.
- A review of the Retirement System's Experience Studies as of June 30, 2001 and 2002, 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, 2003, with the requirements of Statement No. 25 of the Government Accounting Standards Board.

In my opinion, the methods, procedures and actuarial assumptions used by the Retirement System have been developed with the appropriate oversight and judgement 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 my understanding of 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,  
Deloitte & Touche LLP



John T. Stokesbury  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries  
Fellow, Conference of Consulting Actuaries  
Enrolled Actuary

Deloitte  
Touche  
Tohmatsu

# Statistical

“Congratulations!  
Today is your day.  
You’re off to Great Places!  
You’re off and away!”

- **Dr. Seuss**



# Statistical

## Active Members

	Men	Women	Total
July 1, 2002	62,780	180,054	<b>242,834</b>
Changes During Year:			
Added .....	4,758	13,538	<b>18,296</b>
Withdrawn .....	894	2,658	<b>3,552</b>
Retired .....	3,729	6,444	<b>10,173</b>
Died .....	61	97	<b>158</b>
Total Membership July 1, 2003 .....	62,854	184,393	<b>247,247</b>

## Members Retired for:

	Service			Vesting			Disability			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2002 .....	38,515	59,670	98,185	2,749	3,719	6,468	580	1,311	1,891	<b>41,844</b>	<b>64,700</b>	<b>106,544</b>
Changes During Year:												
Retired .....	3,475	5,941	9,416	216	383	599	38	120	158*	<b>3,729</b>	<b>6,444</b>	<b>10,173</b>
Died .....	900	1,660	2,560	38	47	85	45	85	130	<b>983</b>	<b>1,792</b>	<b>2,775</b>
Lump Sum .....	26	53	79	2	6	8	0	0	0	<b>28</b>	<b>59</b>	<b>87</b>
Restored to Active Membership .....	0	0	0	0	0	0	0	4	4	<b>0</b>	<b>4</b>	<b>4</b>
July 1, 2003 .....	41,064	63,898	104,962	2,925	4,049	6,974	573	1,342	1,915**	<b>44,562</b>	<b>69,289</b>	<b>113,851</b>

## Beneficiaries of Deceased:

	Service Annuitants			Disability Annuitants			Active Members			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2002 .....	715	2,931	3,646	71	171	242	72	354	426	<b>858</b>	<b>3,456</b>	<b>4,314</b>
Changes During Year:												
Added .....	91	268	359	4	11	15	0	0	0	<b>95</b>	<b>279</b>	<b>374</b>
Died .....	69	141	210	1	5	6	3	12	15	<b>73</b>	<b>158</b>	<b>231</b>
July 1, 2003 .....	737	3,058	3,795	74	177	251	69	342	411	<b>880</b>	<b>3,577</b>	<b>4,457</b>

## Summary

	Men	Women	Total
Active Members .....	62,854	184,393	<b>247,247</b>
Retired Members .....	44,562	69,289	<b>113,851</b>
Beneficiaries .....	880	3,577	<b>4,457</b>
Total .....	108,296	257,259	<b>365,555</b>

\*Includes 9 males and 9 females retired for disability who receive a service benefit.

\*\*Includes 50 males and 67 females retired for disability who receive a service benefit.



# Statistical

## Members and Annuitants 1922-2003

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	2003	247,247	118,308

## Number of Active Members by Tier

As of June 30	Tier 1	Tier 2	Tier 3	Tier 4	Total
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
2003	28,327	14,463	19,083	185,374	247,247

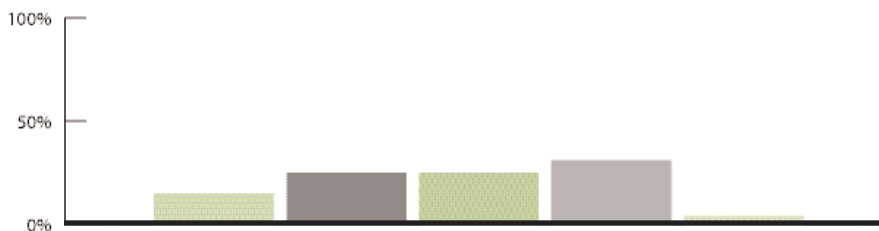
# Statistical

## Distribution of Active Members by Age and Years of Service\*—June 30, 2002

AGE		YEARS				
		<u>0-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>
20-24	<b>Number of Members</b>	<b>7,654</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>Average Salary</i>	\$33,589	\$0	\$0	\$0	\$0
25-29	<b>Number of Members</b>	<b>28,055</b>	<b>1,622</b>	<b>1</b>	<b>0</b>	<b>0</b>
	<i>Average Salary</i>	\$40,746	\$48,542	\$29,732	\$0	\$0
30-34	<b>Number of Members</b>	<b>20,668</b>	<b>12,461</b>	<b>907</b>	<b>1</b>	<b>0</b>
	<i>Average Salary</i>	\$43,559	\$50,930	\$53,137	\$62,265	\$0
35-39	<b>Number of Members</b>	<b>11,367</b>	<b>7,676</b>	<b>7,680</b>	<b>1,135</b>	<b>0</b>
	<i>Average Salary</i>	\$41,361	\$52,340	\$58,203	\$60,358	\$0
40-44	<b>Number of Members</b>	<b>10,601</b>	<b>4,821</b>	<b>5,573</b>	<b>6,143</b>	<b>738</b>
	<i>Average Salary</i>	\$38,608	\$48,929	\$58,966	\$64,608	\$67,809
45-49	<b>Number of Members</b>	<b>9,633</b>	<b>5,057</b>	<b>5,122</b>	<b>5,081</b>	<b>6,201</b>
	<i>Average Salary</i>	\$39,174	\$48,033	\$57,356	\$66,185	\$70,722
50-54	<b>Number of Members</b>	<b>6,441</b>	<b>4,576</b>	<b>6,742</b>	<b>5,502</b>	<b>6,057</b>
	<i>Average Salary</i>	\$40,955	\$47,555	\$56,954	\$64,960	\$72,112
55-59	<b>Number of Members</b>	<b>3,045</b>	<b>1,746</b>	<b>2,964</b>	<b>3,416</b>	<b>3,335</b>
	<i>Average Salary</i>	\$42,628	\$46,727	\$55,746	\$63,399	\$71,441
60-64	<b>Number of Members</b>	<b>1,140</b>	<b>490</b>	<b>720</b>	<b>1,020</b>	<b>1,146</b>
	<i>Average Salary</i>	\$43,197	\$46,239	\$53,425	\$64,046	\$70,239
65-69	<b>Number of Members</b>	<b>329</b>	<b>132</b>	<b>148</b>	<b>183</b>	<b>179</b>
	<i>Average Salary</i>	\$36,303	\$45,014	\$50,106	\$64,638	\$66,299
70+	<b>Number of Members</b>	<b>190</b>	<b>44</b>	<b>42</b>	<b>53</b>	<b>57</b>
	<i>Average Salary</i>	\$29,175	\$34,103	\$42,988	\$58,332	\$66,652
<b>Total</b>	<b>Number of Members</b>	<b>99,123</b>	<b>38,625</b>	<b>29,899</b>	<b>22,534</b>	<b>17,713</b>
	<i>Average Salary</i>	\$40,595	\$49,852	\$57,401	\$64,605	\$71,106

\*Average salary data is for the 184,195 members who earned a full year of service.

## Distribution of Active Members by Age—June 30, 2002



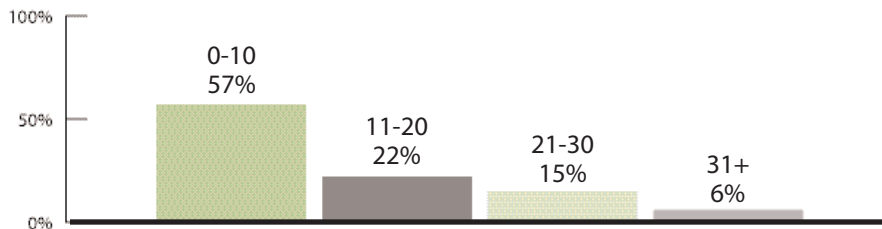
## Averages—June 30, 2002

	<u>Age</u>	<u>Years of Service</u>
Female	42	11
Male	43	13

# Statistical

<u>OF</u>		<u>SERVICE</u>				<u>Total</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>	
0	0	0	0	0	0	<b>7,654</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$33,589
0	0	0	0	0	0	<b>29,678</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$41,301
0	0	0	0	0	0	<b>34,037</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$47,171
0	0	0	0	0	0	<b>27,858</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$51,405
0	0	0	0	0	0	<b>27,876</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$53,575
<b>1,303</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,405</b>
\$73,967	\$92,067	\$0	\$0	\$0	\$0	\$57,899
<b>12,911</b>	<b>4,316</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,556</b>
\$77,420	\$82,047	\$109,649	\$0	\$0	\$0	\$67,783
<b>4,130</b>	<b>8,324</b>	<b>703</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>27,664</b>
\$79,597	\$84,708	\$88,644	\$95,313	\$0	\$0	\$73,011
<b>970</b>	<b>764</b>	<b>813</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>7,119</b>
\$76,791	\$84,524	\$88,929	\$89,442	\$0	\$0	\$70,711
<b>168</b>	<b>119</b>	<b>95</b>	<b>84</b>	<b>11</b>	<b>0</b>	<b>1,448</b>
\$76,589	\$82,919	\$91,393	\$94,504	\$89,453	\$0	\$70,261
<b>43</b>	<b>26</b>	<b>30</b>	<b>21</b>	<b>24</b>	<b>9</b>	<b>539</b>
\$72,631	\$85,461	\$89,922	\$90,488	\$88,853	\$84,927	\$68,255
<b>19,525</b>	<b>13,557</b>	<b>1,652</b>	<b>162</b>	<b>35</b>	<b>9</b>	<b>242,834</b>
\$77,596	\$83,840	\$89,103	\$92,260	\$89,042	\$84,927	\$57,308

Distribution of Active Members by Service—June 30, 2002



# Statistical

## 2002-2003 Members Retired for:

	<b>Service 9,434</b>	<b>Disability 140</b>	<b>Vesting 599</b>
Number Retired			
Age at Retirement:			
Average .....	57 yrs., 5 mos.	51 yrs., 11 mos.	55 yrs., 4 mos.
Median .....	55 yrs., 10 mos.	52 yrs., 4 mos.	55 yrs., 0 mos.
Years of Service:			
Average .....	31 yrs., 1 mo.	19 yrs., 2 mos.	13 yrs., 4 mos.
Median .....	34 yrs., 0 mos.	18 yrs., 2 mos.	12 yrs., 2 mos.
*Benefit:			
Average .....	\$47,365.30	\$22,906.94	\$ 6,046.59
Median .....	\$49,665.84	\$21,390.00	\$ 3,379.08
Final Average Salary:			
Average .....	\$73,196.83	\$59,838.12	\$26,803.72
Median .....	\$73,146.67	\$59,522.32	\$23,134.81
**Benefit as % of FAS:			
Average .....	61.15%	36.55%	19.11%
Median .....	68.00%	33.33%	14.94%

## 2002-2003 Members Retired for Service with:

	<b>Less Than 20 Yrs. N.Y. 1,065</b>	<b>Between 20 Yrs. N.Y. and 35 Yrs. Total 4,299</b>	<b>35 Yrs. Total or More 4,070</b>
Number Retired			
Age at Retirement:			
Average .....	59 yrs., 5 mos.	57 yrs., 5 mos.	56 yrs., 11 mos.
Median .....	58 yrs., 0 mos.	55 yrs., 8 mos.	55 yrs., 9 mos.
Years of Service:			
Average .....	12 yrs., 6 mos.	30 yrs., 0 mos.	37 yrs., 1 mo.
Median .....	12 yrs., 8 mos.	31 yrs., 4 mos.	36 yrs., 5 mos.
*Benefit:			
Average .....	\$ 7,733.38	\$44,327.94	\$60,944.09
Median .....	\$ 5,556.36	\$44,425.08	\$58,334.28
Final Average Salary:			
Average .....	\$37,174.27	\$73,434.65	\$82,371.67
Median .....	\$34,149.30	\$72,291.67	\$78,469.06
**Benefit as % of FAS:			
Average .....	18.73%	59.49%	73.99%
Median .....	17.99%	62.44%	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.

# Statistical

## All Retirees—June 30, 2003 Retired for:

	<b>Service 105,079</b>	<b>Disability 1,798</b>	<b>Vesting 6,974</b>
Number Retired			
Age at Retirement:			
Average .....	58 yrs., 6 mos.	48 yrs., 8 mos.	55 yrs., 8 mos.
Median .....	57 yrs., 5 mos.	49 yrs., 6 mos.	55 yrs., 0 mos.
Years of Service:			
Average .....	28 yrs., 5 mos.	19 yrs., 2 mos.	14 yrs., 6 mos.
Median .....	30 yrs., 2 mos.	18 yrs., 8 mos.	14 yrs., 0 mos.
*Benefit:			
Average .....	\$30,991.04	\$14,915.12	\$ 5,663.42
Median .....	\$29,059.08	\$12,905.40	\$ 3,600.84
Final Average Salary:			
Average .....	\$51,784.46	\$39,398.93	\$21,689.45
Median .....	\$51,730.49	\$37,717.69	\$19,280.00
**Benefit as % of FAS:			
Average .....	55.79%	36.57%	23.53%
Median .....	60.00%	33.96%	19.91%

## All Retirees—June 30, 2003 Retired for Service with:

	<b>Less Than 20 Yrs. N.Y. 14,976</b>	<b>Between 20 Yrs. N.Y. and 35 Yrs. Total 67,479</b>	<b>35 Yrs. Total or More 22,624</b>
Number Retired			
Age at Retirement:			
Average .....	59 yrs., 7 mos.	58 yrs., 1 mo.	59 yrs., 1 mo.
Median .....	58 yrs., 8 mos.	56 yrs., 8 mos.	58 yrs., 7 mos.
Years of Service:			
Average .....	15 yrs., 0 mos.	28 yrs., 6 mos.	37 yrs., 3 mos.
Median .....	15 yrs., 3 mos.	29 yrs., 5 mos.	36 yrs., 7 mos.
*Benefit:			
Average .....	\$ 7,071.31	\$30,316.82	\$48,835.69
Median .....	\$ 5,744.76	\$28,797.60	\$49,498.44
Final Average Salary:			
Average .....	\$28,566.17	\$52,120.98	\$66,150.15
Median .....	\$23,611.27	\$51,899.32	\$67,144.20
**Benefit as % of FAS:			
Average .....	24.14%	56.82%	73.68%
Median .....	23.51%	58.37%	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.

# Statistical

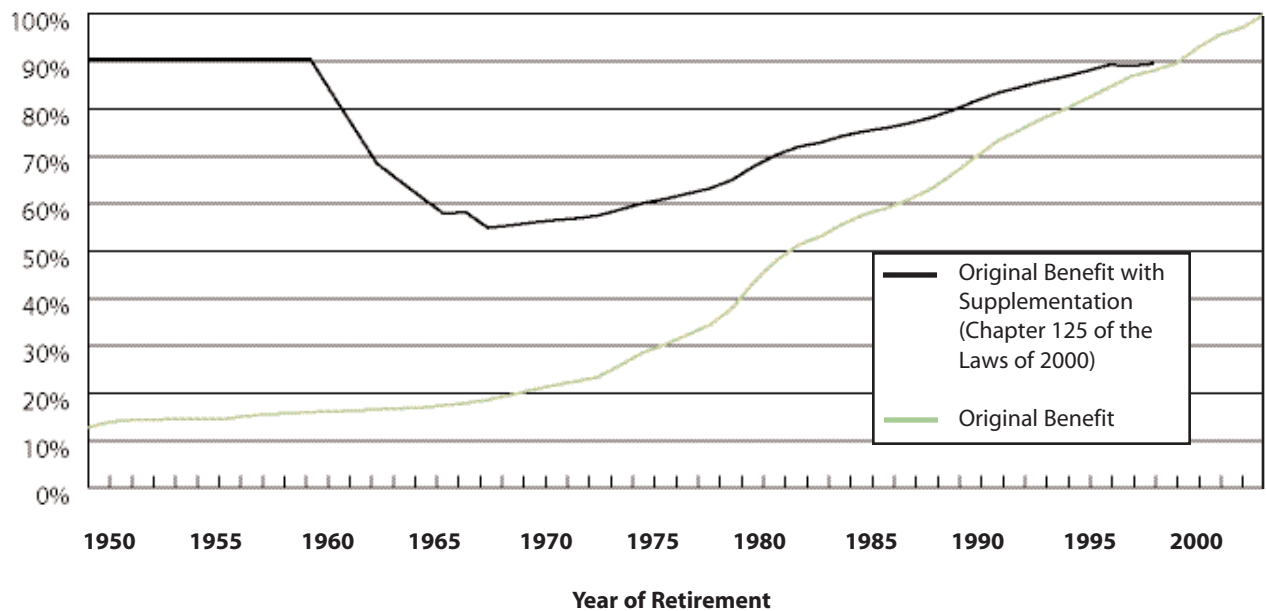
## Distribution of Retired Members and Beneficiaries by Tier—June 30, 2003

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Total</u>
<b>Members Retired for:</b>					
Service	95,013	4,178	3,202 (279)*	2,569	104,962
Vesting	6,586	222	132 (10)*	34	6,974
Disability	1,292	182	215 (34)*	226	1,915
<b>Beneficiaries of Deceased:</b>					
Service Annuitants	3,658	81	38 (4)*	18	3,795
Disability Annuitants	192	24	25 (6)*	10	251
Active Members	408	2	1 (0)*	0	411
<b>Total</b>	<b>107,149</b>	<b>4,689</b>	<b>3,613 (333)*</b>	<b>2,857</b>	<b>118,308</b>

\*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.

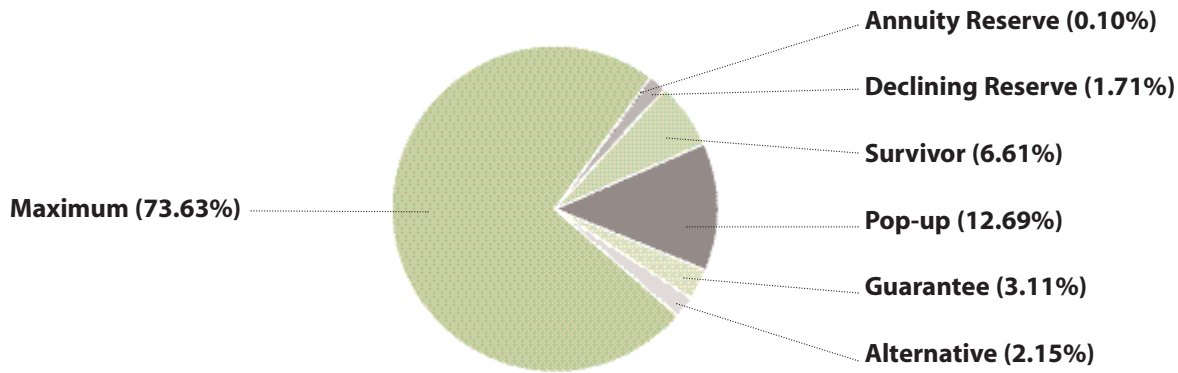
## Retired Members—Remaining Purchasing Power Through 2003

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 2003 in accordance with Chapter 125 of the Laws of 2000.



# Statistical

## Retirement Benefit Options and Percent of Election 1999-2003 Retirees



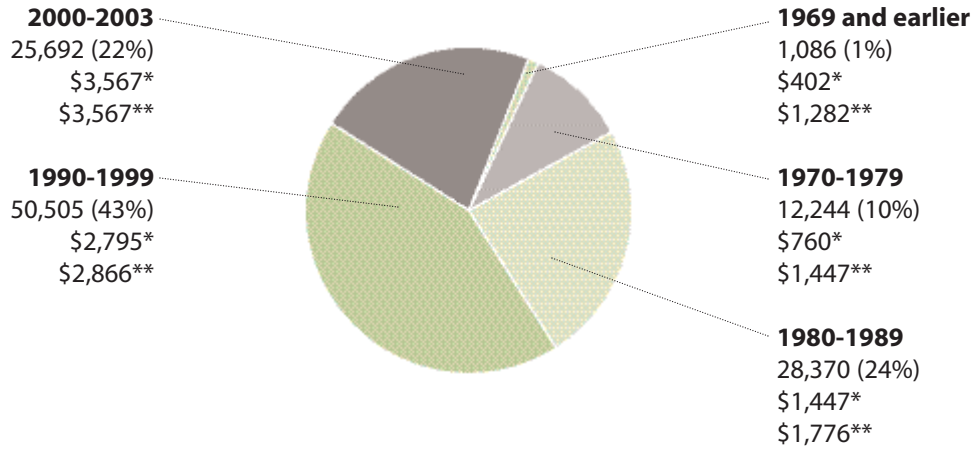
## Retired Members' Characteristics\* by Year of Retirement

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
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
2003	10,173	57-5	31-1	73,197	47,365

\*Averages are for service retirees only.

# Statistical

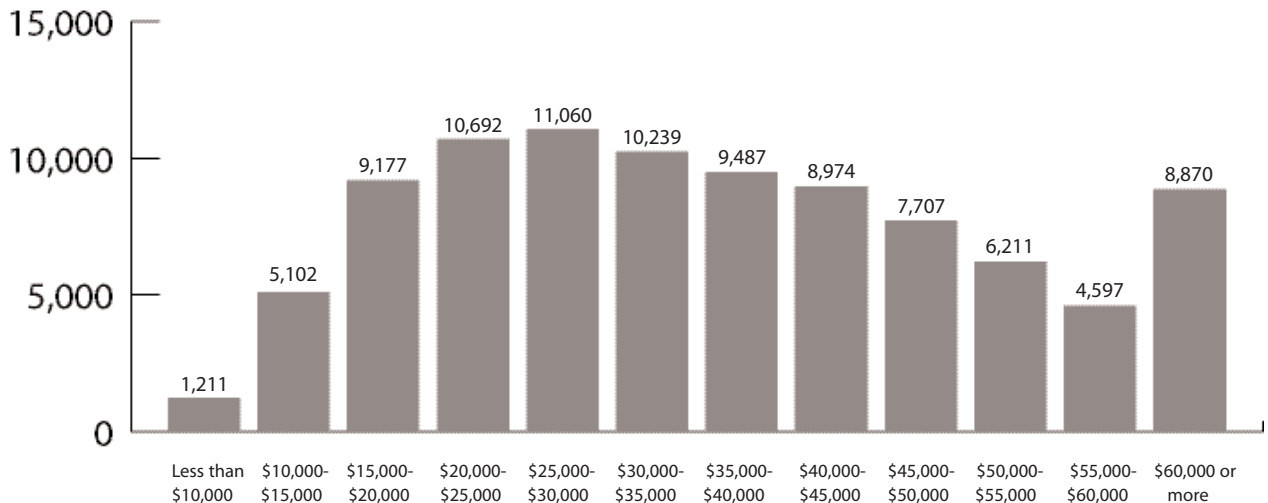
## Number of Retired Members and Monthly Benefits by Decade of Retirement—June 30, 2003



\*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, 2003



\*Maximum Annual Retirement Benefit Including Supplementation and COLA.



# Statistical

## Distribution of Monthly COLA Increase Commencing September 2003

Monthly COLA Increase	Number of Retired Members and Beneficiaries
\$24.00	51,714
\$21.00 - \$23.99	4,208
\$18.00 - \$20.99	3,845
\$15.00 - \$17.99	3,172
\$12.00 - \$14.99	5,124
\$ 9.00 - \$11.99	2,620
\$ 6.00 - \$ 8.99	2,613
\$ 3.00 - \$ 5.99	3,265
\$0.01 - \$ 2.99	1,869
\$0 (currently ineligible)	<u>39,878</u>
<b>Total</b>	<b>118,308</b>

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	2.92%	1.5%	\$18,000	\$22.50	\$22.50	\$18.80	\$18.80
2002	1.48%	1.0%	\$18,000	\$15.00	\$37.50	\$12.64	\$31.44
2003	3.02%	1.6%	\$18,000	\$24.00	\$61.50	\$20.32	\$51.76

## Distribution of Cumulative Monthly COLA Commencing September 2003

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
\$61.50	46,727
\$51.50 - \$61.49	5,800
\$41.50 - \$51.49	4,656
\$31.50 - \$41.49	7,344
\$21.50 - \$31.49	6,310
\$11.50 - \$21.49	3,731
\$ 0.01 - \$11.49	3,862
\$0 (currently ineligible)	<u>39,878</u>
<b>Total</b>	<b>118,308</b>

# Statistical

## Revenues by Source (dollars in thousands)

<b>Fiscal Year</b>	<b>Net Investment Income*</b>	<b>Employer Contributions</b>	<b>Employer Contributions to Finance Administrative Expenses</b>	<b>Member Contributions</b>	<b>Net Transfers</b>	<b>Total Revenues</b>
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)
2003	2,640,564	195,486	24,595	147,047	12,716	3,020,408

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

## Expenses by Type (dollars in thousands)

<b>Fiscal Year</b>	<b>Retirement Benefit Payments</b>	<b>Beneficiary Payments</b>	<b>Return of Contributions</b>	<b>Administrative Expenses</b>	<b>Total Expenses</b>
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
2003	3,539,456	72,136	23,541	34,943	3,670,076

# Statistical

## Participating Employers

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

# Statistical

## Participating Employers (continued)

Copiague UFSD	East Ramapo CS	Fillmore CS	Georgetown South Otselic CS
Corinth CS	East Rochester UFS	Finger Lakes Com Col	Germantown CS
Corning Com Col	East Rockaway UFS	Fire Island UFS	Gilbertsville-Mt Upton CS
Corning-Painted Post PS	East Syracuse-Minoa CS	Fishers Island UFS	Gilboa Conesville CS
Cornwall CS	East Williston UFS	Floral Park-Bellerose UFSD	Glen Cove City SD
Cortland City SD	Eastchester UFS	Florida UFS	Glens Falls City SD
Coxsackie Athens CS	Eastport UFS	Fonda Fultonville CS	Glens Falls Common School
Croton Harmon UFS	Eastport-South Manor CSD	Forestville CS	Global Concepts
Crown Point CS	Eden CS	Fort Ann CS	Gloversville City SD
Cuba-Rushford CS	Edgemont UFSD-Greenburgh	Fort Edward PS	Gorham-Middlesex CS
Dalton-Nunda	Edinburg Common Schools	Fort Plain CS	Goshen CS
Dansville CS	Edmeston CS	Frankfort Schuyler CS	Gouverneur CS
De Ruyter CS	Education Department	Franklin CS	Gowanda CS
Deer Park UFS	Edwards-Knox CS	Franklin Square UFS	Grand Island CS
Delaware-Chenango-Madison- Otsego BOCES	Edwin Gould Academy- Ramapo UFSD	Franklin-Essex-Hamilton BOCES	Granville CS
Delhi CS	Elba CS	Franklinville CS	Great Neck PS
Depew UFS	Eldred CS	Fredonia CS	Greece CS
Deposit CS	Elizabethtown-Lewis CS	Freeport PS	Green Island UFS
Dobbs Ferry UFS	Ellenville CS	Frewsburg CS	Greenburgh CS
Dolgeville CS	Ellicottville CS	Friendship CS	Greenburgh Eleven UFSD
Dover UFS	Elmira City SD	Frontier CS	Greenburgh-Graham UFSD
Downsville CS	Elmira Heights CS	Fulton City SD	Greenburgh-North Castle UFSD
Dryden CS	Elmont UFS	Fulton-Montgomery Com Col	Greene CS
Duanesburg CS	Elmsford UFS	Galway CS	Greenport UFS
Dundee CS	Elwood UFS	Gananda CS	Greenville CS
Dunkirk PS	Erie Com Col	Garden City UFS	Greenwich CS
Dutchess BOCES	Erie 1 BOCES	Garrison UFS	Greenwood CS
Dutchess Com Col	Erie 2-Chautauqua-Cattaraugus	Gates Chili CS	Greenwood Lake UFS
East Aurora UFS	Eugenio Maria De Hostas	General Brown CS	Groton CS
East Greenbush CS	Fabius-Pompey CS	Genesee Com Charter School	Guilderland CS
East Hampton UFS	Fairport CS	Genesee Com Col	Hadley Luzerne CS
East Irondequoit CS	Falconer CS	Genesee Valley CS	Haldane CS
East Islip UFS	Fallsburg CS	Genesee-Livingston-Steuben- Wyoming BOCES	Half Hollow Hills CS
East Meadow UFS	Farmingdale UFS	Geneseo CS	Hamburg CS
East Moriches UFS	Fashion Institute of Technology	Geneva City SD	Hamilton CS
East Quogue UFS	Fayetteville Manlius CSD	George Jr Republic UFSD	Hamilton-Fulton-Montgomery BOCES

# Statistical

## Participating Employers (continued)

Hammond CS	Hoosick Falls CS	Kenmore Town of Tonawanda	Lowville CS
Hammondsport CS	Hopevale UFS	UFSD	Lyme CS
Hampton Bays UFS	Hornell City SD	King Center	Lynbrook UFS
Hancock CS	Horseheads CS	Kings Park CS	Lyncourt UFS
Hannibal CS	Hudson City SD	Kingston City SD	Lyndonville CS
Harborfields CS	Hudson Falls CS	Kiryas Joel Village UFSD	Lyons CS
Harpurville CS	Hudson Valley Com Col	La Fargeville CS	Madison CS
Harrison CS	Hunter Tannersville CS	La Fayette CS	Madison-Oneida BOCES
Harrisville CS	Huntington UFS	Lackawanna City SD	Madrid Waddington CS
Hartford CS	Hyde Park CS	Lake George CS	Mahopac CS
Hastings-on-Hudson	Ichabod Crane CS	Lake Placid CS	Maine Endwell CS
Hauppauge UFS	Ilion CS	Lake Pleasant CS	Malone CS
Haverstraw-Stony Point CS	Indian Lake CS	Lake Shore CS	Malverne UFS
Hawthorne Cedar Knolls UFSD	Indian River CS	Lakeland CS	Mamaroneck UFS
Hempstead PS	Inlet Common Schools	Lancaster CS	Manchester-Shortsville CS
Hendrick Hudson CS	Iroquois CS	Lansing CS	Manhasset UFS
Herkimer CS	Irvington UFS	Lansingburgh CS	Maplewood-Colonie Common School
Herkimer County Com Col	Island Park UFS	Laurens CS	Marathon CS
Herkimer-Fulton-Hamilton- Otsego BOCES	Island Trees UFS	Lawrence UFS	Marcellus CS
Hermon Dekalb CS	Islip UFS	Le Roy CS	Margaretville CS
Herricks UFS	Ithaca City SD	Letchworth CS	Marion CS
Heuvelton CS	Jamestown City SD	Levittown UFS	Marlboro CS
Hewlett Woodmere UFS	Jamestown Com Col	Lewiston Porter CS	Massapequa PS
Hicksville PS	Jamesville Dewitt CS	Liberty CS	Massena CS
Highland CS	Jasper-Troupsburg CS	Lindenhurst PS	Mattituck-Cutchogue UFSD
Highland Falls-Fort Montgomery CSD	Jefferson-Lewis-Hamilton- Herkimer-Oneida BOCES	Lisbon CS	Mayfield CS
Hilton CS	Jefferson CS	Little Falls City SD	McGraw CS
Hinsdale CS	Jefferson Com Col	Little Flower UFSD at Wading River	Mechanicville City SD
Holland CS	Jericho UFS	Liverpool CS	Medina CS
Holland Patent CS	Johnsburg CS	Livingston Manor CS	Menands UFS
Holley CS	Johnson City CS	Livonia CS	Merrick UFS
Homer CS	Johnstown PS	Lockport City SD	Mexico CS
Honeoye CS	Jordan-Elbridge CS	Locust Valley CS	Middle Country CS
Honeoye Falls Lima CS	Katonah-Lewisboro UFSD	Long Beach City SD	Middleburgh CS
Hoosic Valley CS	Keene CS	Long Lake CS	Middletown City SD
	Kendall CS	Longwood CSD at Middle Island	Milford CS

# Statistical

## Participating Employers (continued)

Millbrook CS	New Suffolk Common Schools	Odessa Montour CS	Pearl River UFS
Miller Place UFS	New York Mills UFS	Ogdensburg City SD	Peekskill City SD
Mineola UFS	Newark CS	Olean City SD	Pelham UFS
Minerva CS	Newark Valley CS	Oneida City SD	Pembroke CS
Minisink Valley CS	Newburgh City SD	Oneida-Madison-Herkimer	Penfield CS
Mohawk CS	Newcomb CS	BOCES	Penn Yan CS
Mohawk Valley Com Col	Newfane CS	Oneonta City SD	Perry CS
Monroe Woodbury CS	Newfield CS	Onondaga CS	Peru CS
Monroe 1 BOCES	Niagara County Com Col	Onondaga Com Col	Phelps-Clifton Springs CS
Monroe 2-Orleans BOCES	Niagara Falls City SD	Onondaga-Cortland-Madison	Phoenix CS
Monroe Com Col	Niagara Wheatfield CS	BOCES	Pine Bush CS
Montauk UFS	Niskayuna CS	Ontario-Seneca-Yates-Cayuga-	Pine Plains CS
Monticello CS	North Babylon UFS	Wayne BOCES	Pinevalley CS South Dayton
Moravia CS	North Bellmore UFS	Onteora CS	Pioneer CS
Moriah CS	North Collins CS	Oppenheim Ephratah CS	Piseco Common Schools
Morris CS	North Colonie CS	Orange County Com Col	Pittsford CS
Morristown CS	North Country Com Col	Orange-Ulster BOCES	Plainedge UFS
Morrisville Eaton CS	North Greenbush Common Sch	Orchard Park CS	Plainview-Old Bethpage CS
Mount Markham CS	North Merrick UFS	Oriskany CS	Plattsburgh City SD
Mount Morris CS	North Rose Wolcott CS	Orleans-Niagara BOCES	Pleasantville UFS
Mt. Pleasant Blythedale UFSD	North Salem CS	Ossining UFS	Pocantico Hills CS
Mt. Pleasant Cottage UFS	North Shore CS	Oswego BOCES	Poland CS
Mount Pleasant CS	North Syracuse CS	Oswego City SD	Port Byron CS
Mount Sinai UFS	North Tonawanda City SD	Otego-Unadilla CS	Port Chester Rye
Mount Vernon PS	North Warren CS	Otsego-Delaware-Schoharie-	Port Jefferson UFS
Nanuet UFS	Northeastern Clinton CS	Greene BOCES	Port Jervis City SD
Naples CS	Northern Adirondack CS	Owego Apalachin CS	Port Washington UFS
Nassau BOCES	Northport-East Northport UFSD	Owen D Young CS	Portville CS
Nassau Com Col	Northville CS	Oxford Academy and CS	Potsdam CS
Nassau Co Vocational Board	Norwich City SD	Oyster Bay-East Norwich CS	Poughkeepsie City SD
New Covenant	Norwood Norfolk CS	Oysterponds UFS	Prattsburg CS
New Hartford CS	Nyack UFS	Palmyra-Macedon CS	Pulaski Academy and CS
New Hyde Park-Garden City	NYS School for the Blind	Panama CS	Putnam CS
Park UFSD	NYS School for the Deaf	Parishville Hopkinton CS	Putnam Valley CS
New Lebanon CS	NYS Teachers' Ret System	Patchogue-Medford UFS	Putnam-Westchester BOCES
New Paltz CS	Oakfield Alabama CS	Pavilion CS	Queensbury UFS
New Rochelle City SD	Oceanside UFS	Pawling CS	Quogue UFS

# Statistical

## Participating Employers (continued)

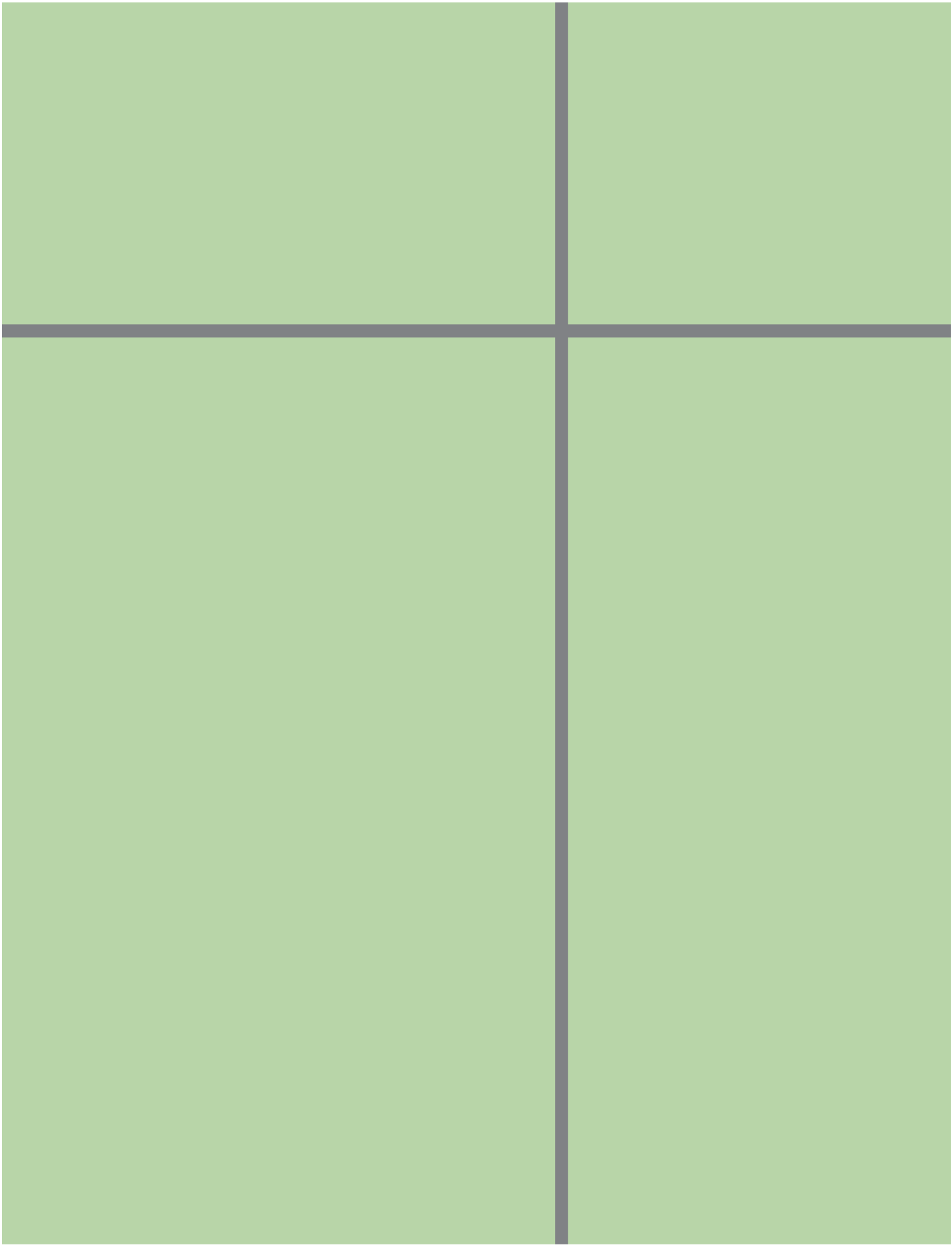
Ramapo CS	Sagaponack Common Schools	Skaneateles CS	Suffolk County Com Col
Randolph Academy UFS	Salamanca City SD	Smithtown CS	Suffolk 1 BOCES
Randolph CS	Salem CS	Sodus CS	Suffolk 3 BOCES
Raquette Lake UFS	Salmon River CS	Solvay UFS	Sullivan BOCES
Ravena-Coeymans-Selkirk CS	Sandy Creek CS	Somers CS	Sullivan County Com Col
Red Creek CS	Saranac CS	South Buffalo	Sullivan W at Cal-Jef-Yng-Nar CS
Red Hook CS	Saranac Lake CS	South Colonie CS	SUNY Alfred Ag and Tech
Remsen CS	Saratoga Springs City Schools	South Country CS	SUNY at Albany
Remsenburg-Speonk UFSD	Saugerties CS	South Glens Falls CS	SUNY at Binghamton
Rensselaer City SD	Sauquoit Valley CS	South Huntington UFSD	SUNY at Buffalo
Rensselaer-Columbia-Greene BOCES	Sayville PS	South Jefferson CS	SUNY at Stony Brook
Rhinebeck CS	Scarsdale UFS	South Kortright CS	SUNY at Stony Brook-Hospital
Richfield Springs CS	Schalmont CS	South Lewis CS	SUNY Canton Ag and Tech
Ripley CS	Schenectady City SD	South Manor UFS	SUNY Central Administration
Riverhead CS	Schenectady County Com Col	South Orangetown CS	SUNY Cobleskill Ag and Tech
Riverhead Charter School	Schenevus CS	South Seneca CS	SUNY College at Brockport
Rochester City SD	Schodack CS	Southampton UFS	SUNY College at Buffalo
Rockland BOCES	Schoharie CS	Southern Cayuga CS	SUNY College of Ceramics at Alfred
Rockland Com Col	Schroon Lake CS	Southold UFS	SUNY College at Cortland
Rockville Centre UFSD	Schuyler-Chemung-Tioga BOCES	Southwestern CS	SUNY College of Environmental
Rocky Point UFS	Schuylerville CS	Spackenkill UFS	SUNY College at Fredonia
Rome City SD	Science and Technology Charter School	Spencer Van Etten CS	SUNY College at Geneseo
Romulus CS	Scio CS	Spencerport CS	SUNY College at New Paltz
Rondout Valley CS	Scotia Glenville CS	Springs UFS	SUNY College at Old Westbury
Roosevelt UFS	Seaford PS	Springville-Griffith Institute	SUNY College at Oneonta
Roscoe CS	Seneca Falls CS	St Johnsville CS	SUNY College of Optometry
Roslyn PS	Sewanaka CS	St Lawrence-Lewis BOCES	SUNY College at Oswego
Rotterdam-Mohonasen CS	Sharon Springs CS	St Regis Falls CS	SUNY College at Plattsburgh
Roxbury CS	Shelter Island UFS	Stamford CS	SUNY College at Potsdam
Royalton-Hartland CS	Shenendehowa CSD at Clifton Park	Starpoint CS	SUNY College at Purchase
Rush Henrietta CS	Sherburne Earlville CS	State Ag & Ind School	SUNY College of Technology
Rye City SD	Sherman CS	Stepping Stone Academy Charter School	SUNY Delhi Ag & Tech
Rye Neck UFS	Shoreham Wading River CS	Steuben-Allegany BOCES	SUNY Empire State College
Sachem CS	Sidney CS	Stillwater CS	SUNY Farmingdale Ag & Tech
Sackets Harbor CS	Silver Creek CS	Stockbridge CS	SUNY Health Science Center at Brooklyn
Sag Harbor UFS		Suffolk Co Vocational Board	

# Statistical

## Participating Employers (continued)

SUNY Health Science Center at Brooklyn-Hospital	Valhalla UFS	West Genesee CS
SUNY Health Science Center at Syracuse	Valley CS	West Hempstead UFS
SUNY Health Science Center at Syracuse-Hospital	Valley Stream Central HS	West Irondequoit CS
SUNY Maritime College	Valley Stream #13 UFSD	West Islip UFS
SUNY Morrisville Ag & Tech	Valley Stream UFSD 24	West Park UFS
Susquehanna Valley CS	Valley Stream UFSD 30	West Seneca CS
Sweet Home CS	Vernon-Verona-Sherrill CS	West Valley CS
Syosset CS	Vestal CS	Westbury UFS
Syracuse City SD	Victor CS	Westchester 2 BOCES
Tapestry Charter School	Voorheesville CS	Westchester Com Col
Thousand Islands CS	Wainscott Common Schools	Westfield CS
Three Village CS	Walkill CS	Westhampton Beach UFSD
Ticonderoga CS	Walton CS	Westhill CS
Tioga CS	Wantagh UFS	Westmoreland CS
Tompkins-Cortland Com Col	Wappingers CS	Westport CS
Tompkins-Seneca-Tioga BOCES	Warrensburg CS	Wheatland Chili CS
Tonawanda City SD	Warsaw CS	Wheelerville UFS
Town of Webb UFS	Warwick Valley CS	White Plains City SD
Tri Valley CS	Washington-Saratoga-Warren- Hamilton-Essex	Whitehall CS
Troy City Schools	Washingtonville CS	Whitesboro CS
Trumansburg CS	Waterford Halfmoon UFSD	Whitesville CS
Tuckahoe Common Schools	Waterloo CS	Whitney Point CS
Tuckahoe UFSD	Watertown City SD	William Floyd UFS
Tully CS	Waterville CS	Williamson CS
Tupper Lake CS	Watervliet City SD	Williamsville CS
Tuxedo UFS	Watkins Glen CS	Willsboro CS
UFSD of the Tarrytowns	Waverly CS	Wilson CS
Ulster BOCES	Wayland-Cohocton CS	Windham Ashland Jewett CS
Ulster County Com Col	Wayne CS	Windsor CS
Unadilla Valley CS	Webster CS	Worcester CS
Union Springs CS	Webutuck CS	Wyandanch UFS
Union-Endicott CS	Weedsport CS	Wynantskill UFS
Uniondale PS	Wells CS	Wyoming CS
Utica City SD	Wellsville CS	Yonkers PS
	West Babylon UFS	York CS
	West Canada Valley CS	Yorktown CS







**New York State  
Teachers' Retirement System**

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