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New York State Teachers' Retirement System

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2004

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

Our Mission:

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Prepared by NYSTRS Staff

George M. Philip
Executive Director and Chief Investment Officer

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Certificates of Achievement

Public Pension Coordinating Council

Public Pension Standards

2003 Award

Presented to

New York State Teachers' Retirement System

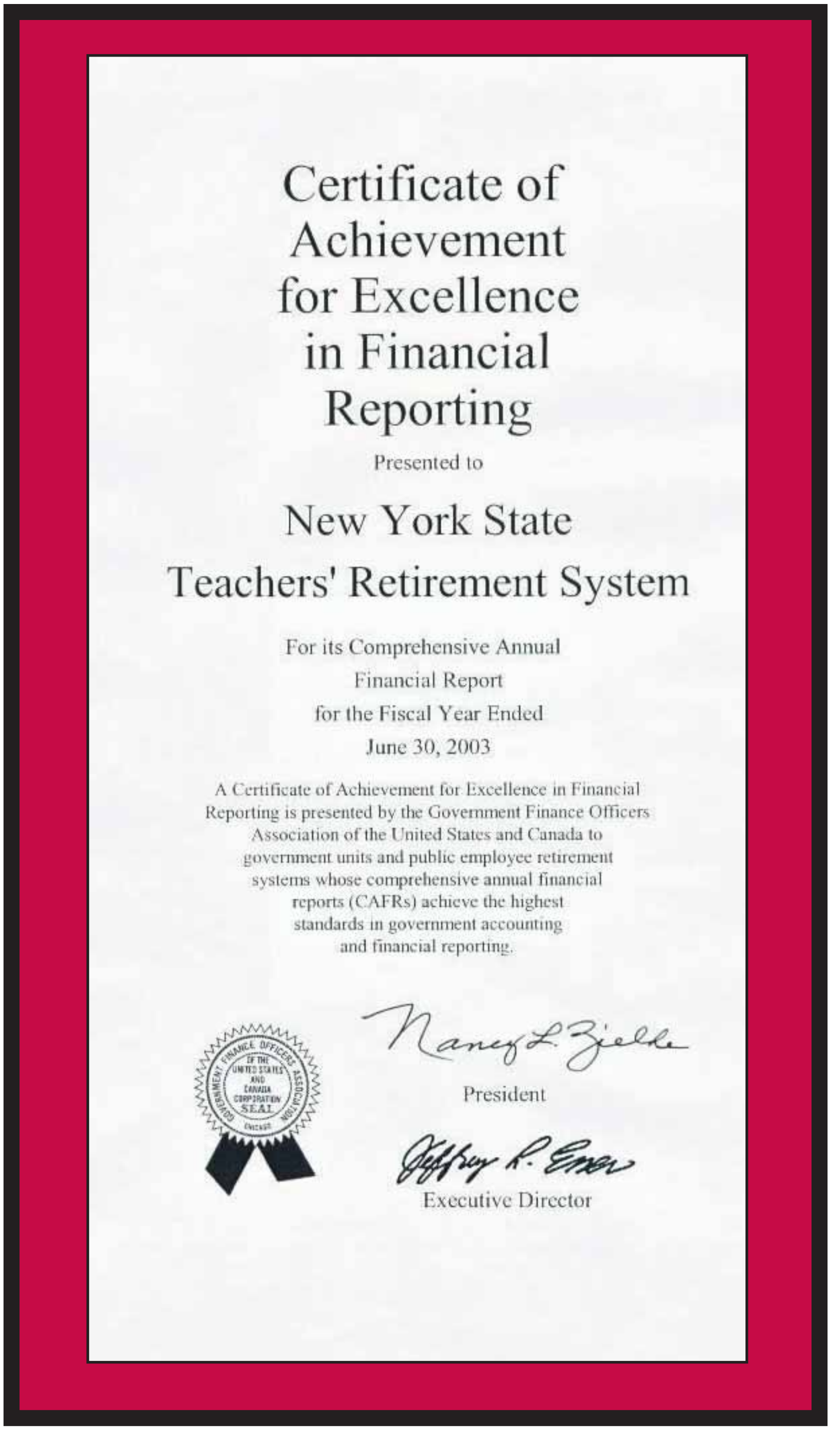
In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator



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, 2003

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

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

Introduction

Introduction

Board of Trustees

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

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

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

Josephine Davenport
Retired Teacher Member
Elected by NYSTRS Retirees
First Elected 1996
Hamburg

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

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

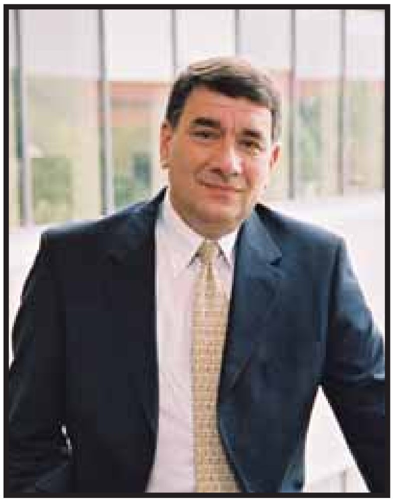
Joseph P. McLaughlin
Teacher Member
Elected by Delegates
First Elected 1990
Harrison

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

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

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

Executive Staff and Organizational Structure



George M. Philip

Executive Director
and Chief Investment Officer

Executive Staff

Seated (left to right): William S. O'Brien, Wayne Schneider, Joseph N. Vet, Lawrence A. Johansen. Standing (left to right): James D. Campbell, Robert L. DeLuca.

Trustees

George M. Philip
Executive Director
and
Chief Investment Officer

Wayne Schneider
General Counsel

James D. Campbell
Real Estate Investment Officer

Robert L. DeLuca
Director of Member Relations

Lawrence A. Johansen
Actuary

William S. O'Brien
Director of Administration

Joseph N. Vet
Securities Investment Officer

See pages 61-63 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

George M. Philip, Executive Director

August 30, 2004

Trustees of the Retirement System Board:

It is with pleasure and pride that I present to you the Comprehensive Annual Financial Report of the New York State Teachers' Retirement System (NYSTRS) for the fiscal year ending June 30, 2004. This report complies with all legal requirements governing the preparation and contents of annual reports.

As always, the report is divided into five sections:

- **Introduction.** The Board of Trustees and Executive Staff are identified here. Also included in this section are the President's message, a summary of benefits and this Letter of Transmittal.
- **Financial.** This contains the report of independent auditors Deloitte & Touche LLP, as well as general-purpose financial statements and accompanying footnotes.
- **Investments.** In addition to the chief investment officer's overview, this segment contains information about investment policies, holdings and performance. Investment and real estate managers, consultants and advisory committee members are also listed.
- **Actuarial.** An actuarial certification letter begins this section, which includes a summary of actuarial methods and assumptions; the actuary's valuation balance sheet; and, information on funding progress and the employer contribution rate.
- **Statistical.** Membership, service, salary and benefit data are found in this portion, which concludes with a list of all participating NYSTRS employers.

History and Overview

NYSTRS was created in 1921 by an act of the state Legislature. The System administers the fund from which most New York State public school teachers and administrators receive retirement and ancillary benefits. (Educators employed by New York City schools are, by law, covered by the New York City Teachers' Retirement System.) A summary of NYSTRS benefits is provided on pages 17-21 of this report.

Letter of Transmittal
(continued)

The System is one of the 10 largest public retirement funds in the nation, based on portfolio size and total membership; it is also consistently among the top performers. The fund's steady performance is primarily attributable to a sound asset allocation strategy applied to a diversified portfolio. This approach allows NYSTRS to generate substantial gains in bull markets, while shielding assets and avoiding large losses in bear markets.

The Retirement 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 NYSTRS, which serves more than 800 employers—including public school districts, charter schools, BOCES and institutions of higher education.

Fiscal 2004 Membership

Total Membership:	375,761
Active Members:	254,515
Retired Members/ Beneficiaries:	121,246
Members Added:	18,471
Members Retired:	7,287

Awards

Our commitment to fiscal excellence is evident in many ways, not the least of which is the recognition we receive from our peers. Among the honors bestowed on NYSTRS in the fiscal year ending June 30, 2004, were:

✓ ***A Certificate of Achievement for Excellence in Financial Reporting,*** awarded by the Government Finance Officers Association of the United States and Canada (GFOA). Given in recognition of the System's 2003 Comprehensive Annual Financial Report, the award certifies that the report was prepared in 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, 2003 through June 30, 2004, also awarded by GFOA. To be eligible for this recognition, the budget document must meet established criteria as a policy document, operations guide, financial plan and communications device.

✓ ***The Public Pension Standards Award***, presented by the Public Pension Coordinating Council. The selection criteria is based on compliance with specific principles that form the foundation of retirement system achievements in the areas of benefits, actuarial valuation, financial reporting, investment and disclosure.

Legislation

Chapter 140 of the Laws of 2003 authorized NYSTRS to use the interest rate on 10-year U.S. Treasury obligations when calculating certain benefits, such as the amount to pay a member who elects to receive a lump-sum payment in lieu of a service retirement benefit that would not exceed the maximum

Letter of Transmittal
(continued)

amount permitted by law. NYSTRS was previously required to use the interest rate on 30-year U.S. Treasury obligations, but the Treasury has ceased issuing 30-year bonds.

Chapter 4 of the Laws of 2004, signed into law February 2, 2004, increased the earnings limit for New York State public employment under Section 212 of the Retirement and Social Security Law to $27,500 for calendar year 2004. The previous limit was $25,000.

Among the items in the Retirement System's 2005 Legislative Program will be a proposal to increase from 5 percent to 10 percent the portion of the System's portfolio that may be invested in real estate.

Major Initiatives and Accomplishments

The recent launch of a new, centralized record management system was a major milestone in several respects. In addition to introducing a high-tech business solution that will benefit members and System staff in numerous ways for years to come, the technology enhancement is the first large-scale implementation of a Web-based pension administration system in the U.S.

Constructing this system was an enormous undertaking that required more than two years of design, development and testing. Staff worked diligently throughout all phases—including the short-term transitional period when data was converted from the legacy system—to minimize the impact on members. At no time during the transition were benefit payments affected, and Information and Communications Center staff fielded inquiries from members throughout.

The modernization of Retirement System processes will be evident in many ways. Salary information from employers, for example, can now be transmitted electronically on a monthly basis—allowing us to provide members with more up-to-date benefit projections on an on-demand basis. The technology should also significantly shorten the timeframe needed to process most retirement applications, permitting members to receive their full monthly benefits sooner than previously possible. In addition, personal information available on-line through the System's Secure Area will be more current.

Trustee Re-elected

NYSTRS delegates, representing employers that participate in the Retirement System, re-elected Michael R. Corn of Barneveld to the Retirement System's Board of Trustees at the System's 2003 annual meeting. The approximately 650 delegates in attendance unanimously approved Corn's reappointment. It marked the fifth consecutive three-year term for Corn, who is one of three teacher-member trustees.

Corn chairs the Board's Disability Review Committee, and is a member of the Proxy, Retired Members, and Audit and Accounting committees. He has taught in the New Hartford Central School District for more than 30 years and is past president of the teachers' association there.

Reclassifications Processed

As a result of the federal "No Child Left Behind" mandate, many teacher aides were reclassified as teacher assistants. By law, teacher assistants must join NYSTRS. Aides are, and will remain, members of the New York State and Local Employees' Retirement System (ERS).

Letter of Transmittal
(continued)

NYSTRS' Member Relations staff took an active role in educating members facing reclassification. A fact sheet was prepared and posted on our Web site, articles appeared in our newsletters, and Information and Communications Center staff utilized the phones and various presentations to bring pertinent information to members.

COLAs Paid
Eligible retired members received their third annual cost-of-living adjustment (COLA) in September 2003. Approximately 79,000 retirees received 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. This translated into a maximum monthly increase of $24 per month. Under the law, NYSTRS retirees receive a 1% to 3% increase annually based on 50% of the March-to-March Consumer Price Index.

Members Surveyed
The Information and Communications Center mailed a survey to each of the 1,800 members who attended NYSTRS consultations in the fall of 2003. The feedback was overwhelmingly favorable.

- 97% of respondents rated their consultations as either excellent or good.
- 98% of video consultation respondents felt comfortable interacting with the video equipment.
- 99% of respondents strongly agreed or agreed that their representative was courteous, knowledgeable, and helpful.
- 100% of respondents rated NYSTRS' overall member services as excellent or good.

Financial Information
Retirement System trustees, management and staff safeguard the fund used to pay guaranteed retirement and ancillary benefits to the state's public school teachers and administrators. This task is accomplished with professionalism and integrity at all times, with the help and guidance of independent consultants and auditors. Please see the Management's Discussion and Analysis on page 25 for an overview of financial activities.

System management is responsible for the accuracy of information provided in NYSTRS financial statements, as well as for designing, implementing and administering 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 24 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 2003 to 2004 is attributable to a net increase of about 3,000 retirees and beneficiaries. See the schedule of "Expenses by Type" on page 84 for more information.

Funding
The NYSTRS 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 U.S. stock market, where approximately 50% of our assets are invested. Due to strong market performance in this fiscal year, we closed with total net assets of $80.3 billion, an increase of $7.9 billion compared to the end of the previous fiscal year.

Letter of Transmittal

(continued)

The employer contribution rate, expressed as a uniform percentage of member payroll, is 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 NYSTRS 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 2005-2006 school year, was set at 5.63% of member payroll. This rate will be applied to the 2004-2005 NYSTRS member payroll. Rates are set well in advance so school districts can budget for this cost.

The 3.11% increase in the employer contribution rate was primarily required because rates of return in the capital markets had been unfavorable over the previous few years. The effects of the downturns will likely require a continued increase in the employer contribution rate in the coming years.

As of June 30, 2003, the date of the most recent annual actuarial valuation prepared by our actuary, the plan's funded ratio was 99.4%. Details of our funding progress may be obtained by turning to page 69.

Investments

The Retirement System's top priority is to pay benefits to all qualified members and their beneficiaries without fail. As previously described, funds for these guaranteed payments are generated through investment income, as well as employer and member contributions. In an effort to ensure the employer contribution rate is fair and cost-effective for participating employers and the taxpayers that support them, the assets that make up the Retirement System's portfolio are invested in the most prudent manner possible to achieve optimum long-term total returns. The allocation of assets within the portfolio, as well as the fund's overall structure, are continuously reviewed and adjusted to achieve these goals.

For the fiscal year ending June 30, 2004, the Retirement System's total portfolio returned 16.1% and the average annualized total rate of return was 10.5% over the last 10 years. These returns compare favorably with our actuarially assumed target return rate of 8.0% per annum. The strong performance was welcome news, in light of the fact that during the four-year period prior to the year ended June 30, 2004, capital market performances were disappointing and the System's portfolio did not achieve the 8.0% milestone in any of those years. The solid returns achieved in the recently completed fiscal year reaffirms the importance of a sound asset allocation policy, one that we are confident will deliver robust results over the long term.

NYSTRS trustees reviewed our portfolio construction at the System's July 2003 Board Meeting but did not recommend any changes. However, market forces did "rebalance" the portfolio closer to targets with a shift from fixed income into equities. This modification was fueled by powerful refinancing activity that led to the redemption of bond positions and the prepayment of many mortgages held in our portfolio. Each of these factors served to reduce the overweight allocation in fixed income. The flow from this activity was invested in the stock market. The switch of these monies into equities was fortunate, allowing early exposure to a rising stock market.

Owing to the greater maturity of our plan participants, the need for cash flow continues to rise. We are encouraged by the increase in corporate dividend payout ratios, which are now being made on higher levels of earnings. Non-

Letter of Transmittal

(continued)

dividend paying companies, led by Microsoft, are beginning to make initial dividend payments. Clearly, our private equity program has reached the size and stage where distributions are becoming meaningful. With current government policy serving to increase interest rates, we will experience greater income streams from our bond, real estate and mortgage portfolios as well. These positive developments should enhance our total cash flow in the coming year.

Refer to pages 44-63 for further information on NYSTRS investments. A listing of our Equity and Fixed Income holdings can be viewed on our Web site at www.nystrs.org.

Acknowledgements

This report, prepared by NYSTRS' staff, is distributed annually 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 the newsletters NYSTRS sends to both its active and retired members. The full report is also available on the System's Web site at www.nystrs.org.

This document 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 to be commended for their expertise and the extremely high level of service they provide to members. Likewise, the Board of Trustees deserve recognition for successfully leading the organization through the challenging markets that marked the beginning of the millennium.

Our thanks also to members of the Medical Board, and the Investment Advisory and Real Estate Advisory committees. These dedicated industry professionals serve our members and the organization as a whole with distinction.

At NYSTRS, we strive to continuously exceed member expectations. Our formula for success includes imagination, innovation and collaboration to achieve a common goal, with an emphasis on honesty, integrity and accuracy. The result: a top-ten public retirement system with assets sufficient to fund the retirement benefits of our current and future retirees and their beneficiaries. I personally thank all those who contribute to this blue-ribbon effort.

Respectfully submitted,

George M. Philip

George M. Philip
NYSTRS Executive Director
and Chief Investment Officer

Introduction

President's Message

The New York State Teachers' Retirement System is committed to balancing the day-to-day needs of its members with their long-term financial interests. Both are accomplished through the efforts of a dedicated staff that use innovative business solutions to offer superior member service. This effort, coupled with NYSTRS' management of a diverse and profitable investment portfolio, returned double-digit percentage gains for the fiscal year ended June 30, 2004.

Our membership profits in many ways from the expertise of our investment staff. Net assets in NYSTRS' portfolio, for example, increased $7.9 billion. Our combined equities portfolio had a 22.2% return (as compared to the benchmark return of 20.4%) and overall the fund's total return for the fiscal year was 16.1%, increasing the portfolio's 10-year return to 10.5%.

What does it all mean? Simply stated, that NYSTRS staff continues to succeed in providing a sound financial future for members and retirees, as well as their beneficiaries. With benefit payments to retired members and beneficiaries totaling $3.9 billion annually—a number increasing by about $300 million a year due primarily to the increasing number of retirements—a strong and balanced portfolio is essential. Everyone involved in System investments should be commended for their sage handling of NYSTRS' holdings.

Also deserving of gratitude are those who ensure eligible members receive all the payments they deserve. Their efforts ensured all qualified retirees and beneficiaries—about 79,000 in all—received the 1.6% cost-of-living adjustment (COLA) that began with their September 2003 benefit payment. Since 2000, when COLA legislation was first enacted, NYSTRS staff has processed cumulative COLA increases of up to $60 per month.

System employees are also extremely proactive when it comes to serving our members. For example, recognizing the immediate financial needs of certain retirees, NYSTRS actively pushed for legislation that would enable members to receive a one-time, lump-sum benefit payment in lieu of a maximum service retirement pension totaling $2,400 or less annually. The staff's efforts paid off with the passing of this legislation in 2003. Approximately 1,500 retired members took advantage of this new opportunity.

Through it all, providing timely and exceptional member service is a steadfast System goal. To that end, staff continued with its implementation of NYSTRS' new pension administration system. The new technology will improve transaction processing and record maintenance for NYSTRS members and staff. It also holds the promise of providing faster, more comprehensive service (including up-to-date benefit information) to assist our members in making informed retirement decisions. Management and staff worked tirelessly on this major project, and the Board thanks them for their exemplary efforts.

We thank them, too, for their earnest support of NYSTRS' goal of remaining a top-tier public retirement system, both in terms of fund size and member satisfaction. My fellow board members and I look forward to continued success in the coming year.

Lucy P. Martin

Lucy P. Martin
President

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 2:	Membership 7/1/73 - 7/26/76
Tier 3:	Membership 7/27/76 - 8/31/83
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 $1^1/_2$% of final average salary.

Benefit Enhancement (Article 19)

New York State law enacted in 2000 provides up to two additional years of service credit at retirement for Tier 1 and 2 members who meet the eligibility requirements. It also allows Tier 3 and 4 members to 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.

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
NYSTRS 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 NYSTRS 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***

1⅔% 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

1⅔% 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 1½% 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.

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 their 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.

Tier 1 and 2 members are not required to contribute to the System. Tier 1 and Tier 2 members who have made contributions to the annuity savings fund (ASF) 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.

Summary of Benefits

(continued)

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 NYSTRS.

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, NYSTRS 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.

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.

Summary of Benefits
(continued)

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 must be age 62 and retired five years to be eligible.

Financial

Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
Key Bank Tower
50 Fountain Plaza
Suite 250
Buffalo, NY 14202-2212

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

Retirement Board
New York State Teachers' Retirement System

We have audited the accompanying statements of plan net assets of the New York State Teachers' Retirement System (the "System") as of June 30, 2004 and 2003, and the related statements of changes in plan net assets for the years 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 audits.

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

In our opinion, such financial statements present fairly, in all materials respects, the plan net assets of the System as of June 30, 2004 and 2003, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and 2004 and 2003 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 2004 and 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, 1999 through 2002 was reported on by other auditors whose report stated that they did not audit this information and did not express an opinion on it.

Our audits were 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 audits 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 2004 basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

August 13, 2004

Member of
Deloitte Touche Tohmatsu

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 activities for the fiscal year ended June 30, 2004. 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 a modest gain of $659 million in 2003, investments showed appreciation of $9.5 billion in fiscal 2004.
- The System's net assets, which represent funds available to pay current and future benefits, were $80.3 billion as of the end of the current fiscal year.
- Net assets increased from the prior year by $7.9 billion, or 10.9%.
- Contributions from employers increased from $220.1 million in fiscal year 2003 to $306.8 million in fiscal year 2004.
- Benefits paid to retirees and members increased from $3.6 billion in fiscal year 2003 to $3.9 billion in fiscal year 2004.
- The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, changed from 99.6% as of June 30, 2002 actuarial valuation to 99.4% as of the June 30, 2003 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 *Statements of Plan Net Assets* present 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. 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 *Statements of Changes in Plan Net Assets* provide information on the change in the System's net assets during the current fiscal year. The majority of income, or loss, is derived from investment income, primarily in the form of changes 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 are schedules of employer contributions, administrative expenses, investment activity and investment expenses.

Management's Discussion and Analysis
(continued)

Financial Analysis

Tables 1 and 2 summarize and compare the System's financial results for the current and prior fiscal years. It is important to note that the change from year to year in a particular investment category is attributable not only to the change in market value but also to purchases and sales or maturities of that investment. For a better picture of exactly what factors caused the change in a particular investment category, please see the Schedule of Investment Activity on page 41.

Table 1 Summary of Net Assets (dollars in thousands)

	2004	2003	Change	Percent Change
Investments at fair value:				
Short-term	$ 1,772,206	$ 965,799	$ 806,407	83.50%
Domestic fixed income	12,101,661	14,224,897	(2,123,236)	(14.93)%
Domestic equities	48,422,431	41,368,456	7,053,975	17.05%
International equities	7,556,573	5,752,951	1,803,622	31.35%
Mortgages	3,621,378	4,102,444	(481,066)	(11.73)%
Real estate	3,654,042	3,586,041	68,001	1.90%
Alternative investments	2,289,910	1,658,924	630,986	38.04%
Total investments	79,418,201	71,659,512	7,758,689	10.83%
Receivables:				
Employer and member	548,481	411,554	136,927	33.27%
Investment income and sales	200,912	252,683	(51,771)	(20.49)%
Total receivables	749,393	664,237	85,156	12.82%
Other assets*	230,992	218,038	12,954	5.94%
Total assets	80,398,586	72,541,787	7,856,799	10.83%
Total liabilities*	122,340	150,267	(27,927)	(18.58)%
Net assets	**$80,276,246**	**$72,391,520**	**$ 7,884,726**	10.89%

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

The increase in the short-term investment balance at year end is largely the result of maturities, prepayments, and calls of $1.6 billion of domestic fixed income securities. The majority of the funds generated were used to pay retirement benefits. The balance remains invested in short-term until long-term investment opportunities become available and/or to pay benefits.

Long-term bond market values were virtually unchanged over the year. The decline was due to significant maturities, calls and prepayments. Mortgage backed holdings were significantly decreased by prepayments, a function of low interest rates. No significant reinvestments were made because of low interest rates and funds were held in another component of fixed income—our short-term portfolio.

The domestic equity market performed well this past year returning approximately 20%. During the year, we had net sales of approximately $0.8 billion in equities as the market drove the portfolio away from the asset allocation target of 55%.

The increase in international equities is equal to the annual return of 31.02% generated by that portfolio.

NYSTRS funded approximately $714 million in new mortgages versus payments and payoffs of approximately $937 million.

Investments in equity real estate and contributions to commingled funds totaled approximately $898 million, while property sales and distributions from commingled funds were approximately $1,008 million.

Management's Discussion and Analysis

(continued)

The increase in the private equity market value during the past fiscal year is due to a combination of cash being drawn down and invested (net inflows of $250 million) and the increase in market values (the portfolio was up approximately 19% as of year end). In addition, $190 million was contributed to real estate alternative investments.

The change in the employer and member contributions was a function of an increase in the employer contribution rate from 0.36% to 2.52% and the fact that a retirement incentive was billed in 2003 but no incentive was billable in 2004.

The decline in investment income and sales receivable is a combination of a drop in interest income associated with the reduction in the size of the long-term bond portfolio and fewer investment sales at year end, which is simply a matter of the timing of sale activity.

The System's 2004 net assets increased $7.9 billion from 2003 due almost entirely to an increase in domestic and international equities.

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

	2004	2003	Change	Percent Change
Additions:				
Investment income:				
Net appreciation (depreciation) in fair value of investments	$ 9,512,010	$ 658,544	$ 8,853,466	1344.40%
Interest income	760,032	987,574	(227,542)	(23.04)%
Dividend income	838,678	700,242	138,436	19.77%
Real estate, net operating income	285,009	315,995	(30,986)	(9.81)%
Securities lending (net)	10,697	11,070	(373)	(3.37)%
Other (net)	50,633	30,100	20,533	68,22%
Less: Investment expenses	(96,982)	(62,961)	(34,021)	54.04%
Net Investment income	11,360,077	2,640,564	8,719,513	330.21%
Contributions:				
Employer	306,782	220,081	86,701	39.40%
Member	155,916	147,047	8,869	6.03%
Transfers in/out (net)	38,277	12,716	25,561	201.01%
Total additions	11,861,052	3,020,408	8,840,644	292.70%
Deductions:				
Retirement benefits	3,937,389	3,635,133	302,256	8.31%
Administrative expenses	38,937	34,943	3,994	11.43%
Total deductions	3,976,326	3,670,076	306,250	8.34%
Increase (decrease) in net assets	7,884,726	(649,668)	8,534,394	1313.65%
Prior Year Net Assets	72,391,520	73,041,188	(649,668)	(0.89)%
Current Year Net Assets	**$80,276,246**	**$72,391,520**	**$ 7,884,726**	**10.89%**

For the fiscal year ended June 30, 2004, NYSTRS reported net investment income of $11.4 billion compared to $2.6 billion in 2003. The most significant change was in appreciation on investments as follows:

Table 3 Appreciation on Investments (dollars in thousands)

	2004	2003	Change	Percent Change
Short-term	—	—	—	0.00%
Domestic fixed income	$ (450,198)	$ 1,085,589	$ (1,535,787)	(141.47)%
Domestic equities	7,869,415	(459,979)	8,329,394	1810.82%
International equities	1,812,663	(297,586)	2,110,249	709.12%
Mortgages	(259,288)	216,495	(475,783)	(219.77)%
Real estate investments	177,908	85,984	91,924	106.91%
Alternative investments	361,510	28,041	333,469	1189.22%
Totals	**$ 9,512,010**	**$ 658,544**	**$ 8,853,466**	**1344.40%**

Management's Discussion and Analysis
(continued)

Other noteworthy changes include:
- Interest income declined consistent with the decline in the size of the long-term bond portfolio.
- Dividend income grew as corporate earnings strengthened throughout the year.
- The decline in real estate income was the result of leveraging properties via mortgages, which resulted in interest expenses in fiscal 2004.
- The increase in investment expenses was due almost entirely to a change in accounting practices in 2003 that attempted to better match the recording of management expenses with the reporting and recording of related income.
- Employer contributions changed as a result of an increase in the employer contribution rate from 0.36% of member salaries for 2002-03 to 2.52% of member salaries for 2003-04 and the fact that a retirement incentive was billed in 2003 but no incentive was billable in 2004.
- Retirement benefit payments increased as the retiree population grew from 118,308 as of June 30, 2003, to 121,246 as of June 30, 2004. Based on the demographics of membership, this rate of growth will continue over the next several years.

Economic Factors

The economic factor that has primary significance for NYSTRS is the investment return earned in the capital markets. Investment performance has a direct impact on the amount participating employers must contribute to fund current and future member benefits. NYSTRS' domestic and international equity portfolios experienced appreciation in 2004 of $9.7 billion compared to a decline of $758 million in 2003. The equity returns are smoothed (averaged) by NYSTRS over a five-year period for purposes of computing the actuarial value of assets. In spite of recent gains, substantial losses in prior years have resulted in a progressive rise in the employer contribution rate from a low of 0.36% on 2002-2003 member salaries to 2.52% for 2003-2004 and 5.63% on 2004-2005 salaries. The result has been a funded ratio (comparison of actuarial assets to actuarial liabilities) of 99.4% as of the most-recent actuarial valuation of June 30, 2003, down slightly from 99.6% in 2002.

Requests for Information

This financial report is designed to provide members, retirees, employers and anyone else who is interested with a general overview of the financial activities of 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, NY 12211 or by e-mail at communit@nystrs.state.ny.us.

Statements of Plan Net Assets—June 30, 2004 and 2003

(dollars in thousands)

Assets	**2004**	2003
Investments—At fair value (Note 4):		
Short-term	**$ 1,772,206**	$ 965,799
Domestic fixed income securities	**12,101,661**	14,224,897
Domestic equities	**48,422,431**	41,368,456
International equities	**7,556,573**	5,752,951
Mortgages	**3,621,378**	4,102,444
Real estate	**3,654,042**	3,586,041
Alternative investments	**2,289,910**	1,658,924
Total investments	**79,418,201**	71,659,512
Receivables:		
Employer	**269,589**	15,073
Employer—long-term	**141,260**	269,293
Member	**137,632**	127,188
Investment income	**183,919**	210,180
Investment sales	**16,993**	42,503
Total receivables	**749,393**	664,237
Other Assets:		
Securities lending cash collateral—invested (Note 4)	**5,767,385**	4,255,534
Member loans	**150,780**	153,461
Building and equipment—net of depreciation	**36,719**	26,879
Miscellaneous assets	**43,493**	37,698
Total other assets	**5,998,377**	4,473,572
Total assets	**86,165,971**	76,797,321
Liabilities and Net Assets		
Securities lending collateral—Due to borrowers (Note 4)	**5,767,385**	4,255,534
Investment purchases payable	**20,857**	39,907
Mortgage escrows and deposits—Net of investments	**30,722**	39,165
Other liabilities (Note 7)	**70,761**	71,195
Total liabilities	**5,889,725**	4,405,801
Net assets held in trust for pension benefits	**$80,276,246**	$72,391,520

See notes to financial statements.

Financial

Statements of Changes in Plan Net Assets—June 30, 2004 and 2003

(dollars in thousands)

Additions:	***2004***	*2003*
Investment income:		
Net appreciation		
in fair value of investments	**$ 9,512,010**	$ 658,544
Interest income	**760,032**	987,574
Dividend income	**838,678**	700,242
Real estate—net operating income	**285,009**	315,995
Securities lending—gross earnings	**70,514**	71,949
Other—net	**50,633**	30,100
	11,516,876	2,764,404
Less investment expenses	**96,982**	62,961
Securities lending, rebates and fees	**59,817**	60,879
Net investment income	**11,360,077**	2,640,564
Contributions:		
Employer	**295,817**	41,580
Employer—long-term	**10,965**	178,501
Member	**155,916**	147,047
Transfers in/out—net	**38,277**	12,716
Total contributions	**500,975**	379,844
Net additions	**11,861,052**	3,020,408
Deductions:		
Retirement allowance payments—periodic	**3,866,108**	3,539,456
Beneficiary payments	**54,537**	72,136
Return of contributions	**16,744**	23,541
Administrative expenses	**38,937**	34,943
Total deductions	**3,976,326**	3,670,076
Net increase (decrease)	**7,884,726**	(649,668)
Net assets held in trust for pension benefits—beginning of year	**72,391,520**	73,041,188
Net assets held in trust for pension benefits—end of year	**$80,276,246**	$72,391,520

See notes to financial statements.

Notes to Financial Statements—June 30, 2004 and 2003

(dollars in thousands)

1. Plan Description

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:

	2004	2003
Public School Districts	700	700
B.O.C.E.S.	38	38
S.U.N.Y.	31	31
Community Colleges	31	31
Charter Schools	19	15
Other	9	9
	828	824

As of June 30, the System membership consisted of:

	2004	2003
Retired members and beneficiaries currently receiving benefits	121,246	118,308
Active members	254,515	247,247
Total	375,761	365,555

Benefits

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

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

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

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

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

Service Retirements

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

Vested Benefits

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

Disability Retirement

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

Death Benefits

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

Prior Service

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

Tier Reinstatement

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

Member Contributions

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System.

However, if a member leaves covered employment with less than 5 years of credited service or dies, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Article 19 Benefit Enhancement

Article 19 of the Retirement and Social Security Law

Notes to Financial Statements

(dollars in thousands)

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

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for five years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2004 is 1.0% compared to 1.6% paid beginning September 2003.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the Retirement and Social Security Law are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Adoption of New Accounting Standards

During the year ended June 30, 2004, the System adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)* ("GASB 40"). The adoption of GASB 40 required the System to include a presentation of Deposit and Investment Risk Disclosures. The adoption of GASB 40 did not have an impact on the System's financial statements.

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 investment securities 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 2.52% and 0.36% to the estimated covered payroll for the fiscal years ended June 30, 2004 and 2003, respectively.

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

Long-Term

As a result of the enactment of Chapter 175 of the Laws of 1990, employer contributions due for the 1989 fiscal year which were payable in the 1990 fiscal year are to be paid in 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. There was no retirement incentive legislation that would have resulted in costs being recorded in 2004.

Notes to Financial Statements
(dollars in thousands)

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 10 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:

	Years
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 fifty thousand dollars, payable upon the death of eligible members. Group term death benefits paid for the fiscal years ended June 30, 2004 and 2003 were $8,624 and $8,502, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

CO-ESC Member Contribution Fund

Members covered by the provisions of Article 14 and Article 15 of the Retirement and Social Security Law contributed 3% of salary to the System's CO-ESC Member Contribution Fund. Effective October 2000, contributions were eliminated for members with 10 or more years of service or membership. Contributions to this fund were $142,393 and $135,001 in fiscal years ended June 30, 2004 and 2003, 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 at June 30 consists of the following:

	2004	2003
Administrative Fund	$ 12,805	$ 10,787
Annuity Savings Fund	51,660	60,681
Annuity Reserve Fund	232,456	241,455
Pension Accumulation Fund	43,208,419	39,050,419
Pension Reserve Fund	36,770,906	33,028,178
Total	$ 80,276,246	$ 72,391,520

4. Deposit and Investment Risk Disclosure

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

Notes to Financial Statements

(dollars in thousands)

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.

Credit Risk

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2004 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$ 1,629,049	13.46%
AA	987,780	8.16%
A	2,620,838	21.66%
BAA	1,298,941	10.73%
Other	143,636	1.19%
Total Credit Risk Debt Securities	6,680,244	55.20%
U.S. Government Fixed Income Securities*	5,421,417	44.80%
Total Fixed Income Securities	$12,101,661	100.00%

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

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, 2004 and 2003, the System's bank balance was ($2,814) and ($5,252) respectively, representing a managed overdraft.

Consistent with the System's investment policy, the investments are held by the System's custodian and registered in the System's name.

All of the System's deposits are insured and or collateralized by securities held by a financial institution separate from the System's depository financial institution.

All of the System's securities are held by the System's custodial bank in the System's name.

Concentration of Credit Risk

The System is guided by statute and policy in the selection of security investments. No investments in any one organization represent 5% or more of plan net assets.

Significant guidelines by type of investment are as follows:

Short Term Fixed Income

The following investment vehicles are statutorily permissible and may be considered for the System's funds:

- Obligations of the U.S. or those for which the faith of the United States is pledged to provide for the payment of the interest and principal.
- Obligations of any federal home loan bank or banks, or of the Tennessee Valley Authority, and obligations of, or instruments issued by or fully guaranteed as to principal and interest by, the Federal National Mortgage Association (Fannie Mae), or Federal Home Loan Mortgage Corporation (Freddie Mac), and notes, bonds, debentures, mortgages and other evidences of indebtedness of the United States Postal Service.
- New York State obligations, issued pursuant to the authority of any law of the state, or those for which the faith of this state is pledged to provide for the payment of the interest and principal.
- Obligations of or those for which the faith of any city, county, town, village, school district, water district, sewer district or fire district in this state is pledged to provide for the payment of principal and interest, provided that they were issued pursuant to law and the faith and credit of the issuing municipal corporation or district is pledged for their payment.
- Bonds and debentures or other obligations of any public authority or commission or similar body created or approved by the State of New York having assets of not less than $50 million.
- Certificates of deposit issued by a bank, trust company or national bank whose principal office is located in this state or a banking corporation organized under the laws of the U.S. or of any state thereof whose deposits are insured by an agency of the U.S., or an agency or branch located within the U.S. of a foreign banking corporation with total worldwide bank assets in excess of one billion dollars, subject to such regulations as the banking board may impose. Additionally, certificates must be payable in U.S. dollars at an office of a banking institution located in the U.S.
- Bankers' acceptances which are eligible for purchase in the

open market by federal reserve banks and which have been accepted by a bank, a trust company, a private banker or an investment company, or by a banking corporation which is organized under the laws of the U.S. or of any state thereof and which is a member of the federal reserve system. The aggregate investment for acceptances shall not exceed 5% of the System's assets.

- Commercial paper, including short-term obligations of industrial companies, finance companies, insurance companies, utilities and banks which meet the legal investment standards for these individual instruments.
- Agreements for the repurchase of securities and commitments to invest System funds provided the underlying securities are eligible investments and the custodian requirements of the statutes are satisfied.
- Obligations payable in U.S. funds which at the time of investment are rated investment grade by two nationally recognized rating services or by one nationally recognized rating service in the event that only one such service rates such obligations, provided that the aggregate amount invested in the obligations of any single issuer may not exceed 2% of the assets of the System or 5% of the direct liabilities of the issuer unless the obligations are issued by the U.S. or are those for which the faith of the U.S. is pledged to provide payment of the interest and principal.

Domestic Fixed Income

The following investment vehicles are statutorily permissible and may be considered for the System's funds:

- Obligations of the Dominion of Canada, of any province of the Dominion of Canada, and of any city of the Dominion of Canada, payable in U.S. funds, provided that the aggregate unpaid principal amount of all such obligations at any time held by the System shall not exceed 5% of the System's assets.
- Obligations of the United States and New York State without limitation. Zero coupon bonds, which are the direct and sole obligations of the United States of America and enforceable by the holder thereof against the United States.
- Bonds of the Savings and Loan Bank of the State of New York, Federal Land Bank, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- Bonds of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks, Tennessee Valley Authority, Federal National Mortgage Association (Fannie Mae), and the United States Postal Service.
- Obligations issued or guaranteed by the International Bank for Reconstruction and Development, provided the aggregate unpaid principal amount of such obligations at any time held by the System shall not exceed 5% of the System's assets.
- Obligations issued or guaranteed by the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and obligations guaranteed by the Youth Facilities Project Guarantee Fund and participations therein.
- Bonds and notes of any bank, trust company, savings bank or savings and loan association organized under the laws of New York State having a net worth of at least $10 million, which are validly secured at all times to the extent of 110% of the unpaid principal amount of such bonds and notes by mortgages upon real estate insured by the federal housing administrator or any of his successors in office and guaranteed by the United States under the provisions of the National Housing Act, as amended or supplemented, and to the extent of 133 1/3 % of the unpaid principal amount of such bonds and notes by conventional mortgages, the valuation of which must be based upon the unpaid principal amount thereof upon the date of the pledge, assignment or transfer thereof to the System or its trustee or trustees as security for such bonds and notes, such bonds and notes to be amortized in substantially equal annual or semiannual payments of principal and interest over a period not in excess of 25 years, provided the aggregate unpaid principal amount of bonds and notes secured by conventional mortgages shall not exceed 5% of the assets of the System.
- Mortgage pass-through certificates, provided the certificates evidence ownership of undivided interests in pools or mortgage loans secured by first mortgages on real property located in New York State improved by one-to-four family residential dwellings, and, provided further, that (i) such mortgage loans are originated on or after January 1, 1980, by any bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association, credit union, or federal credit union authorized to do business in NYS or by any lender approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, (ii) such mortgage loans are assigned to a bank, trust company, federal mutual savings bank or federal savings and loan association as trustee for the benefit of the holders of such certificates, and (iii) such certificates are rated within the three highest grades by an independent rating service designated by the banking board. The aggregate unpaid principal on conventional mortgages securing mortgage pass-through certificates cannot exceed 10% of the assets of the System nor can the total unpaid principal on any single pool of conventional mortgages securing mortgage pass-through certificates exceed 1% of the assets of the System.
- Collateralized Mortgage Obligations, which meet the requirements of applicable statutes.
- Private placements, where the purchase of unrated

Notes to Financial Statements
(dollars in thousands)

obligations is authorized by the Banking Law or the Retirement and Social Security Law, governing fixed income obligations; if not so provided, private placements as well as other domestic fixed income securities not otherwise provided for may be purchased under the Leeway Clause.

- The System may invest in obligations payable in U.S. funds which at the time of investment are rated investment grade by two nationally recognized rating services or by one nationally recognized rating service in the event that only one such service rates such obligations, provided that the aggregate amount invested in the obligations of any single issuer may not exceed 2% of the assets of the System or 5% of the direct liabilities of the issuer unless the obligations are issued by the U.S. or are those for which the faith of the U.S. is pledged to provide payment of the interest and principal.
- Notwithstanding the 2% limitation stated above, the System may invest not more than 2.5% of its assets in the obligations of any one railroad or industrial corporation, or any one corporation engaged directly and primarily in the production, transportation, distribution or sale of electricity or gas or the operations of telephone and telegraph systems or waterworks or in some combination thereof.
- In no event, may more than 30% of the System's assets be invested in bonds of electric and gas corporations. Equipment trust certificates, subject to the provisions of the law, are not to exceed 5% of the assets of the System.

Domestic Equity

The following investment vehicles are statutorily permissible and may be considered for the System's funds:

- The System may invest in domestic equity securities and interest-bearing obligations payable in U.S. funds which are convertible into equity securities of any corporation created or existing under the laws of the U.S., any state of the U.S., District of Columbia, and Commonwealth of Puerto Rico or any investment company, as defined by, and which is registered under, an act of Congress of the United States, entitled the "Investment Company Act of 1940", as amended, subject to the following limitations.
- The maximum invested by the System in such equity securities shall not exceed: (a) in any one year 15% of the assets of the System; or (b) 70% in the aggregate (domestic equities must share the 15% and 70% limitations with foreign equities); (c) provided, further, however, that more than 15% of such domestic equities, but not more than 20% thereof, may be so invested in any one year but only to the extent that the per centum of such investments over all prior years from July 1991, when added to the per centum of such investments during that year, does not exceed an average of 15% of the assets of the System over all prior years and the year in which the investment is being made.

  Not more than 2% of the assets of the System shall be invested in the equity securities of any one corporation and subsidiaries thereof. Not more than 5% of the total issued and outstanding equity securities of any one corporation shall be owned by the System.

  The Statutory Custodian (New York State Treasurer) has authorized domestic equities to be maintained in the custody of the System's custodian bank.

  Notwithstanding the foregoing percentage limitations, the Leeway Clause may be utilized to legally exceed the foregoing percentages, so long as such assets are prudent investments, and fall within the percentage limitation currently applicable to the leeway clause.

  In addition, the System is authorized to write covered call options traded on a national exchange. The New York State Banking Department has issued a determination that a prudently maintained covered call option program is permissable so long as the options are traded on a national exchange.

International Equities

Investment in international equity securities is permitted by statute subject to certain limitations.

No more than 10% of the System's assets may be invested in international equity securities, including emerging market equity securities.

Investments in international equities must be included with the System's domestic equities for the purpose of the 70% overall limitation and the 15% per year limitation.

Real Estate and Mortgages

The System's real estate investments will be diversified across geographic regions to allow for competitive portfolio performance in the event of a temporary weakness in any one region and to allow for differing urban and suburban market trends within any region.

The System may invest in conventional mortgages constituting a first lien upon real property located in the U.S. pursuant to statute subject to certain provisions. Not more than 5% of the System's assets can be invested in any one conventional mortgage.

The loan amount must be no more than 75% of the appraised value of property improved by a building or buildings, the major portion of which is used or, in the case of a building under construction, to be used for residential, business, manufacturing or agricultural purposes.

The aggregate unpaid principal amount for all conventional mortgages shall not exceed 30% of the System's assets.

- Not more than 5% of the System's assets can be invested in any one conventional mortgage.

Notes to Financial Statements

(dollars in thousands)

- The minimum dollar amount for conventional mortgages is two hundred fifty thousand dollars.
- The System may invest in conventional mortgages guaranteed by a state bank or trust company having a net worth in excess of $500 million, provided, however, that no more than 10% of the System's assets shall be invested in any mortgage so guaranteed.
- The System may participate or co-invest in any conventional mortgage or insured mortgage or in any whole or part interest in any such mortgage which mortgage is held for the benefit of the holder or holders of a whole interest or part interests therein, subject to the limitations set forth above.
- The System may make or acquire a mortgage loan on a leasehold estate, provided that such leasehold estate has an unexpired term of not less than 21 years. Additionally, no mortgage loan upon a leasehold estate may be made or acquired unless the terms thereof shall provide for payments to be made by the borrower on the principal thereof at least one in each year in an amount which would be sufficient to completely amortize a loan whose period extended for four-fifths of the unexpired term of the lease. For these purposes, the unexpired term shall include any period covered under an option to renew the ground lease which can be exercised at the unilateral discretion of the System.
- The System may invest in any mortgage insured by federal housing commissioner, or for which a commitment to insure has been made by the federal housing commissioner.
- Obligations payable in U.S. funds which at the time of investment are rated investment grade by two nationally recognized rating services or by one nationally recognized rating service in the event that only one such service rates such obligations, provided that the aggregate amount invested in the obligations of any single issuer may not exceed 2% of the assets of the System or 5% of the direct liabilities of the issuer unless the obligations are issued by the U.S. or are those for which the faith of the U.S. is pledged to provide payment of the interest and principal.
- The mortgage investment may be acquired under the Leeway Clause if prudent.

Alternative Investments

Alternative investments are made pursuant to the Leeway Clause of the Retirement and Social Security Law. The System's investment in a limited partnership is valued based on the underlying value of the companies in which the partnership has invested.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment.

Investment Type	Fair Value	Duration
Short-term	$ 1,772,206	0.0875
Domestic fixed income	12,101,661	3.8000
Total fair value	$13,873,867	
Portfolio modified duration		3.3250

Duration is a measure of interest rate risk. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is the measure of a bond price's sensitivity to a 100-basis point change in interest rates. A duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move up/down by 8%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities. The System has an indirect exposure to foreign currency fluctuation as follows:

Currency	Percentage of Holdings
Euro	32.7%
Pound Sterling	22.0
Japanese Yen	21.4
Swiss Franc	8.6
Australian Dollar	3.2
Other	12.1
Total international equity	100.0%

Securities Lending Transactions

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 is reported on the Statement of Net Assets and consists of cash or U.S. government and agency bonds. 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

Notes to Financial Statements

(dollars in thousands)

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 and 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, 2004 the average effective duration of the fund was 52 days.

Securities Lent	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
U.S. Government and Agency Bond	$3,007,621	$ 0	$3,056,874
Corporate Bonds	114,410	0	116,577
Domestic Equities	2,543,940	859	2,593,934
Total	$5,665,971	$859	$5,767,385

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, 2004 or as of June 30, 2003.

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 at June 30, 2004 are: real estate equity $1,429,919, mortgage investments $813,486, and private equity investments $2,827,610.

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 $70,761 and $71,195 at June 30, 2004 and 2003, respectively, $2,814 and $5,252, 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 Street, 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 4.90% was applicable to the annual covered payroll for the fiscal year ended March 31, 2004. Average rates applicable to the fiscal years ended March 31, 2003 and 2002 were, respectively, 1.275% and 0.75%. The required contributions paid to NYSLRS during the System's fiscal years ended June 30, 2004 and 2003 were, respectively, $1,018 and $229, and were 100% of the contributions required.

9. Other Post-Employment Benefits

Pursuant to contractual agreement and policy, the System provides postemployment health care benefits to System

Notes to Financial Statements

(dollars in thousands)

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. The System's contribution to the health care coverage depends upon the date the employee retired. For the years ending June 30, 2004 and 2003, 202 and 178 retirees and covered dependents, respectively were enrolled in the health plan. For the years ended June 30, 2004 and 2003 the amounts recognized for postemployment health care costs were $1,685 and $1,090, respectively.

In April 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB No. 45). GASB No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The System has not completed the process of evaluating the impact that will result from adopting GASB No. 45. The System is required to implement GASB No. 45 during fiscal year ending June 30, 2007.

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.

Required Supplementary Information

Actuarial Methods and Assumptions

Year Ended June 30, 2004 (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 System 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, 2003 and 2002 actuarial valuation are as follows:

Economic		**Demographic**	
Valuation rate of interest*	8.0%		
Salary scale*	Varies by age and gender	Mortality rates	*(Based upon*
		Withdrawal rates	*recent member*
		Retirement rates	*experience)*
Asset valuation method	Techniques are consistent with the class and the holding period of the assets, including the use of a five-year market smoothing for equities, real estate, and alternative investments.		

**Includes an assumed annual inflation rate of 3.0%*

Employer Contributions (unaudited)

(dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	$230,926	100%
2000	211,499	100
2001	152,718	100
2002	51,861	100
2003	220,081	100
2004	$306,782	100

Supplemental Schedules

Schedule of Administrative Expenses

Years Ended June 30, 2004 and 2003

	2004	2003
Salaries and benefits:		
Salaries	$20,399,766	$19,164,964
Civil service	87,400	93,206
Employees' retirement	1,355,981	229,039
Health and dental insurance	5,053,613	3,940,129
Overtime salaries	199,896	276,370
Social Security	1,466,111	1,385,458
Total salaries and benefits	28,562,767	25,089,166
Building occupancy expenses:		
Building, grounds and equipment	801,705	757,740
Depreciation—building and improvement	585,798	379,835
Depreciation—equipment	225,315	119,464
Office supplies and services	194,003	264,169
Utilities and municipal assessments	1,078,323	1,135,386
Total building occupancy expense	2,885,144	2,656,594
Computer expenses:		
Amortization/depreciation—computer mainframe	370,380	180,904
Amortization/depreciation—computer micro	972,808	866,511
Computer hardware and software	2,492,414	2,280,311
Computer maintenance and supplies	326,357	315,248
Total computer expenses	4,161,959	3,642,974
Investment expenses:		
Advisory committee expenses	65,424	71,232
Investment information services	692,185	644,467
Service costs—real estate	63,557	64,075
Total investment expenses	821,166	779,774
Personnel and meeting expenses:		
Board—meetings, travel and education	71,961	73,131
Delegates' meeting	47,664	32,377
Preretirement seminars	121,183	138,669
Professional development	630,443	649,036
Travel and automobile expense	119,843	99,629
Other personnel expenses	94,280	108,223
Total personnel and meeting expenses	1,085,374	1,101,065
Professional and governmental:		
Auditors—financial	68,000	72,280
Auditors—insurance department	26,000	492
Disability medical examinations	69,966	73,341
Postage and cartage	696,677	824,558
Printing	13,306	23,384
Professional fees and services	122,450	143,373
Publications	343,113	418,292
Statutory custodian charges	81,033	117,307
Total professional and governmental services	1,420,545	1,673,027
Total	$38,936,955	$34,942,600

Schedule of Investment Activity
Year Ended June 30, 2004

(dollars in thousands)

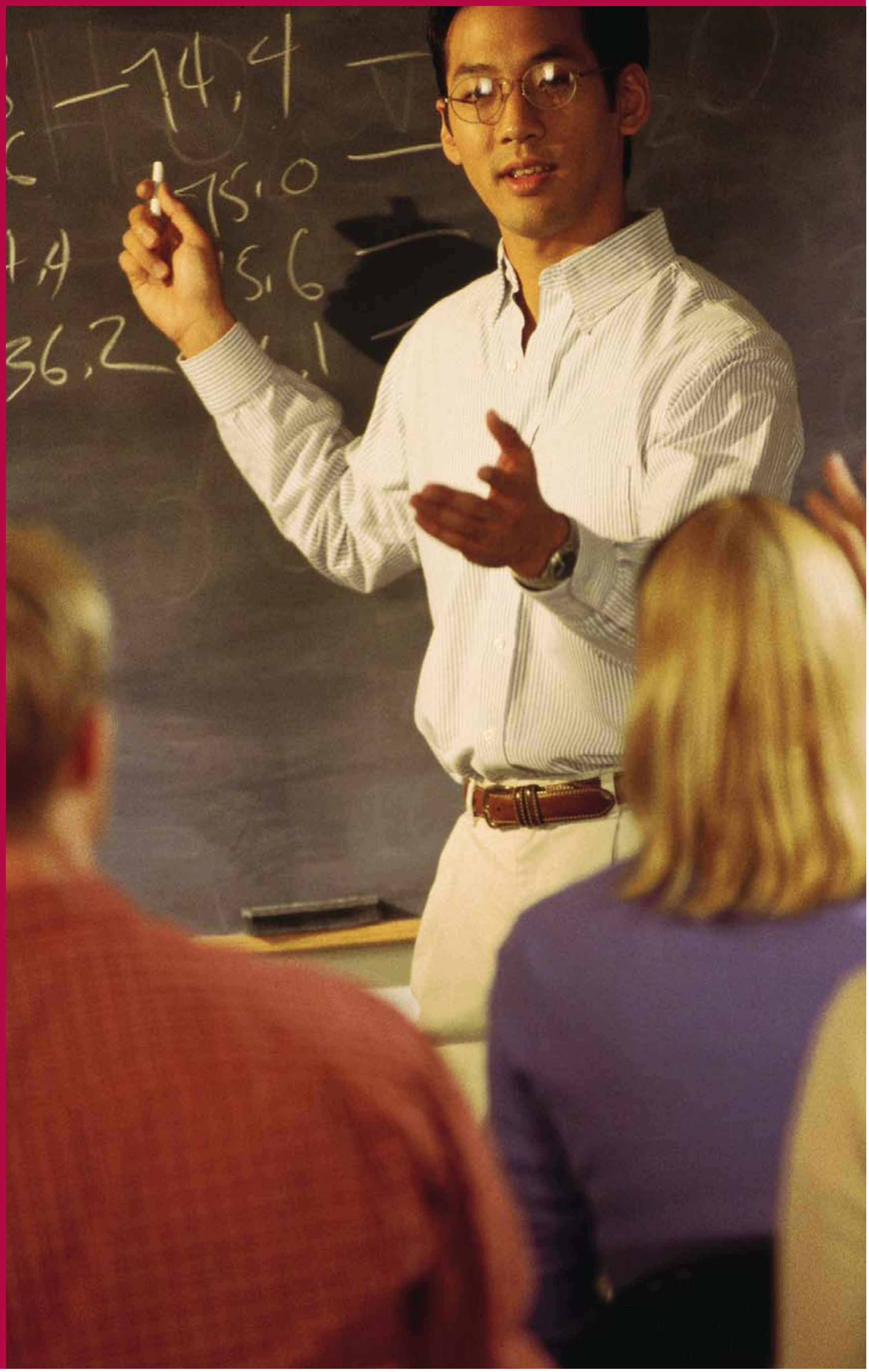
	Fair Value 2003	Acquisitions	Appreciation (Depreciation)	Sales, Redemptions, Maturities & Paydowns	Fair Value 2004	Percent of Fair Value
Short-term	$ 965,799	$ 24,086,455	$ -----	$ 23,280,048	$ 1,772,206	2.23%
Domestic fixed income	14,224,897	821,977	(450,198)	2,495,015	12,101,661	15.24
Domestic equities	41,368,456	5,425,023	7,869,415	6,240,463	48,422,431	60.97
International equities	5,752,951	916,518	1,812,663	925,559	7,556,573	9.52
Mortgages	4,102,444	714,877	(259,288)	936,655	3,621,378	4.56
Real estate separate accounts, commingled	1,064,156	229,730	62,797	196,693	1,159,990	1.46
Real estate	2,521,885	668,078	115,111	811,022	2,494,052	3.14
Alternative investments	1,658,924	806,240	361,510	536,764	2,289,910	2.88
Totals	$71,659,512	$ 33,668,898	$9,512,010	$35,422,219	$79,418,201	100.00%

Schedule of Investment Expenses
Year Ended June 30, 2004

(dollars in thousands)

Investment Category	Assets Serviced or Under Management	Expenses
Domestic equities	$ 1,867,685	$13,328
International equities	7,556,573	25,976
Commercial mortgage backed securities	479,488	1,056
Mortgages	2,003,630	767
Real estate	3,654,042	32,319
REITS	851,740	3,007
Alternative investments	2,093,312	18,925
General investments	—	1,604
Totals	$18,506,470	$96,982

Investments



Investments

Chief Investment Officer's Overview

Overall Objective and Performance

Our mission is to provide benefit payments without fail to present and future members, and their beneficiaries. In order to fund these entitlements, the System's investment portfolio is designed to maximize returns while limiting risk through diversification and quality control. The long-term objective of investment policy and portfolio construction is to achieve returns that exceed those of comparable asset class benchmarks, but are not in aggregate less than the actuarial assumption, which remains at 8% per annum.

Gains in gross national product this year, accompanied by cost cutting and continued productivity gains, resulted in strong corporate profits. The majority of companies reported earnings in excess of analyst expectations. At the same time, our judicial system was decisive in punishing those who were guilty of corporate malfeasance. These factors led to bullish stock market results, both here and overseas.

Our domestic and international portfolios achieved total returns of 21.0% and 31.0%, respectively. The combined total of 22.2% compares with 20.4% for the blended benchmark during our fiscal year. This raised our 10-year total return for equities to an average of 11% per annum.

For the total fund, led by our equity and real estate asset classes, we achieved a 16.1% return for the year. Our long-term return increased to 10.5% per annum average for 10 years.

Domestic Equities

The 21.0% return of the System's domestic equity portfolio for fiscal 2004 increased the annual domestic equities return for the past 10 years to 11.7%. The three- and five-year annual returns continue below average due to the poor equity markets in 2000-2002. We expect that equity returns will be within a more reasonable historical range for the foreseeable future. As shown by the 10-year annualized return, we believe that equities will continue to be one of the more attractive asset classes.

In an effort to further stimulate the relative performance of the domestic equity portfolio, the NYSTRS Composite fund and the NYSTRS Small Cap fund were created during the year. The purpose of the Composite fund is to use quantitative methods to enhance the return of the fund above the S&P 500 Index, the System's current equity benchmark. The Small Cap fund closely follows the S&P 600 (Small Cap) Index universe, which represents the smallest 600 companies in the S&P 1500. In addition to attempting to increase relative performance, these funds will add diversification to the System's domestic equities portfolio.

The positive returns for fiscal 2004 increased the size of the domestic equities portfolio to a level that is slightly above the target asset allocation of the System's total portfolio.

International Equities

The Retirement System's international equity assets are externally managed in commingled funds. The System has 12 international equity managers, all of whom are measured against the unhedged MSCI EAFE Total Return Index. The managers use one of the following three styles: active, passive and enhanced passive.

Chief Investment Officer's Overview
(continued)

Nine managers actively manage country, currency and security selection, with a goal of exceeding the benchmark. One manager passively manages country, currency and security selection, with a goal of achieving minimal tracking error against the benchmark. Two enhanced passive managers attempt to add 50-100 basis points above the MSCI EAFE Total Return Index, using a risk-controlled portfolio structure.

For the fiscal year ending June 30, 2004, the System's active portfolio underperformed the benchmark, while the passive and enhanced passive portfolios continued to be slightly ahead of the benchmark. The return for the entire international portfolio was 31.0%, compared to 32.4% for the benchmark.

Domestic Fixed Income

Purchasing high-quality securities (such as Government-guaranteed bonds and mortgages, as well as investment-grade corporate bonds for the fixed income portfolio) helps to provide cash flow required to fund the System's retirement liabilities. As a result of the increasing number of retirements, this monthly expenditure has increased from $275 million in 2002 to $350 million today. The number of members who will become eligible for retirement is expected to increase at a similar pace in the near future.

The U.S. economy's strong rebound during the past year has helped us keep pace with these retirements, while growing the fund needed to pay future benefits. Overall economic activity as measured by the Gross Domestic Product was strong, reaching a peak growth rate of 7.4% and averaging 4.7% during the fiscal year. The unemployment rate dropped from 6.3% to 5.6%, while consumer confidence improved steadily, as evidenced by the rise in the Conference Board's Index from 83.5 to 102.8 at year-end.

Inflation does not appear to be a concern, but nonetheless rose to an annualized rate of 3.3% from 2.1% during the year. Interest rates increased, with 10-year Treasury levels rising to 4.5% after starting the year at 3.5%. The cost of 30-year mortgages also rose from 5.2% to 6.2% during the same period.

These indicators of strong economic growth are considered by most economists to be a harbinger of potentially accelerating inflation, which could negatively affect many facets of the economy. Consequently, the Federal Reserve Board and Chairman Alan Greenspan raised the Federal funds rate from 1.00% to 1.25%. It is expected that these rate hikes will help to moderate the pace of economic activity and diminish the potential for accelerating inflation. Further Fed rate increases are anticipated. Rising interest rates have a dampening effect on the prices of fixed income securities, and consequently the System's bond portfolio had a total return of +0.44% for the year.

Short-term (Cash Equivalents)

Securities are held in the short-term fixed income portfolio so that monies are quickly and conveniently available to (1) invest in various asset classes and (2) finance the operating obligations of the Retirement System. Most importantly, the portfolio is maintained to fund the monthly payment of pension benefits.

The majority of these fixed income securities mature in 12 months or less and are easily marketable and low in risk. A security with a final maturity greater than 13 months at the time of purchase will have a coupon rate that will reset every 90 days or less.

As of June 30, 2004 the portfolio had a low sensitivity to interest rate changes, with a duration of 30 days. In the final days of the 2003 fiscal year, the Federal Reserve (Fed) had reduced the Fed Funds target rate to 1.00%, its lowest level since 1958. During each of the next seven Federal Reserve Open Market Committee meetings, this historically low rate was left unchanged. Motivated by improving U.S. labor markets and the expanding economy, the Fed raised the rate to 1.25% on June 30, 2004 and again to 1.50% on August 10, 2004.

Chief Investment Officer's Overview
(continued)

For the 12-months ended June 30, 2004, the Retirement System's short-term portfolio returned 1.09% versus the benchmark, the iMoneyNet Money Fund Report Averages/All Taxable Index, which returned +0.53%.

Real Estate

The System's real estate portfolio is comprised of equity investments of approximately $5.5 billion and debt investments of approximately $4.2 billion. New equity fundings of $748.8 million and debt fundings of $714.8 million were closed in fiscal 2004, an increase in both over fiscal 2003. In addition, the System had over $1.43 billion in equity commitments and $813.5 million in debt commitments outstanding at fiscal year end.

The recent decline in fundamentals appears to have reached, or at least neared, bottom in most markets and is expected to improve along with the economy. The capital market's robust appetite for real estate has continued, however, as low interest rates in particular have kept capital flows into the sector continuing at a strong pace. The System has taken advantage of this by selling stabilized properties at very attractive pricing and improving the quality of the portfolio by shedding certain underperforming properties at prices above appraised value. This confluence of favorable pricing and low interest rates has resulted in the disposition of $636.4 million of the System's equity assets and a decline in our debt portfolio as borrowers found cheaper sources of capital for refinancing our loans.

The System's equity and mortgage portfolios returned total after-fee returns of 16.2% and 1.3%, respectively. The equity portfolio represents 6.8% and the mortgage portfolio 5.4% of the System's net plan assets. New York State investments make up approximately 24.7% of the mortgage portfolio. There were no mortgage foreclosures during fiscal 2004.

Alternative Investments

These 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. Our performance expectation over the long term is for the program to outperform public equities by 500 basis points (S&P 500 plus 5%). In the short term, the 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 is also known as the J-Curve effect.

Approximately 67% of the System's alternative investments consist of private equity and the remaining 33% are Real Estate alternative investments, such as timberland. As of June 30, 2004, the total market value of these investments was $2.3 billion. For asset allocation purposes, $753 million of alternative investments were based on real estate and timberland investments and are categorized in this report as real estate equity. The market value of non-real estate alternative investments was $1.5 billion.

This program is beginning to exit the J-Curve, as evidenced by the stronger performance during the past fiscal year. The non-real estate private equity investments returned 14.5% and 2.7% for the one- and five-year periods ended June 30, 2004. While the one-year return was strong, it was below the benchmark due to the exceptional performance of the S&P 500 over the past year.

Chief Investment Officer's Overview
(continued)

We continue to increase our investments in this asset class and currently have additional commitments of $3.0 billion that will be funded over the next several years. Approximately $2.9 billion of these additional commitments fall under the heading of private equity investments, while $107 million is targeted for real estate related funds.

Other Programs

Securities Lending

Domestic equities and fixed income securities from the System's investment portfolio are "loaned" by the System's agent lender, State Street Bank, to a limited group of creditworthy borrowers such as banks and broker-dealers. When a loan is originated, the Retirement System receives cash or non-cash collateral equal to 102% of the market value of securities borrowed. Thereafter, securities on loan are marked to market daily and accordingly re-collateralized to 102% of market.

The System's agent lender invests the cash collateral received in high-quality, short-term fixed income instruments in adherence to established investment guidelines. The System derives its earnings on securities lending from the "spread" (interest earnings on the cash collateral reinvestment less the rebate of a portion of the earnings back to the borrower), or earns fees in lieu of spread when accepting non-cash collateral. While securities are on loan, the System reserves the right to receive all distributions, including dividends and interest, while waiving the right to vote securities.

As of June 30, 2004, the aggregate securities lending portfolio was 101.8% collateralized, with approximately 7.1% of the total Retirement System investment portfolio on loan.

The System earned $10.7 million in securities lending income for the fiscal year ended June 30, 2004, down 3.6% from the $11.1 million in income earned during the 2003 fiscal year. Opposing forces impacted the results of the securities lending program during the year. The program achieved higher average securities on loan balances of $5.9 billion, up approximately 40% over the prior year. This change was driven mostly by increases in U.S. Treasury and Agency securities on loan. In contrast, market pessimism regarding the strength of the U.S. economy persisted for most of fiscal 2004, helping to keep the short-term money market yield curve flat. That level of yields undermined cash collateral reinvestment opportunities and resulted in the contraction of spreads, dramatically diminishing the profitability of loan transactions.

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 $446,000 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, 2004, the System generated approximately $2.6 million in premiums.

Investments

Diversification of Investments—June 30, 2004 and 2003

(dollars in thousands)

Investment Type	2004	Percent	2003	Percent	Increase (Decrease)
Short-term:					
U.S. Treasury and agency	$ 221,793		$ 184,929		$ 36,864
Corporate	1,550,413		780,870		769,543
	1,772,206	2.23	965,799	1.35	806,407
Domestic fixed income securities:					
United States Treasury	5,421,417		6,125,400		(703,983)
Federal agency, notes and debentures	677,101		782,899		(105,798)
Federal agency, mortgage backed	629,566		928,763		(299,197)
Commercial mortgage backed	454,883		445,034		9,849
Corporate	4,679,420		5,687,100		(1,007,680)
Canadian	239,274		255,701		(16,427)
	12,101,661	15.24	14,224,897	19.85	(2,123,236)
Domestic equities:					
Basic materials	5,846,521		5,399,031		447,490
Capital goods	6,301,264		4,972,039		1,329,225
Consumer cyclicals	5,515,556		4,520,022		995,534
Consumer staples	3,412,765		3,248,215		164,550
Energy	3,207,657		2,490,027		717,630
Financial	11,775,210		10,056,301		1,718,909
Technology	6,972,567		5,529,825		1,442,742
Transportation	1,278,659		1,136,889		141,770
Utilities	4,111,197		4,016,107		95,090
Diversified and Miscellaneous	1,035		----		1,035
	48,422,431	60.97	41,368,456	57.73	7,053,975
International equities, commingled	7,556,573	9.52	5,752,951	8.03	1,803,622
Mortgages:	3,436,793		3,809,952		(373,159)
Conventional	184,585		292,492		(107,907)
Federal Housing Administration	3,621,378	4.56	4,102,444	5.72	(481,066)
Real estate:	2,494,052		2,521,885		(27,833)
Direct equity real estate investments	1,159,990		1,064,156		95,834
Commingled real estate investments	3,654,042	4.60	3,586,041	5.00	68,001
Alternative investments:	1,536,647		1,045,297		491,350
Private equity	202,061		267,750		(65,689)
Real estate equity funds	189,522		146,955		42,567
Real estate debt funds	361,680		198,922		162,758
Timberland	2,289,910	2.88	1,658,924	2.32	630,986
Total Investments	**$79,418,201**	**100.00**	**$71,659,512**	**100.00**	**$ 7,758,689**

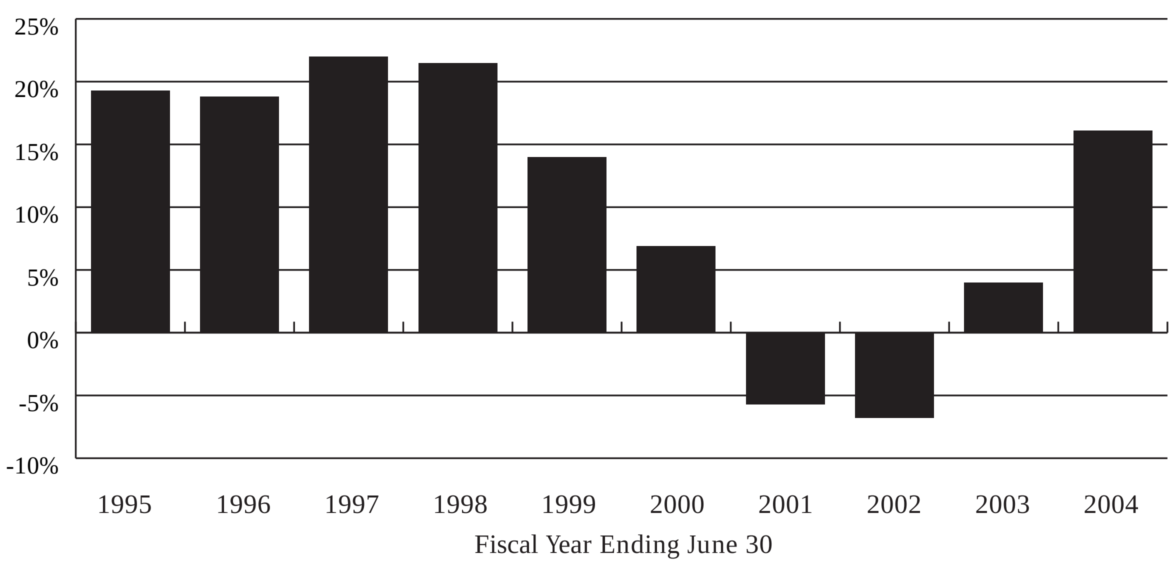
NOTE: For asset allocation purposes, certain investments have been reclassified to reflect the asset underlying the investment structure.

Asset Allocation—June 30, 2004

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 the July 24, 2003 meeting, the Retirement Board left the Asset Allocation targets and ranges unchanged. The current targets, ranges and actual allocations are detailed below:

	Target	Range	Actual
Domestic Equity	55%	45-65%	59.6%
International Equity	8%	4-12%	9.5%
Real Estate	8%	5-11%	6.8%
Alternatives	3%	1- 5%	1.9%
Total Equities	74%		77.8%
Domestic Fixed Income	18%	15-25%	14.6%
Mortgages	8%	5-11%	5.4%
Cash Equivalents	0%	0- 5%	2.2%
Total Fixed Income	26%		22.2%

Annual Performance History



Investments

Investment Performance Results—June 30, 2004

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.

	Annualized Rates of Return			
	1-YR	*3-YR*	*5-YR*	*10-YR*
Domestic Equities				
NYSTRS Growth Tilt Fund	21.7%	-%	-%	-%
NYSTRS Index Fund	20.2	0.0	-1.0	11.9
NYSTRS Value Tilt Fund	22.1	0.5	-	-
Benchmark: S&P 1500*	20.4	-0.1	-1.2	11.6
NYSTRS Value Index Fund	20.9	3.4	2.3	13.0
Benchmark: Russell 1000 Value	21.1	3.0	1.9	12.6
Total Active Large Cap Management	27.4	0.2	-5.0	7.9
Benchmark: S&P 500	19.1	-0.7	-2.2	11.8
Total Active Small Cap Management	32.7	5.9	7.1	10.6
Benchmark: Russell 2000*	33.4	6.2	6.6	10.9
Total	21.0	0.7	-0.7	11.7
International Equities				
Total Active Management	30.1	3.7	0.1	4.8
Total Passive/Enhanced Management	32.8	4.5	0.5	4.5
Total	31.0	4.0	0.1	4.6
Benchmark: MSCI EAFE	32.4	3.9	0.1	4.1
Real Estate	16.2	10.7	11.3	11.2
Benchmark: Blended NCREIF/Wilshire*	13.8	9.3	10.4	10.2
Alternative Investments	17.9	1.0	3.3	14.2
Benchmark: S&P 500 plus 5%	24.1	4.3	2.8	16.8
Domestic Fixed Income	0.4	6.8	7.2	7.8
Benchmark: Lehman Bros. Aggregate*	0.3	6.4	7.0	7.5
Mortgages	1.3	8.5	8.5	9.1
Short Term	1.1	1.7	3.4	4.4
Benchmark: iMoneyNet™ Fund Avgs/All Taxable	0.5	1.2	2.8	3.9
Total Fund	16.1%	4.0%	2.6%	10.5%

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

Manager Investment Performance Results—June 30, 2004

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.

	Assets Managed ($ millions)	Rates of Return[1] from Inception Fund	Rates of Return[1] from Inception Benchmark	Inception Date
Domestic Equities				
Large Cap Value Management				
Iridian	725.1	8.3%	-0.8%	Apr-99
Small Cap Management				
Progress Investment Management	728.6	11.7	8.6	Oct-96
Small Cap Growth Management				
Peregrine Capital Management	483.8	14.7	11.7	Jan-89
International Equities				
Active Management				
Arnhold & S. Bleichroeder	335.6	33.4	28.1	Oct-02
Artisan Partners	281.5	21.6	28.1	Oct-02
Baillie Gifford	446.0	-3.1	-1.3	Nov-00
Bank of Ireland	642.3	-0.8	-0.2	May-99
Capital Guardian	1,057.2	3.2	-0.2	May-99
Causeway Capital	356.9	38.5	28.1	Oct-02
Harris Associates	339.9	35.4	28.1	Oct-02
Mercator	313.3	28.4	28.1	Oct-02
Morgan Stanley Investment Management	1,049.1	6.6	4.1	Jul-94
Passive/Enhanced Management				
Barclays Global Investors	1,386.6	11.2	8.9	Apr-02
Merrill Lynch Asset Management	844.7	9.0	8.9	Apr-02
State Street Global Advisors	501.7	0.9	0.8	Mar-04
Mortgages				
BlackRock	218.6	8.2	8.2	Apr-01
ING Clarion	217.8	8.5	8.2	Apr-01
PRIMA	49.1	2.7	1.0	Nov-03
Real Estate				
Private Securities				
Angelo, Gordon & Co: AG Realty	28.3	16.2	8.8	Dec-01
Cabot Industrial Fund	4.7	21.8	5.8	Dec-03
CBRE Investors				
Strategic Partners II	60.1	17.0	9.0	Mar-02
Strategic Partners III	3.6	7.9	5.8	Dec-03
CIGNA Realty Investors-AASA	4.1	-1.9	10.1	Dec-02
Cornerstone Real Estate Advisers				
Apartment Fund I	38.1	18.0	8.3	Nov-00
Apartment Venture I	58.1	28.6	8.8	Jul-03
Essex Property Trust	39.7	15.4	8.8	Oct-01
Hines Interests				
1997 US Office Development Fund	18.6	20.7	8.2	Jan-01
1999 US Office Development Fund	0.8	52.6	9.6	Jul-02
Landmark Partners	14.9	15.8	9.0	Mar-02
Morgan Stanley				
Select Properties	0.3	1.7	6.9	Dec-89
Value Enhancement B	0.2	6.9	10.1	Jul-93

[1] *Returns for periods over 1 year are annualized.*

Investments

Manager Investment Performance Results—June 30, 2004

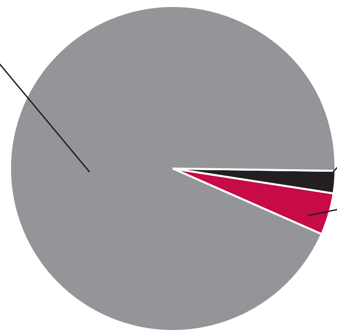
(continued)

	Assets Managed ($ millions)	Rates of Return [1] from Inception Fund	Benchmark	Inception Date
Real Estate (continued)				
Private Securities (continued)				
Prudential Real Estate Investors				
PRISA	284.4	7.1	7.1	Sep-85
PRISA II	127.2	9.1	6.9	Sep-89
PRISA III	21.1	76.7	11.0	Jun-03
Strategic Value Investors, LLC	25.3	9.0	11.3	Sep-97
Rockwood Capital Corporation				
Fund IV	30.2	25.9	8.7	Sep-00
Fund V	15.6	47.2	8.8	Jul-03
SSR Realty Advisors: Tower Fund	75.2	9.5	10.5	Dec-97
Starwood Capital Group	51.0	17.5	11.4	Jan-97
UBS Realty Investors	325.0	8.0	7.1	Sep-85
Westbrook Partners	66.4	10.7	8.1	Jun-01
Direct Investments				
ING Clarion Partners	450.9	7.7	6.8	Jun-90
Invesco Realty Advisors	87.8	9.1	9.6	Dec-98
Invesco Realty Advisors (Industrial)	217.2	9.7	10.6	Nov-94
J. P. Morgan Fleming Asset Management	1,287.0	10.7	7.1	Oct-90
Kennedy Assoc. Real Estate Counsel, Inc.	110.7	9.6	10.7	Apr-95
Morgan Stanley	68.5	13.3	10.8	Aug-95
Sentinel Real Estate Corporation	255.1	10.2	11.0	Mar-96
Public Securities				
Cohen & Steers Capital Management, Inc.				
Separate Account	324.0	13.9	13.1	Jun-95
Income REIT Separate Account	113.9	8.6 [2]	7.5	Jul-98
Lend Lease Rosen RE Securities, LLC	219.3	14.0	11.7	Aug-98
RREEF America, LLC	221.2	14.2	11.7	Aug-98
Timber: Private Securities				
Global Forest Partners	5.4	-19.6	-	Mar-98
Timber: Direct Investments				
Forest Investment Associates	200.2	1.0	-	Dec-98
Global: Private Securities				
Hines Interests	9.0	-3.9	-	Oct-99
Lone Star Funds				
Lone Star II	9.8	10.6	-	Apr-99
Lone Star III	108.5	28.7	-	Oct-00
Lone Star IV	129.2	14.2	-	Dec-01
Macquarie: Lend Lease Global Properties	56.1	5.6	-	May-99
The Peabody Group	42.7	8.7	-	Jul-99

[1] *Returns for periods over 1 year are annualized.*
[2] *Reflects income return only. Total return is 11.8%.*

Domestic Equity Distribution—June 30, 2004

$48,422,430,924



Internally Managed Passive - 93.8%
$45,428,464,253

S&P 1500 Index - 69.0%
$33,404,099,759

Russell 1000 Value Index - 14.2%
$6,875,675,480

S&P 1500 Value Tilt - 2.5%
$1,212,717,619

S&P 1500 Growth Tilt - 3.4%
$1,643,568,097

S&P 1500 Composite - 2.1%
$1,015,571,929

S&P 600 Small Cap - 2.6%
$1,276,831,369

REITS - 2.3%
$1,126,281,534

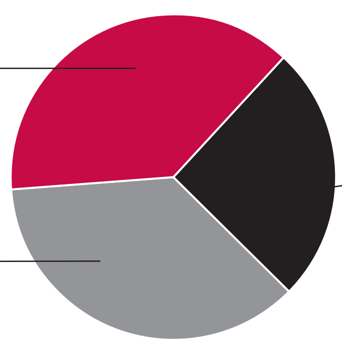
Externally Managed Active - 3.9%
$1,867,685,137

Large Cap - 1.5%
$713,377,106

Small Cap - 2.4%
$1,154,308,031

Domestic Equity Externally Managed Style Distribution—June 30, 2004

$1,867,685,137



Large Cap Value - 38.2%
$713,377,106

Small Cap - 25.5%
$476,331,452

Fund of Funds - 36.3%
$677,976,579

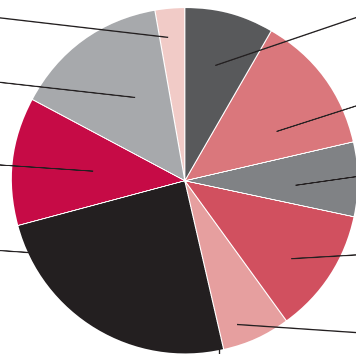
Growth - 16.8%
$314,461,145

Value - 19.5%
$363,515,434

Investments

Domestic Equity Holdings by Industry Distribution—June 30, 2004

$48,422,430,924



Ten Largest Domestic Equity Holdings—June 30, 2004

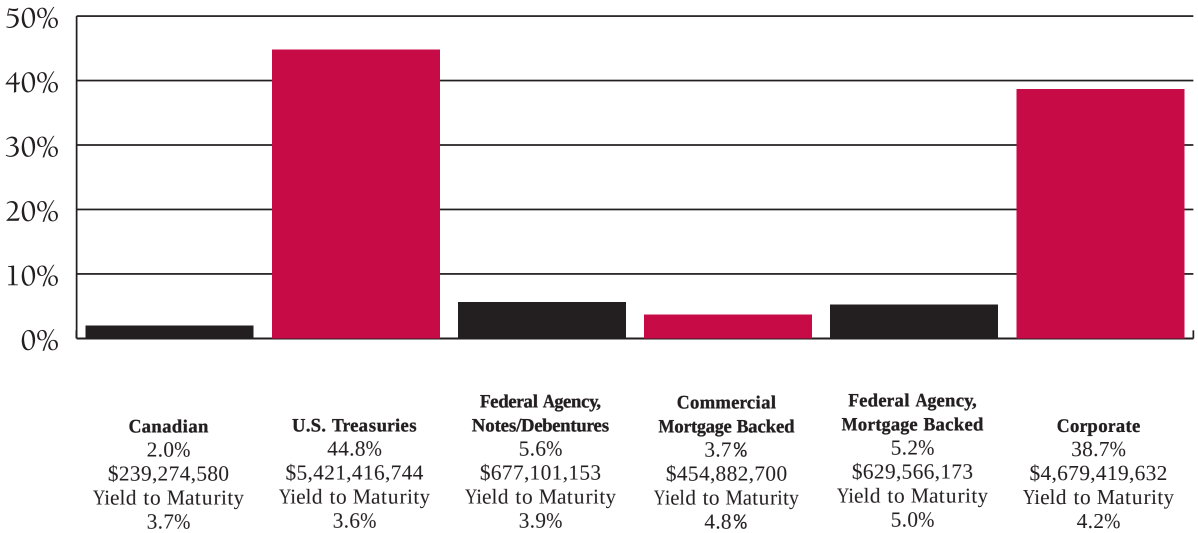
Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon Mobil	$ 323,853,035	$1,289,382,531	2.7%
2	Citigroup	260,263,920	1,057,785,720	2.2
3	General Electric	173,354,635	1,003,142,880	2.1
4	Microsoft	517,784,503	930,484,800	1.9
5	Pfizer	239,113,215	858,991,188	1.8
6	Bank of America	243,636,865	787,209,113	1.6
7	Wal-Mart	305,351,758	688,011,504	1.4
8	American Int'l Group	264,077,783	645,054,348	1.3
9	Intel	111,126,692	567,564,854	1.2
10	IBM	199,282,454	558,230,326	1.1
	Total	**$2,637,844,860**	**$8,385,857,264**	**17.3%**

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

Domestic Fixed Income Sector Distribution—June 30, 2004

$12,101,660,982

Yield to Maturity—3.9%



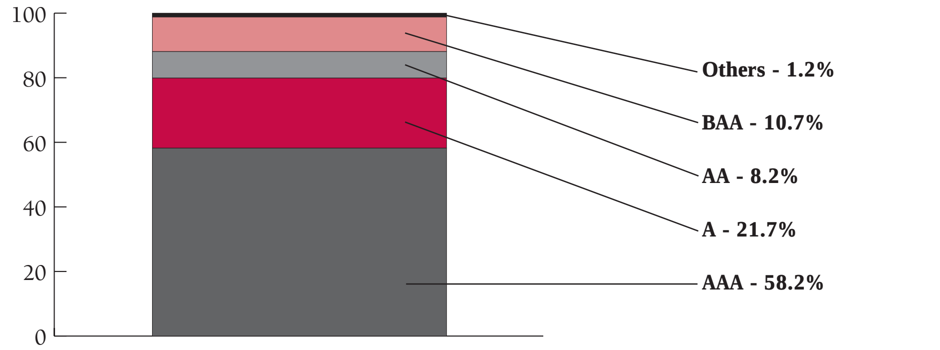
Ten Largest Domestic Fixed Income Holdings—June 30, 2004

Rank Income	Issue	Market Value	Percent of Fixed Income
1	U.S. Treasury Strips (Principal) Due 8/15/08	$ 938,469,400	7.8%
2	U.S. Treasury Strips (Principal) Due 11/15/09	561,684,900	4.6
3	U.S. Treasury Strips (Principal) Due 5/15/06	415,578,911	3.4
4	U.S. Treasury Strips (Coupon) Due 11/15/10	382,699,500	3.2
5	U.S. Treasury Strips (Principal) Due 11/15/06	367,015,176	3.0
6	U.S. Treasury Strips (Principal) Due 11/15/07	281,790,598	2.3
7	U.S. Treasury Strips (Coupon) Due 5/15/11	259,171,150	2.1
8	U.S. Treasury Strips (Coupon) Due 11/15/05	242,145,250	2.0
9	U.S. Treasury Strips (Coupon) Due 2/15/08	217,253,917	1.8
10	U.S. Treasury Strips (Coupon) Due 11/15/11	179,947,750	1.5
	Total	**$3,845,756,552**	**31.7%**

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

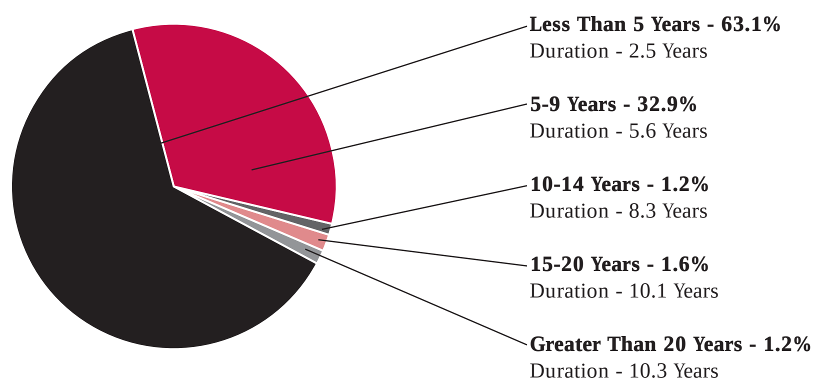
Investments

Domestic Fixed Income Quality Distribution—June 30, 2004



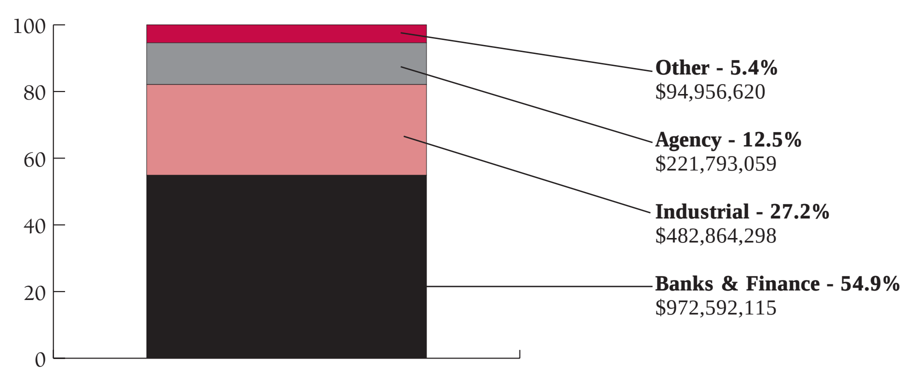
Domestic Fixed Income Average Maturity—June 30, 2004

Duration 3.8 Years



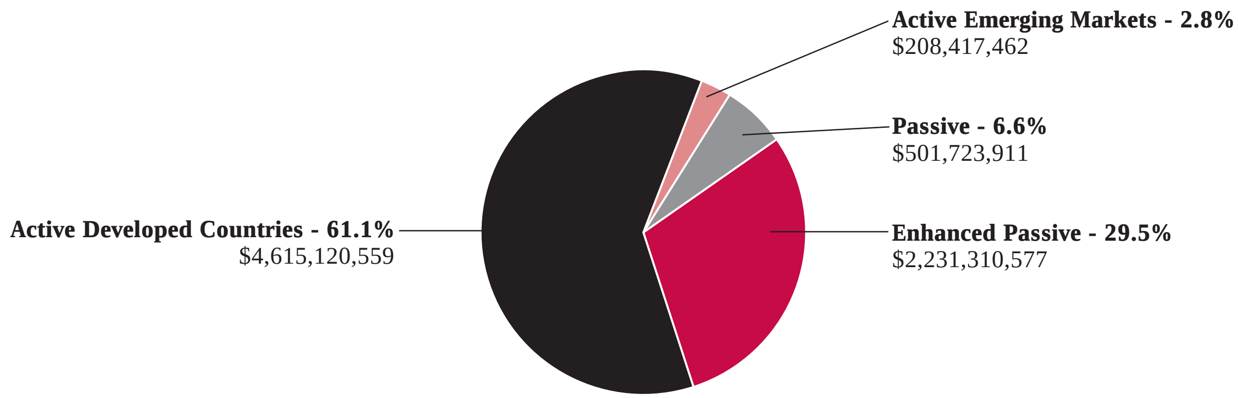
Short-term Sector Distribution—June 30, 2004

$1,772,206,092



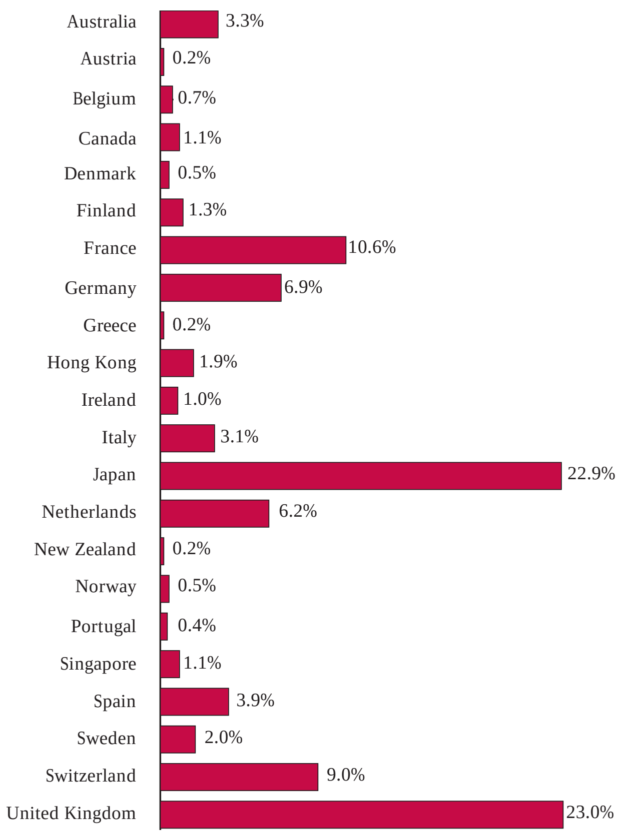
International Equity Style Distribution—June 30, 2004

$7,556,572,509

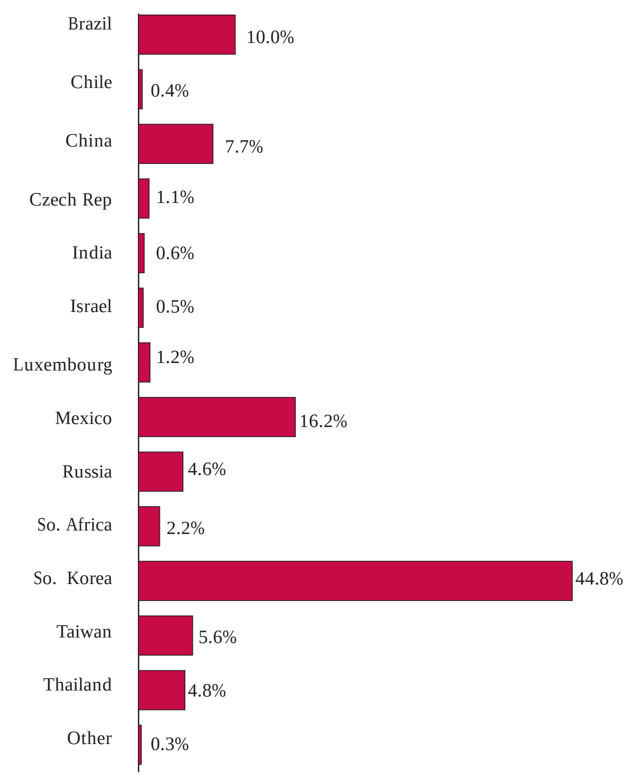


International Equity Exposure—June 30, 2004

Developed Countries *Percentage of Portfolio*
$7,348,155,047

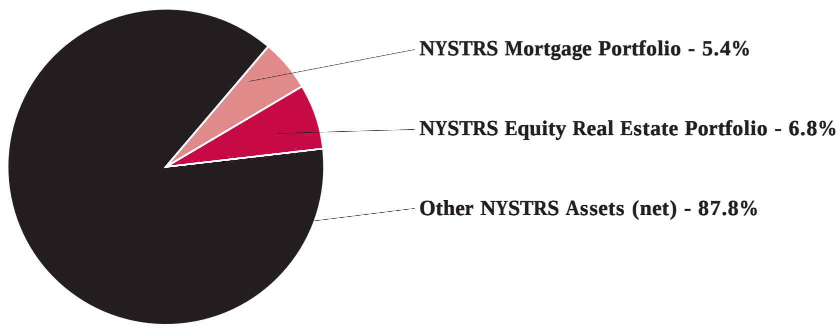


Emerging Markets *Percentage of Portfolio*
$208,417,462

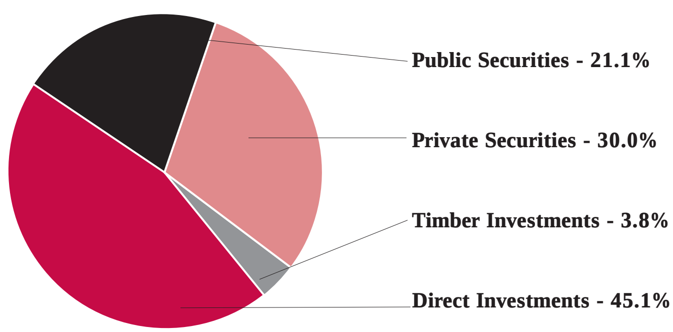


Investments

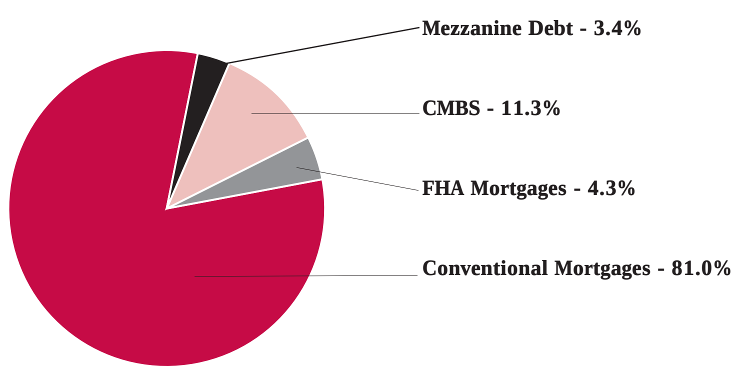
Real Estate as a Percentage of NYSTRS Total Net Assets—June 30, 2004



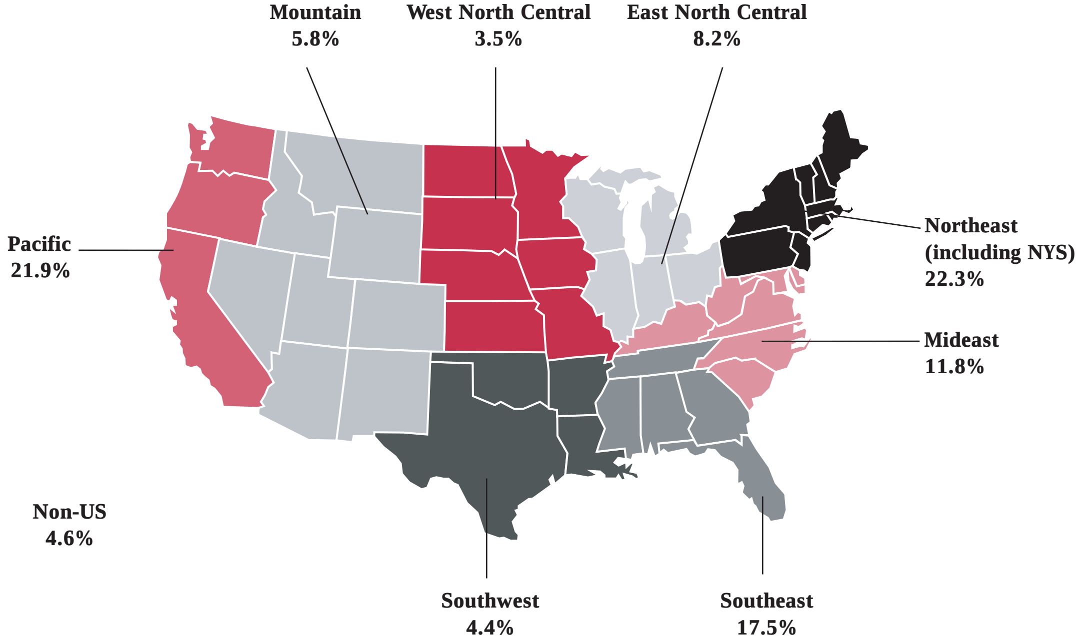
Breakdown of Real Estate Equity Portfolio—June 30, 2004



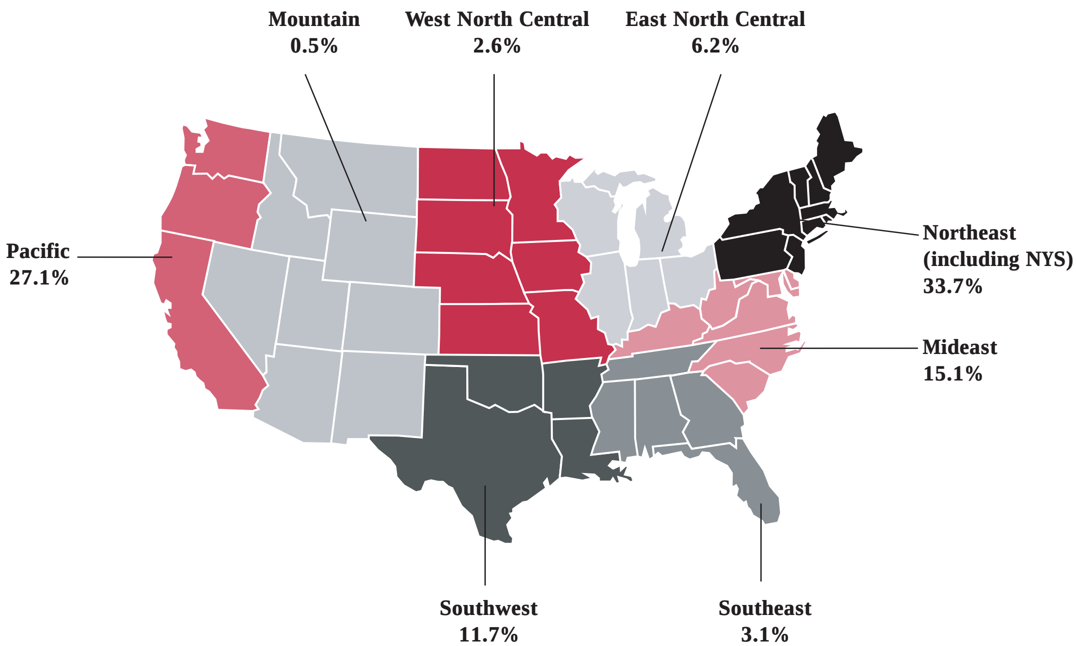
Breakdown of Mortgage Portfolio—June 30, 2004



Geographic Distribution of the Real Estate Equity Portfolio—June 30, 2004



Geographic Distribution of the Mortgage Portfolio—June 30, 2004



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 2003-2004. Exactly 4,900 proposals were voted, representing more than 1,600 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 (4,290)

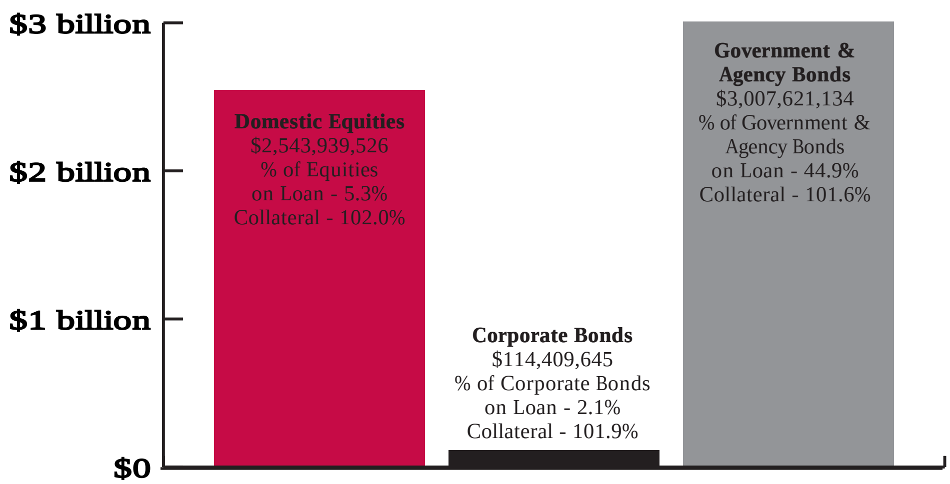
Yes	*93.7%*
No	*6.3%*

Shareholder Proposals (610)

Yes	*44.9%*
No	*55.1%*

Securities Lending Program—June 30, 2004

Value on Loan - $5,665,970,305



Investment Advisory Committee

External Investment Managers

DOMESTIC EQUITIES:

Active Large Cap
Iridian Asset Management LLC (Value)
Montag & Caldwell, Inc. (Growth) *(terminated 4/04)*

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

INTERNATIONAL EQUITIES:

Active
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.
Mercator Asset Management, L. P.
Morgan Stanley Investment Management
Putnam Fiduciary Trust Co. *(terminated 10/03)*

Passive/Enhanced
Alliance Capital Management L.P. *(terminated 1/04)*
Barclays Global Investors
Merrill Lynch Asset Management
State Street Global Advisors *(hired 2/04)*

CUSTODIAN:
State Street Bank & Trust Co.

SECURITIES LENDING:
State Street Bank & Trust Co.

External Investment Managers
(continued)

PRIVATE EQUITY—LIMITED PARTNERSHIPS:

Abbott Select Buyouts
ABRY Mezzanine Partners
Apex V
Apollo Real Estate Investment Fund IV
Blackstone Capital Partners IV
Charterhouse Capital Partners VII
Chisholm Partners II
Chisholm Partners III
Chisholm Partners IV
Cinven III
Clayton Dubilier & Rice VI
Close Brothers Private Equity Fund VII
Compass Partners International
CSFB Strategic Partners II
DLJ Merchant Banking Partners III
Excelsior II
Fairview Ventures Fund II
GTCR Fund VIII
HarbourVest VII-Mezzanine Fund
HarbourVest VII-Venture Fund
HarbourVest International Private Equity Partners IV
HarbourVest Partners VI
Hellman & Friedman Capital Partners III, L.P.
Hellman & Friedman Capital Partners IV, L.P.
Hellman & Friedman Capital Partners V, L.P.
Horsley Bridge Fund VII
JP Morgan Venture Capital II
Kelso Investment Associates VII
Lexington Capital Partners V
Lexington Middle Market Investors
Madison Dearborn Capital Partners IV
Nautic V
Olympus Growth Fund IV
Parish Capital Buyout Fund I
P123
Silverlake Partners II
Technology Crossover Ventures TCV IV
Technology Crossover Ventures TCV V
Texas Pacific Group TPG III
Texas Pacific Group TPG IV
T. H. Lee Equity Partners V
TSG4 (The Shansby Group)
VantagePoint NY Venture Partners
VantagePoint Venture Partners IV
VCFA Private Equity Partners IV
Warburg Pincus Private Equity VIII
Welsh, Carson, Anderson & Stowe IX

Real Estate Advisory Committee

HERMAN BULLS
President & Chief Executive Officer
Bulls Advisory Group, LLC
Fairfax Station, Virginia

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

Actuarial

Actuarial Certification Letter

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

Office of the Actuary
(518) 447-2611

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

August 31, 2004

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, 2003. 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 2003 Legislative Session that had a significant impact on plan funding. The capital markets produced a market value rate of return of 4.0% for the fiscal year ending June 30, 2003. This is the fourth consecutive year that the market value rate of return is less than the assumed actuarial valuation rate of return of 8.0%. The five-year market value rate of return is 2.2% as of June 30, 2003. Additionally, the Retirement System's liabilities continue to grow each year as existing members get closer to retirement, and new members join. The June 30, 2003 actuarial valuation produced a required employer contribution rate of 5.63% of payroll. It is likely that this rate will continue to increase over the next several years due to the factors mentioned above.

The plan's funded ratio as of June 30, 2003 was 99.4%. 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 Governmental 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

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

cc: G. Philip

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.
Morgan Stanley
Sentinel Real Estate Corporation

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

COMMINGLED:
Angelo, Gordon & Co.
Blackacre Institutional Capital Management, LLC
CB Richard Ellis Investors, LLC
Cabot Properties, Inc.
CIGNA Realty Investors
Cornerstone Real Estate Advisers
Essex Property Trust, Inc.
Global Forest Partners
Hines Interests
Landmark Partners, Inc.
Macquarie Global Property Advisors
Morgan Stanley
Lone Star Funds
O'Connor Capital Partners
Prudential Real Estate Investors
Rockpoint Group, LLC
Rockwood Capital Corporation
SSR Realty Advisors
Starwood Capital Group LLC
The Westbrook Group, LLC
UBS Realty Investors LLC
Westbrook Partners LLC

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

INVESCO Private Capital
Denver, Colorado

Russell Real Estate Advisors, Inc.
San Diego, California

Summary of Actuarial Methods and Assumptions—June 30, 2003

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 the 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)

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

Demographic:

Mortality: (Deaths per 10,000 lives)

Active Members (10/00)

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

Retired Members and Beneficiaries (10/00)

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

Disabled Members (10/00)

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

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

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

Service Retirement: (10/00)

	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	
Age	Female	Male	Female	Male
55	26.31%	27.74%	6.58%	4.16%
60	22.06	27.14	5.52	4.07
65	33.31	42.86	-	-
70	28.70	28.83	-	-

Disability Retirement: (10/00)

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

The Actuary's Valuation Balance Sheet—June 30, 2003

(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, 2003.

Assets

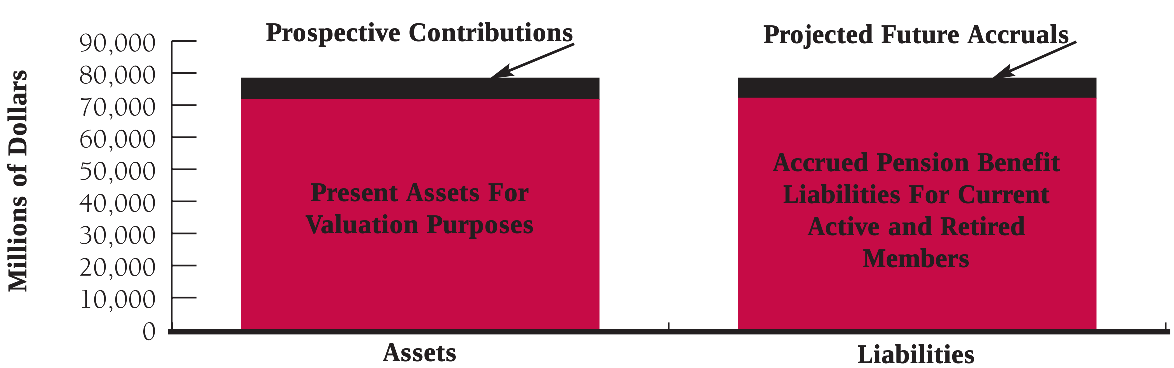
Present Assets of System for Valuation Purposes*	$71,780,390
Present Value of Prospective Contributions to Pension Accumulation Fund:	
from Employer Contributions	6,067,309
from Member Contributions	608,271
Total Assets	$78,455,970

Liabilities

Present Value of Future Benefits to:	
Retired Members and Beneficiaries	$34,212,049
Active Members	44,173,380
Member Contributions Accumulated to Date	
in the Annuity Savings Fund	60,559
Benefits Due and Unpaid	9,982
Total Liabilities	$78,455,970

**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, 2003



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.

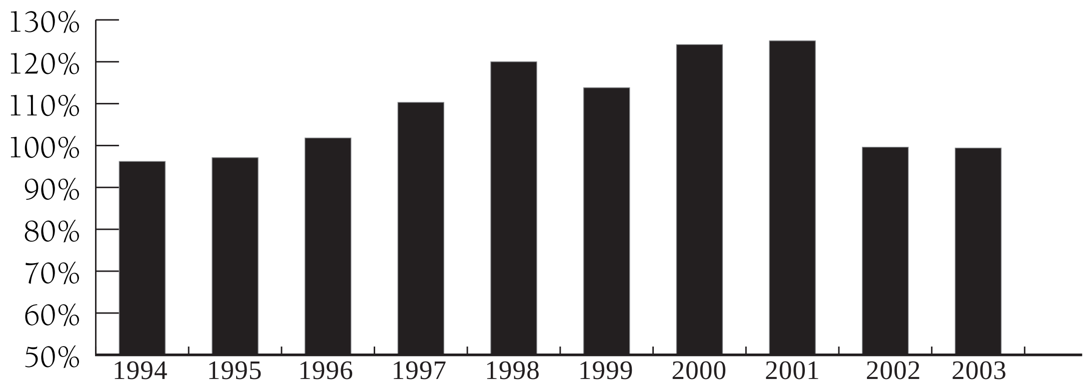
NYSTRS' funding method has allowed the accumulation of assets sufficient for the funding of its liabilities in a systematic and reasonable manner.

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
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
2003	71,780.4	72,209.4	99.4

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



History of Member Payroll and the Employer Contribution Rate

Fiscal Year Ending June 30	Active Members	Annual Member Payroll (in millions)	Percent Increase In Annual Member Payroll	Average Full-Time Member Salary	Employer Contribution Rate (percent of payroll)
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	11,427.1	2.3	58,497	0.36
2004	254,515	11,887.2*	4.0*	not available	2.52

*Estimated

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

Fiscal Year	Number of Retired Members and Beneficiaries: Added During the Year	Number of Retired Members and Beneficiaries: Removed During the Year	Annual Benefit of Retired Members and Beneficiaries: Added During the Year	Annual Benefit of Retired Members and Beneficiaries: Removed During the Year	Total Number of Retired Members and Beneficiaries	Total Annual Benefit	Percentage Increase in Total Annual Benefit	Average Annual Benefit
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
2004	7,668	4,730	360,221,128	70,176,373	121,246	3,961,565,313	7.90	32,674

*Computed on the Maximum annual benefit, including supplementation and COLA.

Deloitte.

Deloitte Consulting LLP
Two Hilton Court
Parsippany, NJ 07054-0319
USA

Tel: 937-683-7000
Fax: 937-683-7459
www.deloitte.com

August 13, 2004

Retirement Board
New York State Teachers' Retirement System:

The New York State Teachers' Retirement System (the "System"), as part of the independent financial statement audit, has requested that Deloitte Consulting LLP examine the actuarial assumptions, methods and procedures used by the 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 System's Actuarial Valuation Report as of June 30, 2002 and the resultant employer contribution rate of 2.52% applied to the payroll for the fiscal year ended June 30, 2004.
- A review of the methodology used to estimate the payroll as of June 30, 2004, and the employer and employee contributions receivable as of June 30, 2004.
- A review of the System's Experience Studies as of June 30, 2002 and 2003, 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 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, 2004, with the requirements of Statement No. 25 of the Governmental Accounting Standards Board.

In my opinion, the methods, procedures and actuarial assumptions used by the System have been developed with appropriate oversight and judgement by the 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,

John T. Stokesbury

Deloitte Consulting LLP
John T. Stokesbury FSA, MAAA, FCA, EA
Director

Statistical

ELECTORAL COLLEGE
TEXAS
NEW YORK
FLORIDA

Statistical

Active Members

	Men	Women	**Total**
July 1, 2003	62,854	184,393	**247,247**
Changes During Year:			
Added	4,306	14,165	**18,471**
Withdrawn	976	2,782	**3,758**
Retired	2,439	4,848	**7,287**
Died	56	102	**158**
Total Membership July 1, 2004	63,689	190,826	**254,515**

Members Retired for:

	Service			Vesting			Disability			**Total**		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	**Men**	**Women**	**Total**
July 1, 2003	41,064	63,898	104,962	2,925	4,049	6,974	573	1,342	1,915	**44,562**	**69,289**	**113,851**
Changes During Year:												
Retired	2,285	4,426	6,711	131	309	440	23	113	136*	**2,439**	**4,848**	**7,287**
Died	891	1,689	2,580	43	55	98	35	79	114	**969**	**1,823**	**2,792**
Lump Sum	187	531	718	306	475	781	0	0	0	**493**	**1,006**	**1,499**
Restored to Active Membership	0	0	0	0	0	0	2	3	5	**2**	**3**	**5**
July 1, 2004	42,271	66,104	108,375	2,707	3,828	6,535	559	1,373	1,932**	**45,537**	**71,305**	**116,842**

Beneficiaries of Deceased:

	Service Annuitants			Disability Annuitants			Active Members			**Total**		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	**Men**	**Women**	**Total**
July 1, 2003	737	3,058	3,795	74	177	251	69	342	411	**880**	**3,577**	**4,457**
Changes During Year:												
Added	100	265	365	6	10	16	0	0	0	**106**	**275**	**381**
Died	48	155	203	2	5	7	5	12	17	**55**	**172**	**227**
Lump Sum	33	54	87	0	2	2	29	89	118	**62**	**145**	**207**
July 1, 2004	756	3,114	3,870	78	180	258	35	241	276	**869**	**3,535**	**4,404**

Summary

	Men	Women	**Total**
Active Members	63,689	190,826	**254,515**
Retired Members	45,537	71,305	**116,842**
Beneficiaries	869	3,535	**4,404**
Total	110,095	265,666	**375,761**

**Includes 3 men and 11 women retired for disability who receive a service benefit.*
***Includes 50 men and 67 women retired for disability who receive a service benefit.*

Members and Annuitants 1922-2004

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	2004	254,515	121,246

Number of Active Members by Tier

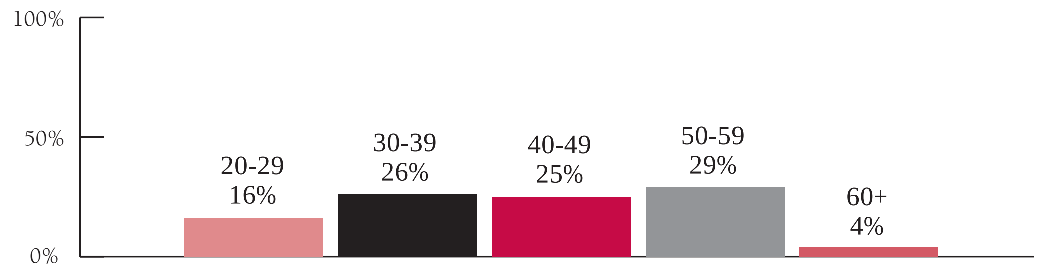
As of June 30	*Tier 1*	*Tier 2*	*Tier 3*	*Tier 4*	*Total*
1985	106,602	22,082	36,705	13,127	178,516
1986	101,060	20,736	34,691	22,761	179,248
1987	96,334	19,878	32,906	33,137	182,255
1988	92,858	19,809	32,095	43,171	187,933
1989	88,984	19,092	30,720	52,957	191,753
1990	85,103	18,590	29,422	62,079	195,194
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
2004	22,986	13,947	18,835	198,747	254,515

Distribution of Active Members by Age and Years of Service*
as of June 30, 2003

AGE		Years of Service: 0-5	6-10	11-15	16-20	21-25
20-24	**Number of Members**	**7,883**	**1**	**0**	**0**	**0**
	Average Salary	*$34,605*	*$23,073*	*$0*	*$0*	*$0*
25-29	**Number of Members**	**30,081**	**1,906**	**0**	**0**	**0**
	Average Salary	*$42,178*	*$50,330*	*$0*	*$0*	*$0*
30-34	**Number of Members**	**21,212**	**13,520**	**1,030**	**0**	**0**
	Average Salary	*$45,325*	*$53,039*	*$55,081*	*$0*	*$0*
35-39	**Number of Members**	**12,150**	**8,696**	**7,683**	**1,076**	**0**
	Average Salary	*$43,623*	*$54,483*	*$60,047*	*$63,368*	*$0*
40-44	**Number of Members**	**10,871**	**5,323**	**5,414**	**6,640**	**705**
	Average Salary	*$40,190*	*$50,969*	*$61,165*	*$66,623*	*$68,415*
45-49	**Number of Members**	**9,906**	**5,212**	**4,742**	**5,237**	**5,599**
	Average Salary	*$40,312*	*$49,134*	*$59,217*	*$67,955*	*$72,722*
50-54	**Number of Members**	**6,816**	**4,832**	**6,222**	**5,874**	**5,728**
	Average Salary	*$42,084*	*$49,597*	*$58,301*	*$66,942*	*$74,650*
55-59	**Number of Members**	**3,411**	**1,907**	**2,977**	**3,685**	**3,524**
	Average Salary	*$43,857*	*$47,897*	*$57,752*	*$64,995*	*$73,716*
60-64	**Number of Members**	**1,270**	**563**	**781**	**1,152**	**1,193**
	Average Salary	*$44,772*	*$49,723*	*$54,970*	*$65,791*	*$73,959*
65-69	**Number of Members**	**378**	**131**	**134**	**187**	**182**
	Average Salary	*$41,329*	*$44,785*	*$50,232*	*$66,536*	*$67,587*
70+	**Number of Members**	**202**	**52**	**43**	**46**	**50**
	Average Salary	*$26,447*	*$29,105*	*$43,994*	*$51,060*	*$75,474*
Total	**Number of Members**	**104,180**	**42,143**	**29,026**	**23,897**	**16,981**
	Average Salary	*$42,148*	*$51,795*	*$59,192*	*$66,523*	*$73,416*

** Average salary data is for the 185,788 members who earned a full year of service.*

Distribution of Active Members by Age—June 30, 2003



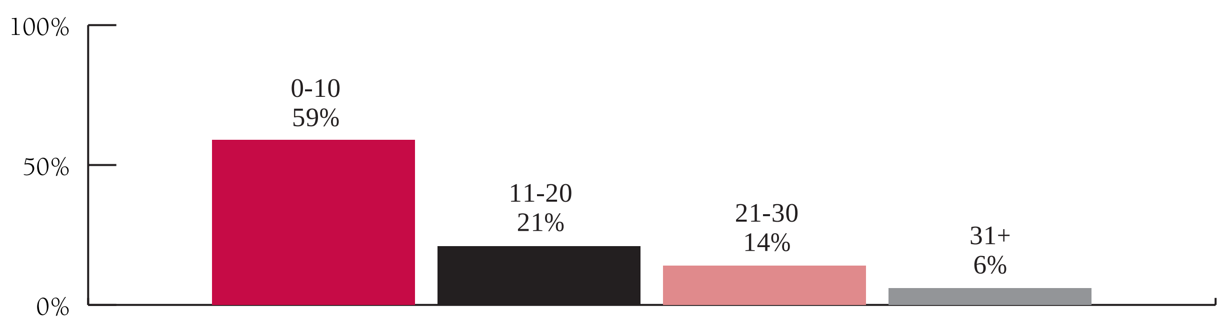
Averages—June 30, 2003

	Age	Years of Service
Female	42	10
Male	42	12

Years of Service

26-30	31-35	36-40	41-45	46-50	51-55	Total
0	**0**	**0**	**0**	**0**	**0**	**7,884**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$34,602*
0	**0**	**0**	**0**	**0**	**0**	**31,987**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$42,827*
0	**0**	**0**	**0**	**0**	**0**	**35,762**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$49,257*
0	**0**	**0**	**0**	**0**	**0**	**29,605**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$53,459*
1	**0**	**0**	**0**	**0**	**0**	**28,954**
$88,098	*$0*	*$0*	*$0*	*$0*	*$0*	*$55,533*
1,089	**4**	**0**	**0**	**0**	**0**	**31,789**
$75,750	*$80,123*	*$0*	*$0*	*$0*	*$0*	*$59,116*
10,943	**3,612**	**9**	**0**	**0**	**0**	**44,036**
$79,505	*$83,801*	*$104,396*	*$0*	*$0*	*$0*	*$68,586*
3,972	**7,579**	**639**	**0**	**0**	**0**	**27,694**
$81,775	*$87,456*	*$94,499*	*$0*	*$0*	*$0*	*$74,311*
998	**711**	**779**	**66**	**0**	**0**	**7,513**
$79,121	*$87,107*	*$93,980*	*$92,167*	*$0*	*$0*	*$72,702*
161	**114**	**97**	**76**	**10**	**0**	**1,470**
$75,256	*$86,190*	*$93,460*	*$95,328*	*$92,825*	*$0*	*$70,622*
43	**28**	**28**	**21**	**27**	**13**	**553**
$64,779	*$84,802*	*$92,613*	*$95,304*	*$91,520*	*$92,531*	*$68,461*
17,207	**12,048**	**1,552**	**163**	**37**	**13**	**247,247**
$79,692	*$86,318*	*$94,200*	*$94,037*	*$91,882*	*$92,531*	*$58,497*

Distribution of Active Members by Service—June 30, 2003



Members Retired in 2003-2004 for:

	Service	Disability	Vesting
Number Retired	**6,725**	**122**	**440**
Age at Retirement:			
Average	57 yrs., 9 mos.	51 yrs., 7 mos.	55 yrs., 7 mos.
Median	56 yrs., 3 mos.	52 yrs., 3 mos.	55 yrs., 0 mos.
Years of Service:			
Average	29 yrs., 8 mos.	19 yrs., 5 mos.	14 yrs., 4 mos.
Median	33 yrs., 1 mo.	17 yrs., 2 mos.	13 yrs., 0 mos.
*Benefit:			
Average	$47,520.01	$22,684.68	$ 7,516.51
Median	$49,924.68	$20,950.92	$ 4,184.76
Final Average Salary:			
Average	$75,597.70	$59,784.56	$30,027.43
Median	$76,364.23	$60,327.50	$25,881.88
**Benefit as % of FAS:			
Average	58.62%	36.93%	21.02%
Median	66.22%	33.33%	16.33%

Members Retired in 2003-2004 for Service with:

	Less Than 20 Yrs. N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**904**	**3,455**	**2,366**
Age at Retirement:			
Average	59 yrs., 6 mos.	57 yrs., 6 mos.	57 yrs., 6 mos.
Median	58 yrs., 3 mos.	55 yrs., 10 mos.	56 yrs., 4 mos.
Years of Service:			
Average	12 yrs., 6 mos.	29 yrs., 8 mos.	36 yrs., 6 mos.
Median	13 yrs., 1 mo.	31 yrs., 2 mos.	36 yrs., 0 mos.
*Benefit:			
Average	$ 8,004.90	$45,908.41	$64,971.29
Median	$ 5,413.20	$45,843.24	$62,775.60
Final Average Salary:			
Average	$37,164.05	$76,508.14	$88,952.90
Median	$32,521.34	$75,299.61	$85,675.93
**Benefit as % of FAS:			
Average	19.07%	59.16%	72.95%
Median	17.96%	62.44%	72.00%

**The Maximum, even though the member may have chosen an option.*
***The average and median of individual benefits as percentages of final average salary.*

All Retirees as of June 30, 2004 Retired for:

	Service	Disability	Vesting
Number Retired	**108,492**	**1,815**	**6,535**
Age at Retirement:			
Average	58 yrs., 5 mos.	48 yrs., 9 mos.	55 yrs., 8 mos.
Median	57 yrs., 3 mos.	49 yrs., 8 mos.	55 yrs., 0 mos.
Years of Service:			
Average	28 yrs., 7 mos.	19 yrs., 2 mos.	15 yrs., 2 mos.
Median	30 yrs., 5 mos.	18 yrs., 7 mos.	14 yrs., 3 mos.
*Benefit:			
Average	$32,580.20	$15,339.63	$ 6,271.30
Median	$30,890.40	$13,325.76	$ 4,118.40
Final Average Salary:			
Average	$54,067.47	$40,552.53	$23,103.83
Median	$54,167.67	$39,255.28	$20,672.24
**Benefit as % of FAS:			
Average	56.35%	36.58%	24.71%
Median	60.44%	33.86%	21.51%

All Retirees as of June 30, 2004 Retired for Service with:

	Less Than 20 Yrs. N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**14,636**	**69,343**	**24,513**
Age at Retirement:			
Average	59 yrs., 5 mos.	58 yrs., 0 mos.	58 yrs., 11 mos.
Median	58 yrs., 6 mos.	56 yrs., 7 mos.	58 yrs., 3 mos.
Years of Service:			
Average	15 yrs., 1 mo.	28 yrs., 7 mos.	37 yrs., 2 mos.
Median	15 yrs., 5 mos.	29 yrs., 6 mos.	36 yrs., 6 mos.
*Benefit:			
Average	$ 7,456.41	$31,366.99	$51,012.84
Median	$ 6,079.56	$29,887.20	$51,098.52
Final Average Salary:			
Average	$30,081.68	$53,792.46	$69,166.67
Median	$25,148.70	$53,567.97	$69,461.00
**Benefit as % of FAS:			
Average	24.40%	56.97%	73.67%
Median	23.83%	58.67%	73.00%

**The Maximum, even though the member may have chosen an option.*
***The average and median of individual benefits as percentages of final average salary.*

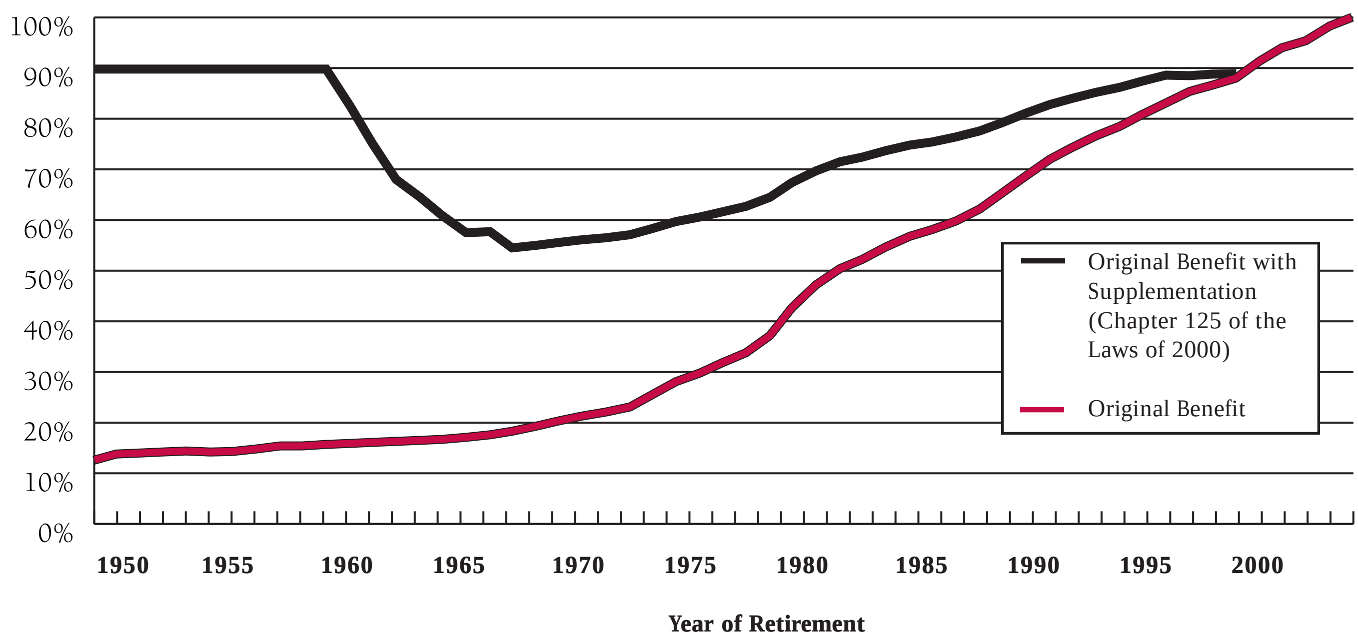
Distribution of Retired Members and Beneficiaries by Tier—June 30, 2004

	Tier 1	Tier 2	Tier 3		Tier 4	Total
Members Retired for:						
Service	97,504	4,585	3,342	(269)*	2,944	108,375
Vesting	6,129	225	137	(6)*	44	6,535
Disability	1,241	195	224	(32)*	272	1,932
Beneficiaries of Deceased:						
Service Annuitants	3,721	85	41	(5)*	23	3,870
Disability Annuitants	198	24	25	(7)*	11	258
Active Members	273	2	1	(0)*	0	276
Total	109,066	5,116	3,770	(319)*	3,294	121,246

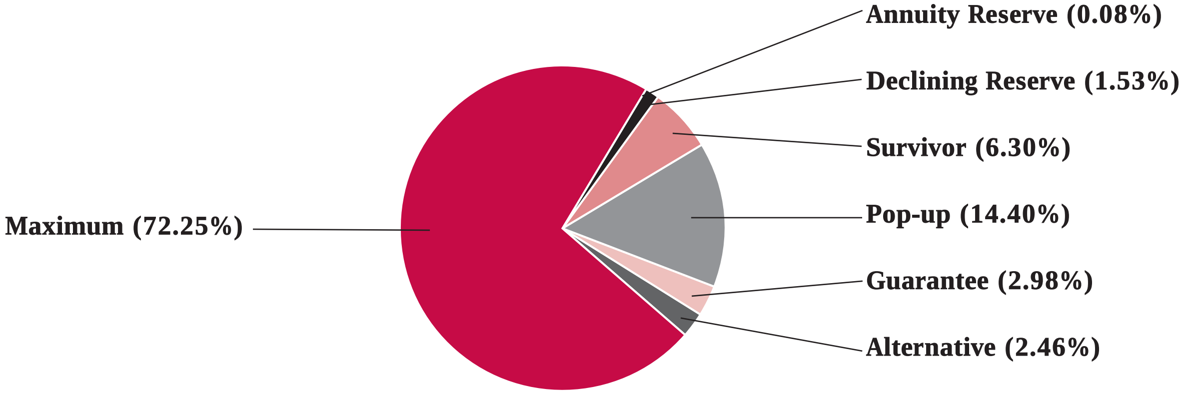
**Those receiving an Article 14 (Tier 3) benefit. The remainder are receiving an Article 15 (Tier 4) benefit. Tier 3 members receive the better of the two benefits.*

Retired Members—Remaining Purchasing Power Through 2004

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 2004, in accordance with Chapter 125 of the Laws of 2000.



Retirement Benefit Options and Percent of Election 2000-2004 Retirees



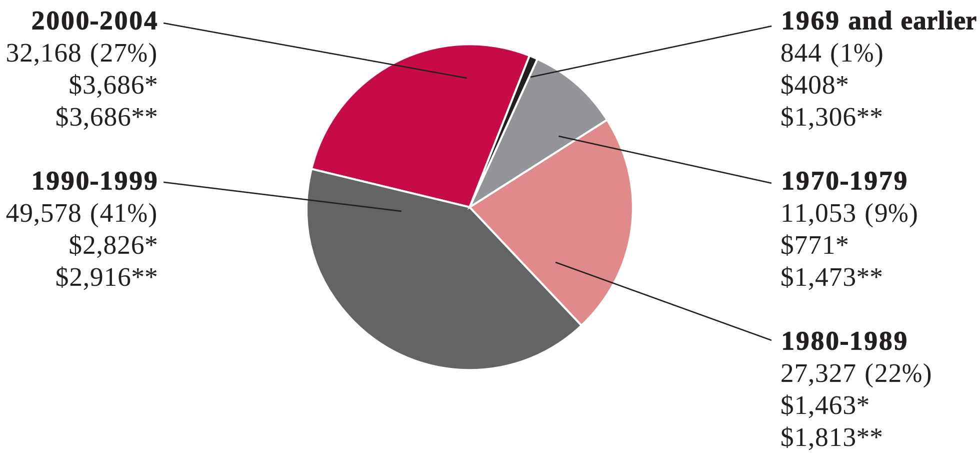
Retired Members' Characteristics by Year of Retirement*

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
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
2004	7,287	57–9	29–8	75,598	47,520

**Averages are for service retirees only.*

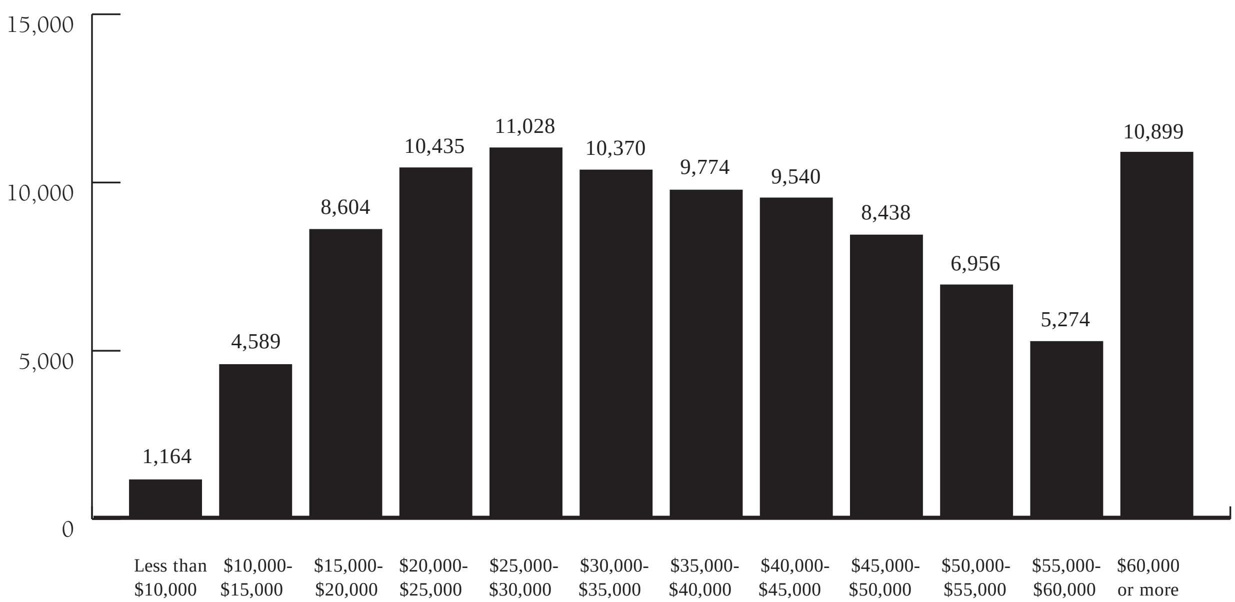
Statistical

Number of Retired Members and Monthly Benefits by Decade of Retirement—June 30, 2004



**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, 2004



**Maximum annual retirement benefit including supplementation and COLA.*

Distribution of Monthly COLA Increase Commencing September 2004

Monthly COLA Increase	Number of Retired Members and Beneficiaries
$15.00	55,341
$12.00 - $14.99	6,049
$ 9.00 - $11.99	4,935
$ 6.00 - $ 8.99	6,830
$ 3.00 - $ 5.99	4,393
$ 0.01 - $ 2.99	3,500
$0 (currently ineligible)	40,198
Total	**121,246**

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
2004	1.74%	1.0%	$18,000	$15.00	$76.50	$12.85	$64.61

Distribution of Cumulative Monthly COLA Commencing September 2004

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
$76.50	45,410
$66.50 - $76.49	4,677
$56.50 - $66.49	3,688
$46.50 - $56.49	6,796
$36.50 - $46.49	9,639
$26.50 - $36.49	2,830
$16.50 - $26.49	3,033
$ 6.50 - $16.49	3,956
$ 0.01 - $ 6.49	1,019
$0 (currently ineligible)	40,198
Total	**121,246**

Statistical

Revenues by Source

(dollars in thousands)

Fiscal Year	Net Investment Income	Employer Contributions	Employer Contributions to Finance Administrative Expenses	Member Contributions	Net Transfers	Total Revenues
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
2004	11,360,077	280,478	26,304	155,916	38,277	11,861,052

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

Expenses by Type

(dollars in thousands)

Fiscal Year	Retirement Benefit Payments	Beneficiary Payments	Return of Contributions	Administrative Expenses	Total Expenses
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
2004	3,866,108	54,537	16,744	38,937	3,976,326

Participating Employers

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

Participating Employers
(continued)

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

Participating Employers
(continued)

Hendrick Hudson CS
Herkimer CS
Herkimer County Com Col
Herkimer-Fulton-Hamilton-Otsego BOCES
Hermon Dekalb CS
Herricks UFS
Heuvelton CS
Hewlett Woodmere UFS
Hicksville PS
Highland CS
Highland Falls-Fort Montgomery CSD
Hilton CS
Hinsdale CS
Holland CS
Holland Patent CS
Holley CS
Homer CS
Honeoye CS
Honeoye Falls Lima CS
Hoosic Valley CS
Hoosick Falls CS
Hopevale UFS
Hornell City SD
Horseheads CS
Hudson City SD
Hudson Falls CS
Hudson Valley Com Col
Hunter Tannersville CS
Huntington UFS
Hyde Park CS
Ichabod Crane CS
Ilion CS
Indian Lake CS
Indian River CS
Inlet Common Schools
Iroquois CS
Irvington UFS
Island Park UFS
Island Trees UFS
Islip UFS
Ithaca City SD
Jamestown City SD
Jamestown Com Col
Jamesville Dewitt CS
Jasper-Troupsburg CS
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Jefferson CS
Jefferson Com Col
Jericho UFS
Johnsburg CS
Johnson City CS
Johnstown PS
Jordan-Elbridge CS
Katonah-Lewisboro UFSD
Keene CS
Kendall CS
Kenmore Town of Tonawanda UFSD
King Center Charter School
Kings Park CS
Kingston City SD
KIPP Sankofa Charter School
Kiryas Joel Village UFSD
La Fargeville CS
La Fayette CS
Lackawanna City SD
Lake George CS
Lake Placid CS
Lake Pleasant CS
Lake Shore CS
Lakeland CS
Lancaster CS
Lansing CS
Lansingburgh CS
Laurens CS
Lawrence UFS
Le Roy CS
Letchworth CS
Levittown UFS
Lewiston Porter CS
Liberty CS
Lindenhurst PS
Lisbon CS
Little Falls City SD
Little Flower UFSD at Wading River
Liverpool CS
Livingston Manor CS
Livonia CS
Lockport City SD
Locust Valley CS
Long Beach City SD
Long Lake CS
Longwood CSD at Middle Island
Lowville CS
Lyme CS
Lynbrook UFS
Lyncourt UFS
Lyndonville CS
Lyons CS
Madison CS
Madison-Oneida BOCES
Madrid Waddington CS
Mahopac CS
Maine Endwell CS
Malone CS
Malverne UFS
Mamaroneck UFS
Manchester-Shortsville CS
Manhasset UFS
Maplewood-Colonie Common School
Marathon CS
Marcellus CS
Margaretville CS
Marion CS
Marlboro CS
Massapequa PS
Massena CS
Mattituck-Cutchogue UFSD
Mayfield CS
McGraw CS
Mechanicville City SD
Medina CS
Menands UFS
Merrick UFS
Mexico CS
Middle Country CS
Middleburgh CS
Middletown City SD
Milford CS
Millbrook CS
Miller Place UFS
Mineola UFS
Minerva CS
Minisink Valley CS
Mohawk CS
Mohawk Valley Com Col
Monroe Woodbury CS
Monroe 1 BOCES
Monroe 2-Orleans BOCES
Monroe Com Col
Montauk UFS
Monticello CS
Moravia CS
Moriah CS
Morris CS
Morristown CS
Morrisville Eaton CS
Mount Markham CS
Mount Morris CS
Mt. Pleasant Blythedale UFSD
Mt. Pleasant Cottage UFS
Mount Pleasant CS
Mount Sinai UFS
Mount Vernon PS
Nanuet UFS
Naples CS
Nassau BOCES
Nassau Com Col
Nassau Co Vocational Board
New Covenant Charter School
New Hartford CS
New Hyde Park-Garden City Park UFSD

Participating Employers
(continued)

New Lebanon CS
New Paltz CS
New Rochelle City SD
New Suffolk Common Schools
New York Mills UFS
Newark CS
Newark Valley CS
Newburgh City SD
Newcomb CS
Newfane CS
Newfield CS
Niagara County Com Col
Niagara Falls City SD
Niagara Wheatfield CS
Niskayuna CS
North Babylon UFS
North Bellmore UFS
North Collins CS
North Colonie CS
North Country Com Col
North Greenbush Common Sch
North Merrick UFS
North Rose Wolcott CS
North Salem CS
North Shore CS
North Syracuse CS
North Tonawanda City SD
North Warren CS
Northeastern Clinton CS
Northern Adirondack CS
Northport-East Northport UFSD
Northville CS
Norwich City SD
Norwood Norfolk CS
Nyack UFS
NYS School for the Blind
NYS School for the Deaf
NYS Teachers' Ret System

Oakfield Alabama CS
Oceanside UFS
Odessa Montour CS
Ogdensburg City SD
Olean City SD
Oneida City SD
Oneida-Madison-Herkimer BOCES
Oneonta City SD
Onondaga CS
Onondaga Com Col
Onondaga-Cortland-Madison BOCES
Ontario-Seneca-Yates-Cayuga-Wayne BOCES
Onteora CS
Oppenheim Ephratah CS
Orange County Com Col
Orange-Ulster BOCES
Orchard Park CS
Oriskany CS
Orleans-Niagara BOCES
Ossining UFS
Oswego BOCES
Oswego City SD
Otego-Unadilla CS
Otsego-Delaware-Schoharie-Greene BOCES
Owego Apalachin CS
Owen D Young CS
Oxford Academy and CS
Oyster Bay-East Norwich CS
Oysterponds UFS
Palmyra-Macedon CS
Panama CS
Parishville Hopkinton CS
Patchogue-Medford UFS
Pavilion CS

Pawling CS
Pearl River UFS
Peekskill City SD
Pelham UFS
Pembroke CS
Penfield CS
Penn Yan CS
Perry CS
Peru CS
Phelps-Clifton Springs CS
Phoenix CS
Pine Bush CS
Pine Plains CS
Pinevalley CS South Dayton
Pinnacle Charter School
Pioneer CS
Piseco Common Schools
Pittsford CS
Plainedge UFS
Plainview-Old Bethpage CS
Plattsburgh City SD
Pleasantville UFS
Pocantico Hills CS
Poland CS
Port Byron CS
Port Chester Rye
Port Jefferson UFS
Port Jervis City SD
Port Washington UFS
Portville CS
Potsdam CS
Poughkeepsie City SD
Prattsburg CS
Pulaski Academy and CS
Putnam CS
Putnam Valley CS
Putnam-Westchester BOCES
Queensbury UFS

Quogue UFS
Ramapo CS
Randolph Academy UFS
Randolph CS
Raquette Lake UFS
Ravena-Coeymans-Selkirk CS
Red Creek CS
Red Hook CS
Remsen CS
Remsenburg-Speonk UFSD
Rensselaer City SD
Rensselaer-Columbia-Greene BOCES
Rhinebeck CS
Richfield Springs CS
Ripley CS
Riverhead CS
Riverhead Charter School
Rochester City SD
Rockland BOCES
Rockland Com Col
Rockville Centre UFSD
Rocky Point UFS
Rome City SD
Romulus CS
Rondout Valley CS
Roosevelt UFS
Roscoe CS
Roslyn PS
Rotterdam-Mohonasen CS
Roxbury CS
Royalton-Hartland CS
Rush Henrietta CS
Rye City SD
Rye Neck UFS
Sachem CS
Sackets Harbor CS
Sag Harbor UFS

Participating Employers
(continued)

Sagaponack Common Schools
Salamanca City SD
Salem CS
Salmon River CS
Sandy Creek CS
Saranac CS
Saranac Lake CS
Saratoga Springs City Schools
Saugerties CS
Sauquoit Valley CS
Sayville PS
Scarsdale UFS
Schalmont CS
Schenectady City SD
Schenectady County Com Col
Schenevus CS
Schodack CS
Schoharie CS
Schroon Lake CS
Schuyler-Chemung-Tioga BOCES
Schuylerville CS
Science and Technology Charter School
Scio CS
Scotia Glenville CS
Seaford PS
Seneca Falls CS
Sewanhaka CS
Sharon Springs CS
Shelter Island UFS
Shenendehowa CSD at Clifton Park
Sherburne Earlville CS
Sherman CS
Shoreham Wading River CS
Sidney CS
Silver Creek CS
Skaneateles CS
Smithtown CS
Sodus CS
Solvay UFS
Somers CS
South Buffalo Charter School
South Colonie CS
South Country CS
South Glens Falls CS
South Huntington UFSD
South Jefferson CS
South Kortright CS
South Lewis CS
South Manor UFS
South Orangetown CS
South Seneca CS
Southampton UFS
Southern Cayuga CS
Southold UFS
Southwestern CS
Spackenkill UFS
Spencer Van Etten CS
Spencerport CS
Springs UFS
Springville-Griffith Institute
St Johnsville CS
St Lawrence-Lewis BOCES
St Regis Falls CS
Stamford CS
Starpoint CS
State Ag & Ind School
Stepping Stone Academy Charter School
Steuben-Allegany BOCES
Stillwater CS
Stockbridge CS
Suffolk Co Vocational Board
Suffolk County Com Col
Suffolk 1 BOCES
Suffolk 3 BOCES
Sullivan BOCES
Sullivan County Com Col
Sullivan W at Cal-Jef-Yng-Nar CS
SUNY Alfred Ag and Tech
SUNY at Albany
SUNY at Binghamton
SUNY at Buffalo
SUNY at Stony Brook
SUNY at Stony Brook-Hospital
SUNY Canton Ag and Tech
SUNY Central Administration
SUNY Cobleskill Ag and Tech
SUNY College at Brockport
SUNY College at Buffalo
SUNY College of Ceramics at Alfred
SUNY College at Cortland
SUNY College of Environmental Science and Forestry
SUNY College at Fredonia
SUNY College at Geneseo
SUNY College at New Paltz
SUNY College at Old Westbury
SUNY College at Oneonta
SUNY College of Optometry
SUNY College at Oswego
SUNY College at Plattsburgh
SUNY College at Potsdam
SUNY College at Purchase
SUNY College of Technology
SUNY Delhi Ag & Tech
SUNY Empire State College
SUNY Farmingdale Ag & Tech
SUNY Health Science Center at Brooklyn
SUNY Health Science Center at Brooklyn-Hospital
SUNY Health Science Center at Syracuse
SUNY Health Science Center at Syracuse-Hospital
SUNY Maritime College
SUNY Morrisville Ag & Tech
Susquehanna Valley CS
Sweet Home CS
Syosset CS
Syracuse Academy of Science Charter School
Syracuse City SD
Tapestry Charter School
Thousand Islands CS
Three Village CS
Ticonderoga CS
Tioga CS
Tompkins-Cortland Com Col
Tompkins-Seneca-Tioga BOCES
Tonawanda City SD
Town of Webb UFS
Tri Valley CS
Troy City Schools
Trumansburg CS
Tuckahoe Common Schools
Tuckahoe UFSD
Tully CS
Tupper Lake CS
Tuxedo UFS
UFSD of the Tarrytowns
Ulster BOCES
Ulster County Com Col
Unadilla Valley CS
Union Springs CS
Union-Endicott CS
Uniondale PS
Utica City SD
Valhalla UFS
Valley CS
Valley Stream Central HS
Valley Stream #13 UFSD
Valley Stream UFSD 24
Valley Stream UFSD 30
Vernon-Verona-Sherrill CS
Vestal CS
Victor CS
Voorheesville CS
Wainscott Common Schools
Wallkill CS
Walton CS
Wantagh UFS
Wappingers CS
Warrensburg CS
Warsaw CS

Participating Employers
(continued)

Warwick Valley CS
Washington-Saratoga-Warren-Hamilton-Essex BOCES
Washingtonville CS
Waterford Halfmoon UFSD
Waterloo CS
Watertown City SD
Waterville CS
Watervliet City SD
Watkins Glen CS
Waverly CS
Wayland-Cohocton CS
Wayne CS
Webster CS
Webutuck CS
Weedsport CS
Wells CS
Wellsville CS
West Babylon UFS
West Canada Valley CS
West Genesee CS
West Hempstead UFS
West Irondequoit CS
West Islip UFS
West Park UFS
West Seneca CS
West Valley CS
Westbury UFS
Westchester 2 BOCES
Westchester Com Col
Westfield CS
Westhampton Beach UFSD
Westhill CS
Westmoreland CS
Westport CS
Wheatland Chili CS
Wheelerville UFS
White Plains City SD
Whitehall CS
Whitesboro CS
Whitesville CS
Whitney Point CS
William Floyd UFS
Williamson CS
Williamsville CS
Willsboro CS
Wilson CS
Windham Ashland Jewett CS
Windsor CS
Worcester CS
Wyandanch UFS
Wynantskill UFS
Wyoming CS
Yonkers PS
York CS
Yorktown CS

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