



New York State  
Teachers' Retirement System

# Comprehensive Annual Financial Report

Fiscal Year  
Ended  
June 30, 2005





*Comprehensive Annual Financial Report*  
Fiscal Year Ended June 30, 2005

*George M. Philip  
Executive Director and  
Chief Investment Officer*



*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.*

*NYS Teachers' Retirement System  
10 Corporate Woods Drive  
Albany, NY 12211-2395  
[www.nystrs.org](http://www.nystrs.org)*

*Prepared by NYSTRS Staff*

# Table of Contents



## Introduction

Board of Trustees .....	8
Executive Staff and Organizational Structure .....	9
Letter of Transmittal .....	10
President's Message .....	16
Summary of Benefits .....	17



## Financial

Independent Auditor's Report .....	24
Management's Discussion and Analysis .....	25
Basic Financial Statements .....	29
-Statements of Plan Net Assets	
-Statements of Changes in Plan Net Assets	
-Notes to Financial Statements	
Required Supplementary Information .....	39
Schedule of Administrative Expenses .....	40
Schedule of Investment Activity .....	41
Schedule of Investment Expenses .....	41



## Investments

Chief Investment Officer's Overview .....	44
Diversification of Investments .....	48
Asset Allocation .....	49
Annual Performance History .....	49
Investment Performance Results .....	50
Manager Investment Performance Results .....	51
Domestic Equity Distribution .....	53
Domestic Equity Externally Managed Style Distribution .....	53
Domestic Equity Holdings by Industry Distribution .....	54
Ten Largest Domestic Equity Holdings .....	55
Domestic Fixed Income Quality Distribution .....	55
Domestic Fixed Income Average Maturity .....	56
Short-term Sector Distribution .....	56
International Equity Style Distribution .....	57
International Equity Exposure .....	57
Real Estate as a Percentage of NYSTRS' Total Net Assets .....	58
Breakdown of Real Estate Equity Portfolio .....	58
Breakdown of Mortgage Portfolio .....	58
Geographic Distribution of the Real Estate Equity Portfolio .....	59
Geographic Distribution of the Mortgage Portfolio .....	59
Corporate Governance (including Management and Shareholder Proposals) .....	60
Securities Lending Program .....	60
Investment Advisors, Managers and Consultants .....	61

# Table of Contents



## Actuarial

Actuarial Certification Letter .....	66
Actuarial Methods and Assumptions .....	67
Actuary's Valuation Balance Sheet .....	68
Comparison of Assets and Liabilities .....	68
Funding Progress .....	69
-Analysis of Funding Progress in Conformity with the Retirement System's Funding Method	
-Percent Funded Measured in Conformity with the Retirement System's Funding Method	
History of Member Payroll and the Employer Contribution Rate .....	70
Benefit Payroll Additions and Deletions .....	70
Independent Actuarial Review .....	71



## Statistical

Number of Active and Retired Members .....	74
Members and Annuitants 1922-2005 .....	75
Number of Active Members by Tier .....	75
Distribution of Active Members by Age and Service .....	76
Retirement Statistics .....	78
Distribution of Retired Members and Beneficiaries by Tier .....	80
Retired Members—Remaining Purchasing Power Through 2005 .....	80
Retirement Benefit Options and Percent of Election .....	81
Retired Members' Characteristics by Year of Retirement .....	81
Retired Members and Monthly Benefits by Decade .....	82
Distribution of Annual Benefit of Retired Members with 20 or More Years of Total Service .....	82
Distribution of Monthly COLA Increase .....	83
Distribution of Cumulative Monthly COLA .....	83
Revenues by Source .....	84
Expenses by Type .....	84
Participating Employers .....	85

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, 2004

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. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



**Public Pension Coordinating Council**  
**Public Pension Standards**  
**2004 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)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

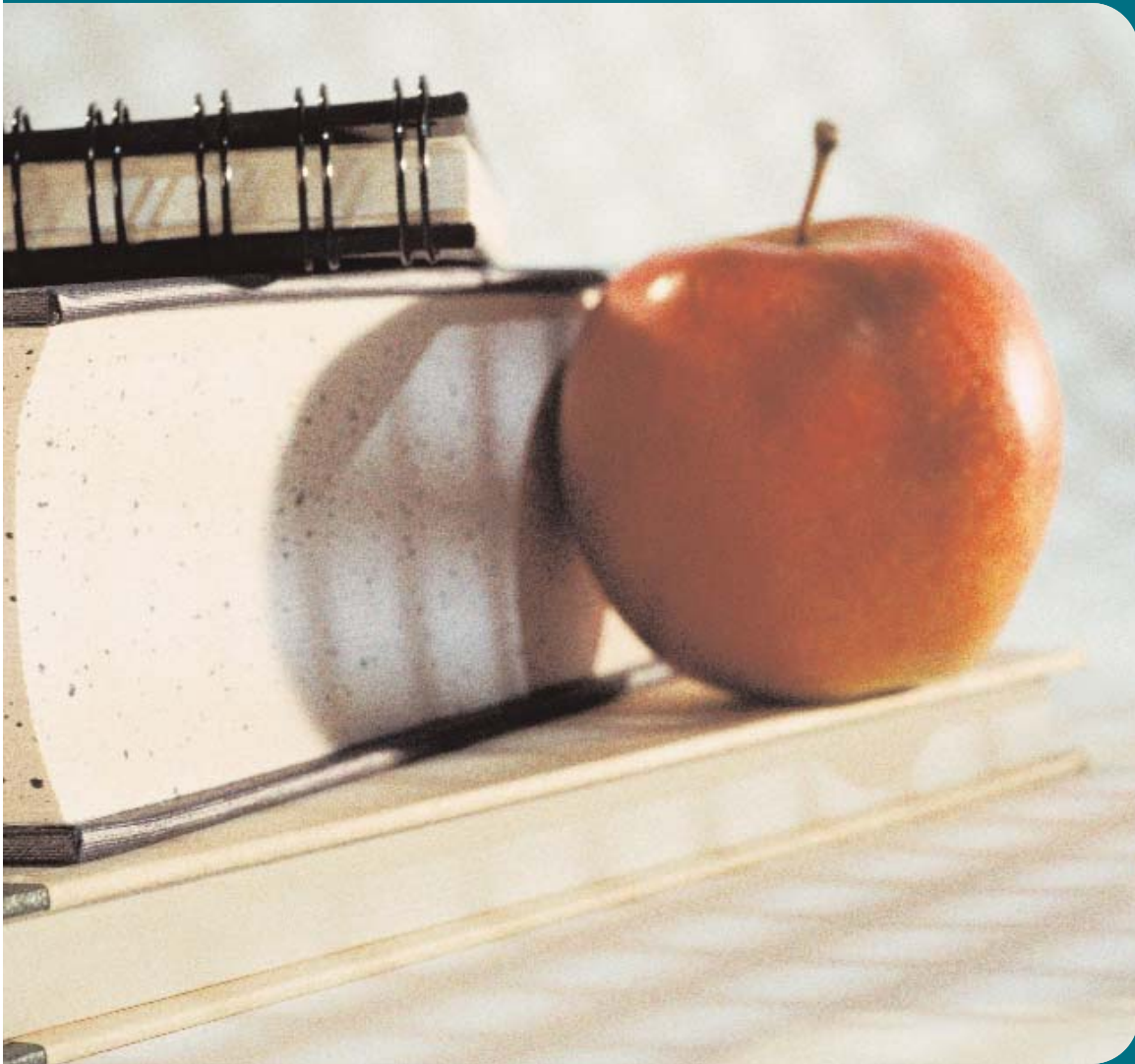
# *dic·tion·ar·y*

*A reference book  
containing an  
alphabetical list of words,  
with information given  
for each word, usually  
including meaning,  
pronunciation,  
and etymology.*





# *Introduction*



# Introduction

## Board of Trustees



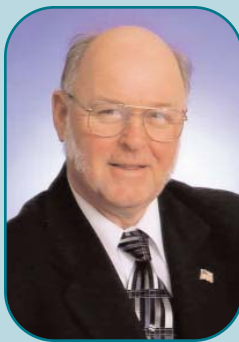
*Lucy P. Martin*  
**President**  
Administrator  
Appointed by  
Commissioner of Education  
First Appointed 1984  
**Manlius**



*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**



*David P. Keefe*  
Retired  
Teacher Member  
Elected by  
NYSTRS Retirees  
First Elected 2004  
**Hempstead**



*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  
**Clifton Park**



*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**

# Introduction

## Executive Staff and Organizational Structure

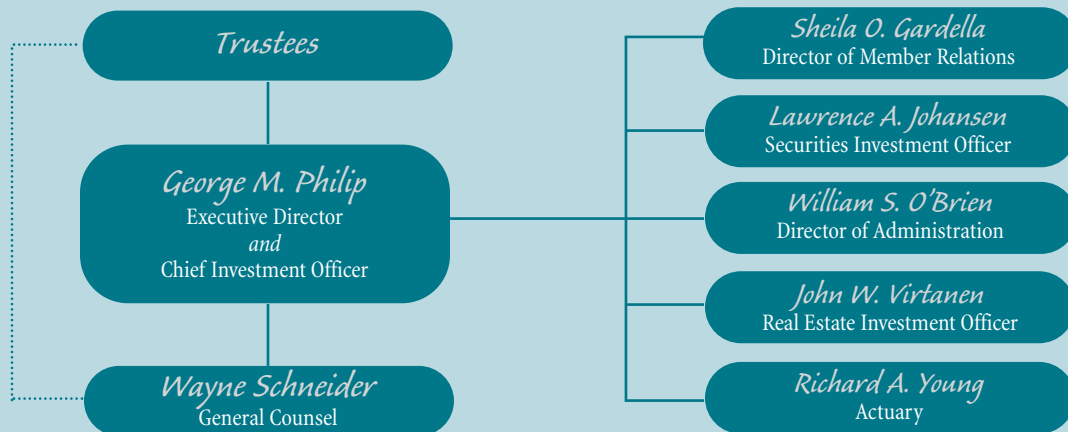


*George M. Philip*  
Executive Director  
and Chief Investment Officer



*Executive Staff*

Seated (left to right): Lawrence A. Johansen, William S. O'Brien  
Standing (left to right): Wayne Schneider, Sheila O. Gardella, Richard A. Young, John W. Virtanen



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](http://www.nystrs.org)

**George M. Philip, Executive Director**

### TRUSTEES

Lucy P. Martin <i>President</i>	Manlius
Richard F. Lindstrom <i>Vice President</i>	Loudonville
Michael R. Corn	Barneveld
David P. Keefe	Hempstead
R. Michael Kraus	East Aurora
Stanley Laborde	New York City
Joseph P. McLaughlin	Harrison
Sheila J. Salenger	Clifton Park
Frederick D. Volp	Cold Spring Harbor
Iris Wolfson	Westbury

September 9, 2005

Trustees of the Retirement System Board:

It is my pleasure to present to you the Comprehensive Annual Financial Report of the New York State Teachers' Retirement System (NYSTRS) for the fiscal year ending June 30, 2005. This report complies with all legal requirements governing the preparation and contents of annual reports.

The report consists of five sections:

- **Introduction:** This section identifies the Board of Trustees and Executive Staff. The President's Message, a summary of benefits and this Letter of Transmittal are also found in the Introduction.
- **Financial:** The report of independent auditors Deloitte & Touche LLP, as well as basic financial statements and accompanying footnotes, are contained in this section.
- **Investments:** This component contains the Chief Investment Officer's Overview and information regarding investment policies, holdings and performance. Also listed are investment and real estate managers, consultants and advisory committee members.
- **Actuarial:** An actuarial certification letter, a summary of actuarial methods and assumptions, the actuary's valuation balance sheet, and information on funding progress and the employer contribution rate are detailed in this section.
- **Statistical:** Offers data regarding membership, service, salary and benefits, along 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.

# Introduction

## Letter of Transmittal (continued)

The System is one of the ten 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.

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 2005 Membership

Total Membership:	385,681
Active Members:	260,356
Retired Members/ Beneficiaries:	125,325
Members Added:	15,995
Members Retired:	7,182

### 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, 2005, 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 2004 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, 2004 through June 30, 2005, 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 Principles Achievement 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

Following is a summary of some key pieces of legislation affecting NYSTRS and its members that took effect during this fiscal year.

**Chapter 647 of the Laws of 2004**, effective Oct. 26, 2004, generally eliminates the requirement that employer reserves be transferred from one New York State public retirement system to another when transferring membership between systems.

# Introduction

## *Letter of Transmittal (continued)*

**Chapter 326 of the Laws of 2005**, retroactive to September 11, 2001, waives the payment of member contributions otherwise required under law in order to obtain military service credit for members of New York State public retirement systems who were called to active military duty on or after September 11, 2001 and prior to January 1, 2006.

**Chapter 472 of the Laws of 2005**, effective June 30, 2005, allows eligible contributions made by an employer to a qualified defined contribution plan on behalf of a member to be included in the five-year final average salary computation of members with a date of membership prior to June 17, 1971.

**Chapter 497 of the Laws of 2005**, effective June 30, 2005, provides that any legislation affecting benefits provided by NYSTRS will take effect no later than June 30 of the year in which the legislation is enacted.

Among the items in the Retirement System's 2006 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*

#### **Monthly Reporting**

Last year's implementation of a modern, centralized record management system has improved and streamlined Retirement System processes in many ways. Salary information from employers, for example, can now be transmitted electronically on a monthly basis. This will provide members with more up-to-date benefit projections and more current personal information on-line through the System's Secure Area. Also, monthly reporting will ultimately allow us to process most retirement applications quicker and to provide retirees with initial monthly payments significantly closer to the final benefit amount.

#### **Trustee Re-elected**

Sheila J. Salenger of Clifton Park was unanimously re-elected to the Retirement System's Board of Trustees at the 2004 Annual Delegates Meeting. More than 600 delegates—representing school districts across the state—attended the two-day meeting and voted in the election. First elected to the Board in November 1989, Salenger chairs the Board's Legislation Committee. She also serves on its Disability Review, Finance and Real Estate committees.

#### **Keefe Joins Board**

David P. Keefe of Hempstead joined the Retirement Board January 1, replacing Josephine Davenport as the Board's retired teacher representative. Keefe served as a Retirement System delegate for 25 years. He is a member of the Board's Proxy, Retired Members, Legislation and Communications committees.

#### **COLAs Paid**

In September 2004, eligible NYSTRS retirees received their fourth annual cost-of-living adjustment (COLA). Approximately 81,000 retirees received a 1.0% 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 \$15 per month. Under the law, NYSTRS retirees receive a 1% to 3% increase annually based on 50% of the increase in the March-to-March Consumer Price Index.

#### **Members Surveyed**

The System continued to aggressively gauge member satisfaction with its products and services through formal and informal surveys. A formal survey of 2,600 randomly selected retirees revealed a 96% member satisfaction rate with NYSTRS'

# Introduction

## Letter of Transmittal (continued)

*Retired Member Profile.* This single-page summary of a retired member's benefits is sent annually to our more than 120,000 retired members and beneficiaries.

### Financial Information

Retirement System trustees, management and staff are charged with safeguarding the fund used to pay guaranteed retirement and ancillary benefits to the state's public school teachers and administrators. NYSTRS personnel take pride in the fact that this task is accomplished with professionalism and integrity at all times, and the same values are demanded of the independent consultants and auditors hired by the System.

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 eligible members and beneficiaries. The increase in retirement benefit payments from 2004 to 2005 is attributable to a net increase of about 4,100 retirees and beneficiaries. See the schedule of *Expenses by Type* on page 84 for more information.

Also, please see *Management's Discussion and Analysis* on page 25 for an overview of NYSTRS financial activities for the fiscal year ended June 30, 2005. This section provides valuable insight into the information provided in the financial statements, its notes and required supplementary information.

### Funding

The NYSTRS fund has three sources of income: employer contributions, member contributions and investment income. See *Statements of Changes in Plan Net Assets* on page 30 for more information.

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 more than 50% of our assets are invested. Due to strong market performance in this fiscal year, we closed with total net assets of \$84.9 billion, \$4.6 billion more than the previous fiscal year.

The employer contribution rate, expressed as a uniform percentage of member payroll, is set annually at the level necessary to properly 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 2006-2007 school year, was 7.97% of member payroll. This rate will be applied to the 2005-2006 NYSTRS member payroll. Rates are set well in advance so school districts can budget for this cost.

The 2.34% increase in the employer contribution rate was required because rates of return in the capital markets were unfavorable during most of the recent past. Although returns in the last two years have been strong, the five-year rate of return is still below our 8.0% assumed actuarial rate of return. The effects of the downturns will likely require a continued increase in the employer contribution rate in the coming years.

# Introduction

## *Letter of Transmittal (continued)*

As of June 30, 2004, the date of the most recent annual actuarial valuation prepared by our actuary, the plan's funded ratio was 99.2%. Details of our funding progress may be obtained by turning to page 69.

### *Investments*

The timely payment of benefits to all eligible members and their beneficiaries is the Retirement System's top priority. 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 at the lowest appropriate level for participating employers and the taxpayers who support them, the Retirement System's assets are invested prudently to achieve optimum long-term total returns with an appropriate level of risk. The allocation of assets, as well as the fund's overall structure, are continuously reviewed and adjusted to achieve these goals.

For the fiscal year ending June 30, 2005, the Retirement System's total portfolio returned 10.6%, marking the second consecutive year of strong performance. Over the last 10 years, the average annualized total rate of return is 9.7%. These returns compare favorably with our actuarially assumed 8.0% per annum rate of return. By comparison, during the four-year period ending June 30, 2003, capital market performances were disappointing and fell short of our assumed rate in each of those years. The solid returns achieved the past two fiscal years underscores the importance of a sound asset allocation policy.

The Retirement Board, at its July 2005 meeting, reviewed our portfolio and approved some minor allocation changes. The adjustments are necessary because as the number of retired members increases, the need to carefully manage the Retirement System's cash flow becomes more critical. For example, payments to our retired members will be approximately \$4.5 billion this fiscal year, while employer contributions will total only \$700 million.

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](http://www.nystrs.org).

### *Acknowledgements*

This report, prepared by NYSTRS' staff, is distributed annually to libraries, government officials, and 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](http://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.

I applaud NYSTRS' management and staff for their dedication to the implementation of a new pension administration system—a technology enhancement that will benefit members and staff greatly in the years to come. Constructing this system was an enormous undertaking, and our staff worked diligently to minimize the impact on members. However, the level of service we were able to provide our members in the months immediately following the launch was admittedly below our standards. Since then, most of our processes have returned to normal, and we look forward to providing more efficient and effective service in the years to come.



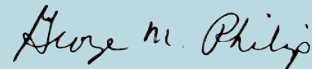
# Introduction

## *Letter of Transmittal (continued)*

The System's Trustees are to be commended for their commitment and skill in guiding the organization. I also extend gratitude to the members of the Medical Board, and the Investment Advisory and Real Estate Advisory committees, all of whom serve without compensation to assist our members.

NYSTRS' success in managing this pension fund is due to the expertise and commitment of all these people. Their work has led NYSTRS to remain one of the top ten public retirement systems in the country with assets sufficient to fund the retirement benefits of our current and future retirees and their beneficiaries.

Respectfully submitted,



George M. Philip  
*NYSTRS Executive Director  
and Chief Investment Officer*

# Introduction

## President's Message

It is my pleasure to join Executive Director George Philip in presenting this edition of the New York State Teachers' Retirement System Annual Report. The fiscal year ended June 30, 2005, was both successful and productive, with the credit belonging to the exceptional people who work tirelessly on behalf of the System's membership.



It was a landmark year as staff launched a technologically advanced pension administration system that will significantly improve business processes. The project demanded a large commitment of time and effort, and once again staff demonstrated its outstanding capability and commitment by tackling the task while continuing to meet members' immediate needs. As with any change of this magnitude, there was an inevitable learning curve for staff and unanticipated issues requiring resolution. As a result, there was a period where some aspects of our operation were admittedly below the service standards our members expect of us—and that we expect of ourselves. However, with virtually every aspect of System operations now modernized, I am excited by the long-term benefits our new system will provide and I'm confident our members will be among the best served for many years to come.

Financially, we had our second consecutive year of strong performance, which is no small feat in today's uncertain marketplace. Despite conditions and events that generally had a negative impact on the financial markets, System net assets grew by almost \$5 billion. A balanced portfolio punctuated by prudent asset allocation, combined with the unparalleled skills of our Investment and Real Estate staffs, are the primary reasons for our success.

With the aging of baby boomers and retirements reaching record levels, it is imperative—now more than ever—that the System maintains its fiscal strength. Benefit payments to retired NYSTRS members and beneficiaries total almost \$4.5 billion annually and a rate of growth of about \$300 million a year is anticipated in the foreseeable future. The record number of retirements also poses a unique challenge to staff processing these applications—a challenge made greater because they are doing so using a pension administration system still somewhat unfamiliar to them. My fellow Board members join me in applauding management and staff for handling these challenges with grace and professionalism.

Speaking of the Board, I am proud to serve with people who are so knowledgeable and dedicated to providing a sound financial future for New York State's public school teachers and administrators. My twenty-plus years as a Retirement System trustee have been rewarding in many ways, but the commitment I have seen from my fellow Board members to the well being of our members has left the biggest impression on me. I am proud of what this organization has achieved and am confident of its continued success.

A handwritten signature in cursive script that reads "Lucy P. Martin". The ink is dark and the signature is fluid and legible.

Lucy P. Martin  
President

# Introduction

## Summary of Benefits

### Types of Benefits

NYSTRS provides service, vested and disability retirement benefits, as well as death benefits.

### Membership Tiers

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

Tier 1: Membership prior to 7/1/73

Tier 3: Membership 7/27/76—8/31/83

Tier 2: Membership 7/1/73—7/26/76

Tier 4: Membership on or after 9/1/83

### Eligibility for Service Retirement

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

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

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

### Service Retirement Benefit

A Tier 1 member is eligible to retire at age 55 under the Career Plan without a reduction in benefits if credited with at least 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 at least 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 at least 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 1½% of final average salary.

### Benefit Enhancement (Article 19)

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

# Introduction

## Summary of Benefits (continued)

### Pension Formulas

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

### Final Average Salary

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

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

### Vested Retirement

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 a 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\*\*\*

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

#### Tier 4—Article 15

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

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

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

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

# Introduction

## Summary of Benefits (continued)

### *Disability Retirement*

Generally, members credited with at least 10 years of New York State service (five years for Tier 3 members) who become disabled as defined by applicable statute are entitled to a disability retirement benefit from the System. In most cases, the minimum disability benefit is 1/3 of final average salary. For Tier 3 and 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. These contributions are not included in the member's gross income for federal income tax purposes until they are distributed or made available to the member, generally at retirement as part of a retirement benefit or upon withdrawal from the System. The member's salary prior to the reduction is used in all benefit calculations.

# Introduction

## Summary of Benefits (continued)

Tier 1 and 2 members are not required to contribute to the System. Tier 1 and Tier 2 members who have made contributions 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.

### *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. One-twelfth ( $1/12$ ) 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 — One-twelfth ( $1/12$ ) 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.

# Introduction

## Summary of Benefits (continued)

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

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

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

### Accidental Death Benefit

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

### Vested Member Death Benefit

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

The amount of the benefit is one-half 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

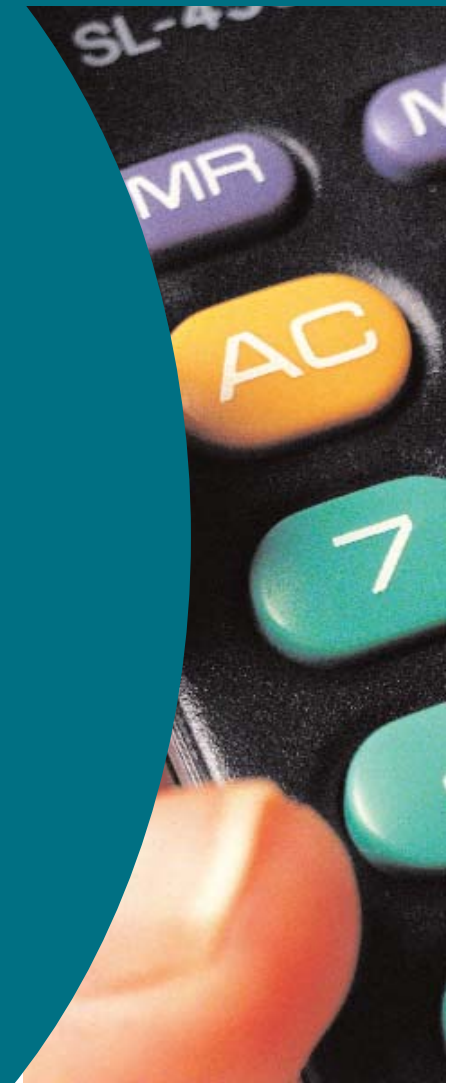
At the time of retirement, a member may elect the maximum retirement benefit with no protection for a beneficiary, or one of many actuarially equivalent options—lump sum, survivor, guarantee or alternative—providing protection for a beneficiary or beneficiaries.

### 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.

# *cal·cu·la·tor*

*An electronic  
or mechanical device  
for the performance  
of mathematical  
computations.*





# *Financial*



## Independent Auditors' Report



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](http://www.deloitte.com)

To the Retirement Board of the  
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, 2005 and 2004, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 material respects, the plan net assets of the System as of June 30, 2005 and 2004, 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 2005 and 2004 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 ("GASB"). 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 2005 and 2004 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, 2000 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 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 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 2005 basic financial statements and, accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

September 9, 2005

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 ("NYS-TRS" or the "System") provides an overview of its activities for the fiscal year ended June 30, 2005. 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

- ◆ Investments continued to show significant appreciation; \$5.9 billion in 2005 following a \$9.5 billion rebound in fiscal 2004.
- ◆ The System's net assets, which represent funds available to pay current and future benefits, were \$84.9 billion as of the end of the current fiscal year.
- ◆ Net assets increased from the prior year by \$4.6 billion, or 5.8%.
- ◆ Contributions from employers increased from \$306.8 million in fiscal year 2004 to \$695.7 million in fiscal year 2005, consistent with the increase in the employer contribution rate.
- ◆ Benefits paid to retirees and members grew, rising from \$3.9 billion in fiscal year 2004 to \$4.1 billion in fiscal year 2005.
- ◆ The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, changed from 99.4% as of the June 30, 2003 actuarial valuation to 99.2% as of the June 30, 2004 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.

### 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.

# Financial

## Management's Discussion and Analysis (continued)

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

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Percent Change</u>
Investments at fair value:				
Short-term	\$ 791,190	\$ 1,772,206	\$ (981,016)	(55.36)%
Domestic fixed income securities	11,251,834	12,101,661	(849,827)	(7.02)%
Domestic equities	51,716,161	48,422,431	3,293,730	6.80%
International equities	8,585,289	7,556,573	1,028,716	13.61%
Mortgages	4,008,728	3,621,378	387,350	10.70%
Real estate	4,225,044	3,654,042	571,002	15.63%
Alternative investments	3,089,946	2,289,910	800,036	34.94%
Total investments	<u>83,668,192</u>	<u>79,418,201</u>	<u>4,249,991</u>	<u>5.35%</u>
Receivables:				
Employer and member	896,819	548,481	348,338	63.51%
Investment income and sales	<u>212,349</u>	<u>200,912</u>	<u>11,437</u>	<u>5.69%</u>
Total receivables	<u>1,109,168</u>	<u>749,393</u>	<u>359,775</u>	<u>48.01%</u>
Other assets*	<u>282,562</u>	<u>230,992</u>	<u>51,570</u>	<u>22.33%</u>
Total assets	<u>85,059,922</u>	<u>80,398,586</u>	<u>4,661,336</u>	<u>5.80%</u>
Total liabilities*	<u>151,403</u>	<u>122,340</u>	<u>29,063</u>	<u>23.76%</u>
Net assets	<u>\$84,908,519</u>	<u>\$80,276,246</u>	<u>\$ 4,632,273</u>	<u>5.77%</u>

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

The decrease in the short-term investment balance at year end was due to nominal net cash additions to the portfolio during the year, along with the increased amount of funds required to pay retirement benefits. The balance will stay invested in the short-term investment portfolio until moneys are needed to fund long-term investment opportunities and/or pay pensioner benefits.

The drop in the domestic fixed income portfolio balance was due to maturities, calls and prepayments in excess of \$1.2 billion. The continued low interest rate environment precluded the reinvestment of a significant amount of these long-term bond cash receipts. However, on occasion investments were made on an opportunistic basis.

The domestic equity market performed well this past year, returning approximately 9.3% for the fiscal year. During the year, we had net sales of approximately \$339 million in equities as the positive market performance increased the domestic equity portfolio above the target asset allocation of 55%.

The international equities portfolio performed better than the domestic equities portfolio returning approximately 13.6% for the fiscal year. The positive performance generated by that portfolio was primarily the reason for the increase.

NYSTRS funded approximately \$515 million in new mortgages versus payments and payoffs of approximately \$288 million.

New investments in equity real estate and contributions to commingled funds totaled approximately \$866 million, while property sales and distributions from commingled funds were approximately \$631 million.

The increase in the private equity market value during the past fiscal year is due to a combination of net inflows of \$255 million, as the portfolio continues to grow toward the target allocation of 3%, and the increase in market values.

The change in the employer and member contributions was a function of an increase in the employer contribution rate from 2.52% in 2004 to 5.63% in 2005.

The System's 2005 net assets increased \$4.6 billion from 2004 due primarily to appreciation in domestic and international equities.

# Financial

## Management's Discussion and Analysis (continued)

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

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Percent Change</u>
Additions:				
Investment income:				
Net appreciation				
in fair value of investments	\$ 5,883,840	\$ 9,512,010	\$(3,628,170)	(38.14)%
Interest income	699,306	760,032	(60,726)	(7.99)%
Dividend income	1,053,362	838,678	214,684	25.60%
Real estate—net operating income	381,396	285,009	96,387	33.82%
Securities lending (net)	8,117	10,697	(2,580)	(24.12)%
Other (net)	28,381	50,633	(22,252)	(43.95)%
Less: Investment expenses	(102,476)	(96,982)	(5,494)	5.66%
Net investment income	7,951,926	11,360,077	(3,408,151)	(30.00)%
Contributions:				
Employer	695,735	306,782	388,953	126.78%
Member	158,354	155,916	2,438	1.56%
Transfers in/out (net)	17,155	38,277	(21,122)	(55.18)%
Total additions	8,823,170	11,861,052	(3,037,882)	(25.61)%
Deductions:				
Retirement benefits	4,150,588	3,937,389	213,199	5.41%
Administrative expenses	40,309	38,937	1,372	3.52%
Total deductions	4,190,897	3,976,326	214,571	5.40%
Increase in net assets	4,632,273	7,884,726	(3,252,453)	(41.25)%
Prior Year Net Assets	80,276,246	72,391,520	7,884,726	10.89%
Current Year Net Assets	<b>\$84,908,519</b>	<b>\$80,276,246</b>	<b>\$4,632,273</b>	<b>5.77%</b>

For the fiscal year ended June 30, 2005, NYSTRS reported net investment income of \$8.0 billion compared to \$11.4 billion in 2004. The most significant change was in appreciation on investments as follows:

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

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Percent Change</u>
Short-term	—	—	—	0.00%
Domestic fixed income	\$ 160,702	\$ (450,198)	\$ 610,900	135.70%
Domestic equities	3,632,335	7,869,415	(4,237,080)	(53.84)%
International equities	1,050,628	1,812,663	(762,035)	(42.04)%
Mortgages	160,257	(259,288)	419,545	161.81%
Real estate investments	335,339	177,908	157,431	88.49%
Alternative investments	544,579	361,510	183,069	50.64%
Totals	<b>\$5,883,840</b>	<b>\$9,512,010</b>	<b>\$(3,628,170)</b>	<b>(38.14)%</b>

## 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, but was mitigated somewhat by increased short-term rates.
- ♦ Dividend income grew as corporate earnings strengthened throughout the year.
- ♦ Investment expenses are comprised primarily of investment management fees, which are based on the market value of assets managed. Fees increased in proportion to the growth in value of assets under management.
- ♦ Employer contributions changed as a result of an increase in the employer contribution rate from 2.52% of 2003-2004 member salaries to 5.63% of 2004-2005 member salaries.
- ♦ Retirement benefit payments increased as the retiree population grew from 121,246 as of June 30, 2004, to 125,325 as of June 30, 2005. Based on the demographics of membership, this rate of growth will continue over the next several years.

### *Economic Factors*

As a public employee retirement system, the economic factors that have the most impact on NYSTRS are changes in the investment markets, legislative changes and demographic changes in our membership. Fiscal 2005 did not see any major legislation affecting benefits. In terms of demographics, the System has and will continue to experience a shift toward a greater proportion of retirees relative to active members. The most significant economic factor 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 2005 of \$4.7 billion versus \$9.7 billion in 2004, which was a recovery from a \$758 million loss 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 7.97% on 2005-2006 salaries. The result has been a funded ratio (comparison of actuarial assets to actuarial liabilities) of 99.2% as of the most recent actuarial valuation of June 30, 2004, down slightly from 99.4% in 2003.

### *Requests for Information*

This financial report is designed to provide active 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](mailto:communit@nystrs.state.ny.us).

# Financial

## Statements of Plan Net Assets—June 30, 2005 and 2004

(dollars in thousands)

<i>Assets</i>	<i>2005</i>	<i>2004</i>
Investments—At fair value (Note 4):		
Short-term	\$ 791,190	\$ 1,772,206
Domestic fixed income securities	11,251,834	12,101,661
Domestic equities	51,716,161	48,422,431
International equities	8,585,289	7,556,573
Mortgages	4,008,728	3,621,378
Real estate	4,225,044	3,654,042
Alternative investments	3,089,946	2,289,910
Total investments	83,668,192	79,418,201
Receivables:		
Employer	659,632	269,589
Employer—long-term	89,194	141,260
Member	147,993	137,632
Investment income	167,253	183,919
Investment sales	45,096	16,993
Total receivables	1,109,168	749,393
Other Assets:		
Securities lending cash collateral—invested (Note 4)	6,309,845	5,767,385
Member loans	145,238	150,780
Building and equipment—net of depreciation	36,299	36,719
Miscellaneous assets	101,025	43,493
Total other assets	6,592,407	5,998,377
Total assets	91,369,767	86,165,971
<i>Liabilities and Net Assets</i>		
Securities lending collateral—Due to borrowers (Note 4)	6,309,845	5,767,385
Investment purchases payable	39,195	20,857
Mortgage escrows and deposits—Net of investments	28,334	30,722
Other liabilities (Note 7)	83,874	70,761
Total liabilities	6,461,248	5,889,725
Net assets held in trust for pension benefits	84,908,519	\$80,276,246

See notes to financial statements.

# Financial

## Statements of Changes in Plan Net Assets—June 30, 2005 and 2004 (dollars in thousands)

<i>Additions:</i>	2005	2004
Investment income:		
Net appreciation		
in fair value of investments	\$ 5,883,840	\$ 9,512,010
Interest income	699,306	760,032
Dividend income	1,053,362	838,678
Real estate—net operating income	381,396	285,009
Securities lending—gross earnings	122,540	70,514
Other—net	28,381	50,633
	8,168,825	11,516,876
Less: Investment expenses	102,476	96,982
Securities lending, rebates and fees	114,423	59,817
Net investment income	7,951,926	11,360,077
Contributions:		
Employer	684,744	295,817
Employer—long-term	10,991	10,965
Member	158,354	155,916
Transfers in/out—net	17,155	38,277
Total contributions	871,244	500,975
Net additions	8,823,170	11,861,052
<i>Deductions:</i>		
Retirement allowance payments—periodic	4,085,296	3,866,108
Beneficiary payments	52,826	54,537
Return of contributions	12,466	16,744
Administrative expenses	40,309	38,937
Total deductions	4,190,897	3,976,326
<b>Net increase (decrease)</b>	<b>4,632,273</b>	<b>7,884,726</b>
<b>Net assets held in trust for pension benefits—beginning of year</b>	<b>80,276,246</b>	<b>72,391,520</b>
<b>Net assets held in trust for pension benefits—end of year</b>	<b>\$84,908,519</b>	<b>\$80,276,246</b>

See notes to financial statements.



## Notes to Financial Statements—June 30, 2005 and 2004 (dollars in thousands)

### 1. Plan Description

New York State Teachers' Retirement System ("NYSTRS" or 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:

	2005	2004
Public School Districts	697	700
B.O.C.E.S.	38	38
S.U.N.Y.	31	31
Community colleges	31	31
Charter schools	22	19
Other	<u>9</u>	<u>9</u>
Total	828	828

As of June 30, the System membership consisted of:

	2005	2004
Retired members and beneficiaries currently receiving benefits	125,325	121,246
Active members	256,177	250,292
Terminated members entitled to but not yet receiving benefits	<u>4,179</u>	<u>4,223</u>
Total	<u>385,681</u>	<u>375,761</u>

### Benefits

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

- Tier 1 — Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.
- Tier 2 — Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law.
- Tier 3 — Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the Retirement and Social Security Law.
- Tier 4 — Members who joined on or after September 1, 1983 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

### Service Retirements

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

### Vested Benefits

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

### Disability Retirement

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

### Death Benefits

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

### Prior Service

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

### Tier Reinstatement

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

### 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 accumu-

## Notes to Financial Statements (dollars in thousands)

lated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

### Article 19 Benefit Enhancement

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

### Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 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 2005 is 1.6% compared to 1.0% paid beginning September 2004.

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 5.63% and 2.52% to the estimated covered payroll for the fiscal years ended June 30, 2005 and 2004, 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 were offered for most years from 1991 to 2003. There was no retirement incentive legislation that would have resulted in costs being recorded in 2004 or 2005.

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%.

## Notes to Financial Statements

(dollars in thousands)

### Building and Equipment

Fixed assets are recorded at historical cost. Expenditures of \$25,000 or more for equipment, software or building improvements are capitalized. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Building	50
Building improvements	Various
Roads and shrubbery	15
Office furniture and equipment	7
Office machinery/computer equipment & software	5
Automobiles	4

### Federal Tax Status

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

### Use of Estimates

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

## 3. Funds

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

### Annuity Savings Fund

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

### Annuity Reserve Fund

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

### Pension Accumulation Fund

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

### Pension Reserve Fund

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

### Group Life Insurance Fund

Pursuant to Article 4-B of the Retirement and Social Security Law, the Retirement Board established a Group Life Insurance Fund. The Group Life Insurance Fund provides a group term death benefit not to exceed fifty thousand dollars, payable upon the death of eligible members. Group term death benefits paid for the fiscal years ended June 30, 2005 and 2004 were \$8,818 and \$8,624, 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 \$147,624 and \$142,393 in fiscal years ended June 30, 2005 and 2004, 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:

	<u>2005</u>	<u>2004</u>
Administrative Fund	\$ 17,066	\$ 12,805
Annuity Savings Fund	46,441	51,660
Annuity Reserve Fund	217,939	232,456
Pension Accumulation Fund	47,683,907	43,208,419
Pension Reserve Fund	36,943,166	36,770,906
Total	<u>\$ 84,908,519</u>	<u>\$ 80,276,246</u>

## 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 ("RSSL"), as well as certain other provisions of the Banking Law, Education Law and Retirement and Social Security Law, to invest in stocks, bonds, mortgages, real estate and other investments. A specific investment within these broad asset classes may be subject to particular restrictions or limitations contained in the applicable statutory provision. Pursuant to regulations promulgated by the New York State Department of Insurance, investments must be made in a manner consistent with those of a reasonably prudent person exercising care, skill and caution. In addition to applicable legal constraints, the Retirement

## Notes to Financial Statements (dollars in thousands)

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, 2005 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 1,612,103	14.33%
AA	815,439	7.25%
A	2,155,572	19.16%
BAA	1,140,309	10.13%
Other	235,440	2.09%
Total Credit Risk		
Debt Securities	5,958,863	52.96%
U.S. Government Fixed Income Securities*	5,292,971	47.04%
Total Fixed Income Securities	\$11,251,834	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, 2005 and 2004, the System's bank balance was (\$6,273) and (\$2,814) 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 Securities**—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.

## Notes to Financial Statements (dollars in thousands)

- 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 Securities**—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 are 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 New York State 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 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

## Notes to Financial Statements (dollars in thousands)

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 Equities**—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 subsidiary or 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 invest-

ments, 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 permissible 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.

- 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.
- 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 once in each year in an amount which would be suf-

## Notes to Financial Statements (dollars in thousands)

ficient 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 the 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>
Short-term	\$ 791,190	0.0528
Domestic fixed income	<u>11,251,834</u>	3.3300
Total fair value	<u>\$12,043,024</u>	
Portfolio modified duration		3.1100

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%.

The System does not hold or invest in debt investments such as coupon multipliers, benchmark indices, reset dates or embedded options whose fair market values would be highly sensitive to changes in interest rates.

### 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 "Alternatives" represent private equity investments denominated in foreign currency. The System also holds investments in ADRs (American Depository Receipts) which are not included in the below schedule since they are denominated in US dollars and accounted for at fair market value. The System has an indirect exposure to foreign currency fluctuation as follows:

<u>Currency</u>	<u>Holdings valued in U.S. Dollars</u>	
	<u>Int'ntl Equities</u>	<u>Alternatives</u>
Euro	\$2,740,823	\$ 163,126
British Pound Sterling	1,716,080	5,975
Japanese Yen	1,656,167	
Swiss Franc	713,275	
Australian Dollar	270,310	
Hong Kong Dollar	224,478	
Canadian Dollar	160,496	
Other	606,025	
Totals	<u>\$8,087,654</u>	<u>\$ 169,101</u>

### 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 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 loaned 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.

## Notes to Financial Statements

(dollars in thousands)

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, 2005 the average effective duration of the fund was 25 days.

<b>Securities Lent</b>	<b>Underlying Securities</b>	<b>Collateral Value</b>	<b>Cash Collateral Investment Value</b>
U.S. Government and Agency Bond	\$2,706,689	\$ 0	\$2,759,234
Corporate Bonds	124,230	0	126,344
Domestic Equities	3,328,351	1,860	3,424,267
<b>Total</b>	<b>\$6,159,270</b>	<b>\$1,860</b>	<b>\$6,309,845</b>

### 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, 2005 or as of June 30, 2004.

### 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, 2005 are: real estate equity \$2,053,878, mortgage investments \$839,493, and private equity investments \$3,107,965.

### 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 \$83,873 and \$70,761 at June 30, 2005 and 2004, respectively, \$6,273 and \$2,814, 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 12.90% was applicable to the annual covered payroll for the fiscal year ended March 31, 2005. Average rates applicable to the fiscal years ended March 31, 2004 and 2003 were, respectively, 4.90% and 1.275%. The required contributions paid to NYSLRS during the System's fiscal years ended June 30, 2005 and 2004 were, respectively, \$2,440 and \$1,018, 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 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, 2005 and 2004, 164 and 202 retirees and covered dependents, respectively were enrolled in the health plan. For the years ended June 30, 2005 and 2004 the amounts recognized for postemployment health care costs were \$1,119 and \$1,685, 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



# Financial

## Notes to Financial Statements (dollars in thousands)

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 omis-

sions; 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, 2005 (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, 2004 and 2003 actuarial valuation are as follows:

#### Economic

Valuation rate of interest*	8%
Salary scale*	Varies by age and gender

#### Demographic

Mortality rates	(Based upon recent member experience)
Withdrawal rates	(Based upon recent member experience)
Retirement rates	(Based upon recent member 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
2000	\$211,499	100%
2001	152,718	100
2002	51,861	100
2003	220,081	100
2004	306,782	100
2005	\$695,735	100

# Financial

## Supplemental Schedules

### Schedule of Administrative Expenses

Years Ended June 30, 2005 and 2004

	2005	2004
<b>Salaries and benefits:</b>		
Salaries	\$21,117,069	\$20,399,766
Civil service	74,736	87,400
Employees' retirement	2,681,617	1,355,981
Health and dental insurance	3,608,264	5,053,613
Overtime salaries	392,114	199,896
Social Security	1,511,727	1,466,111
Total salaries and benefits	29,385,527	28,562,767
<b>Building occupancy expenses:</b>		
Building, grounds and equipment	821,858	801,705
Depreciation—building and improvement	774,595	585,798
Depreciation—equipment	300,135	225,315
Office supplies and services	164,621	194,003
Utilities and municipal assessments	713,985	1,078,323
Total building occupancy expense	2,775,194	2,885,144
<b>Computer expenses:</b>		
Amortization/depreciation—computer mainframe	460,232	370,380
Amortization/depreciation—computer micro	1,624,502	972,808
Computer hardware and software	2,410,049	2,492,414
Computer maintenance and supplies	286,413	326,357
Total computer expenses	4,781,196	4,161,959
<b>Investment expenses:</b>		
Advisory committee expenses	52,497	65,424
Investment information services	712,744	692,185
Service costs—real estate	67,849	63,557
Total investment expenses	833,090	821,166
<b>Personnel and meeting expenses:</b>		
Board—meetings, travel and education	76,645	71,961
Delegates' meeting	35,266	47,664
Preretirement seminars	121,581	121,183
Professional development	696,433	630,443
Travel and automobile expense	136,504	119,843
Other personnel expenses	71,511	94,280
Total personnel and meeting expenses	1,137,940	1,085,374
<b>Professional and governmental:</b>		
Auditors—financial	114,630	68,000
Auditors—insurance department	28,000	26,000
Disability medical examinations	59,072	69,966
Postage and cartage	673,804	696,677
Printing	18,289	13,306
Professional fees and services	99,969	122,450
Publications	321,505	343,113
Statutory custodian charges	80,823	81,033
Total professional and governmental services	1,396,092	1,420,545
Total	\$40,309,039	\$38,936,955

# Financial

## Schedule of Investment Activity

Year Ended June 30, 2005

(dollars in thousands)

	Fair Value 2004	Acquisitions	Appreciation (Depreciation)	Sales, Redemptions, Maturities & Paydowns	Fair Value 2005	Percent of Fair Value
Short-term	\$ 1,772,206	\$ 37,079,520	\$ -----	\$38,060,536	\$ 791,190	0.95%
Domestic fixed income	12,101,661	449,123	160,702	1,459,652	11,251,834	13.45
Domestic equities	48,422,431	9,491,067	3,632,336	9,829,673	51,716,161	61.81
International equities	7,556,573	6,832,601	1,050,628	6,854,513	8,585,289	10.26
Mortgages	3,621,378	514,733	160,257	287,640	4,008,728	4.79
Real estate	3,654,042	866,250	335,338	630,586	4,225,044	5.05
Alternative investments	2,289,910	1,052,283	544,579	796,826	3,089,946	3.69
Totals	\$79,418,201	\$ 56,285,577	\$5,883,840	\$57,919,426	\$83,668,192	100.00%

## Schedule of Investment Expenses

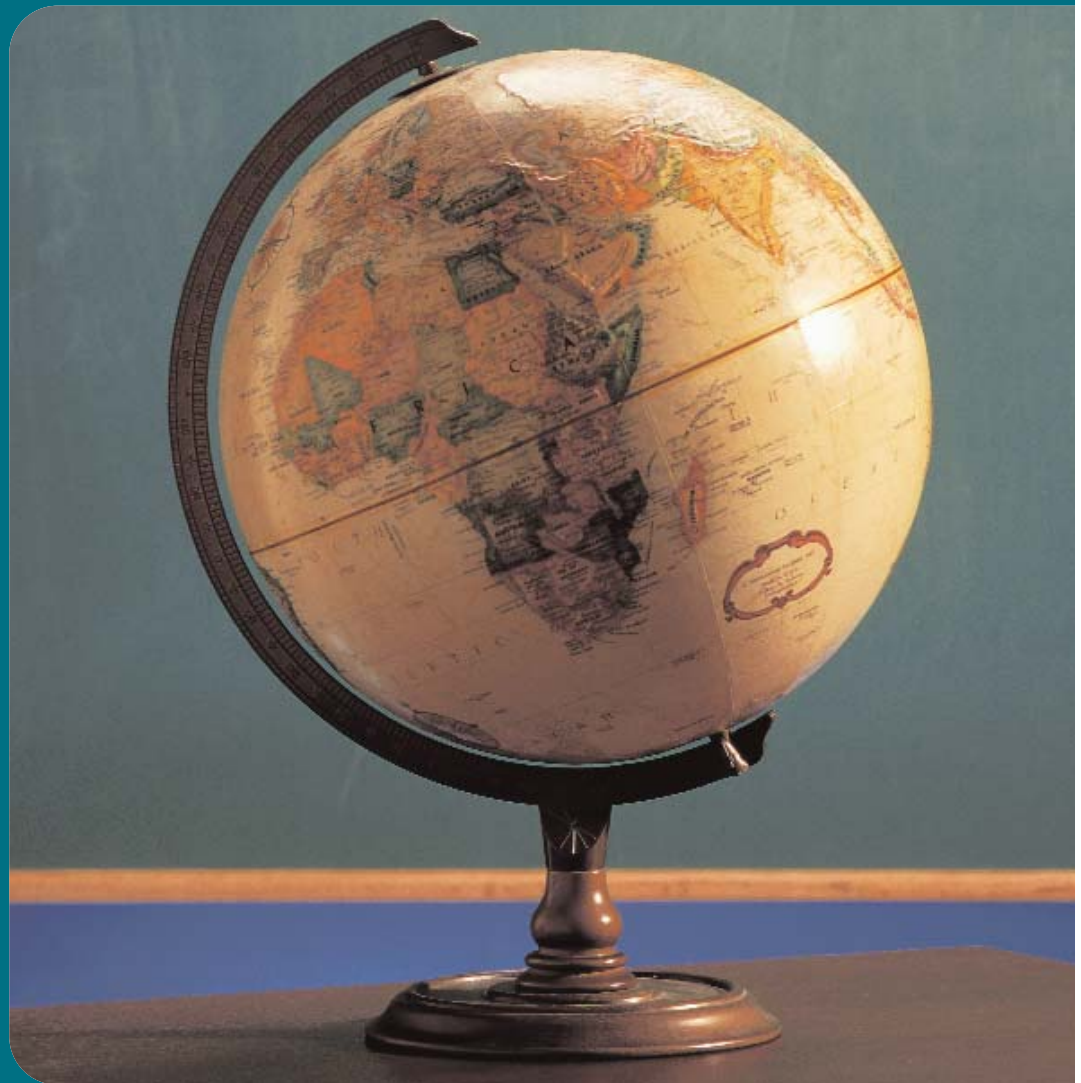
Year Ended June 30, 2005

(dollars in thousands)

Investment Category	Assets Serviced or Under Management	Expenses *
Domestic equities	\$ 1,562,992	\$ 10,755
International equities	8,087,579	30,854
Commercial mortgage backed securities	481,932	1,085
Mortgages	1,853,686	553
Real estate	4,225,044	35,207
REITS	1,161,580	3,373
Alternative investments	3,089,946	18,863
General investments	—	1,786
Totals	\$20,462,759	\$102,476

\* Expenses are primarily fees for professional services.

# *Investments*



---

---

# *globe*

*A sphere on  
which a map,  
especially of the earth,  
is represented.*

## Chief Investment Officer's Overview

### Overall Objective and Performance

One of our primary organizational objectives, as outlined in our mission statement, is “to assure the funding of [member] benefits by...maximizing investment returns.” This is not to imply these returns are our sole source of income; member and employer contributions also play an important role in keeping our fund strong. However, in order to keep required member contributions among the lowest in the nation and ensure the employer contribution rate remains reasonable for districts and the taxpayers who fund them, we strive to meet or exceed an actuarially assumed 8.0% per annum rate of return on our investment portfolio.

We attempt the latter by diversifying assets and investing them prudently to achieve optimum long-term returns within acceptable risk levels. The allocation of assets, as well as the fund's overall structure, are continuously reviewed and adjusted to achieve these goals. Along these lines, at its July 2005 meeting, the Retirement System Board approved some minor modifications to our portfolio structure.

It should be noted the changes are being made during a period of portfolio growth. For the fiscal year ending June 30, 2005, the Retirement System's total portfolio returned 10.6%—the second consecutive year of double-digit gains. Meanwhile, our 10-year rate of return is 9.7%, which exceeds our actuarially assumed per annum rate of 8.0%.

Comparing these figures to the four-year period ending June 30, 2003, when capital market performances were (to put it mildly) disappointing, only serves to reaffirm the importance of a sound asset allocation policy. As long-term investors, we were able to adequately absorb the impact of this temporary downturn. This is why we are confident our emphasis on a diversified portfolio will deliver the expected long-term returns necessary to pay all current and future Retirement System benefits.

As noted earlier in the *Letter of Transmittal*, this challenge grows each year as the number of retired members increases in direct proportion to the aging of Baby Boomers. In the recently completed fiscal year, for example, benefit payments exceeded \$4 billion for the first time in System history and will likely continue to grow at a rate of a quarter-billion dollars annually. With employer and member contributions totaling only about \$870 million in fiscal year 2005, it is easy to see the critical role a strong investment portfolio plays in the System's success.

### Domestic Equities

The domestic equity markets, following a three-year downturn earlier in the decade, continued a recovery trend during the System's 2005 fiscal year. NYSTRS capitalized on the upswing as the domestic equity portfolio returned 9.3% during the 12-month period ending June 30 – a rate of return 2.1% higher than Standard & Poor's 1500 benchmark for the same period. Over the last 10 years the Retirement System's annualized domestic equity portfolio returned 10.2%. Because 2005 earnings increased the System's domestic equities portfolio above the asset allocation target of 55%, NYSTRS is selling some of these assets in an effort to realign with the target.

To further diversify the domestic equity portfolio, the NYSTRS Standard & Poor's 500 Equal Weight Fund was created in fiscal year 2005. As its name implies, this fund gives equal weight to each of the stocks in the Index, as compared to the traditional S&P 500 Index, which weighs the stocks by capitalization (market price multiplied by outstanding shares). Consequently larger companies dominate the traditional Index, while the Retirement System's Equal Weight fund offers smaller companies the same representation as its larger counterparts.

## *Chief Investment Officer's Overview (continued)*

### *International Equities*

The Retirement System's international equities are primarily managed externally. One international fund is internally managed and 13 external managers oversee the remainder of NYSTRS' international commitments. All externally managed funds are measured against the MSCI EAFE Total Return Index, while the internally managed fund is measured against the S&P American Depository Receipts (or ADR) Index.

At its January 2005 meeting, the Retirement Board approved changes in the allocation targets within the international equity portfolio based on the results of a comprehensive review of the Non-U.S. Equity portfolio. The changes included an increase in the target allocation to benchmark agnostic management and a decrease in the target allocation to core active management. The target allocation to passive and enhanced passive management remained unchanged. In addition, the Board approved the creation of the NYSTRS S&P ADR Index Fund mentioned above.

The System's external managers use one of four styles: passive, enhanced passive, core active and benchmark agnostic. Passive management of country, currency and security has a goal of achieving minimal volatility against the benchmark. Enhanced passive managers attempt to add 50-to-100 basis points to the benchmark utilizing a very risk-controlled portfolio structure. The core active style, as its name implies, utilizes active management of country, currency and stock selection. Benchmark agnostic is much like core active management except it provides the potential for greater returns because the variation from the benchmark may be much wider.

For the fiscal year ending June 30, 2005, the total international equity portfolio returned 13.6%, only slightly underperforming the benchmark, which returned 13.7% for the same period.

### *Domestic Fixed Income*

The Retirement System's domestic fixed income portfolio has two main objectives: (1) to generate cash flow for the payment of NYSTRS' \$360 million monthly retirement payroll, and (2) to provide stability to the System's total investment portfolio through diversification. These objectives are accomplished through the purchase of high-quality, investment-grade securities such as U.S. Government-guaranteed bonds, AAA rated mortgage-backed securities and investment-grade corporate bonds. The rate of return received on each is dependent upon several economic factors.

The U.S. economy exhibited steady growth over the past fiscal year. Real Gross Domestic Product, which reports the total market value of goods and services produced within the U.S., grew an average of 3.6% during the fiscal year. Though not as robust as the 4.7% U.S. average during the same period the previous year, the rate of growth is strong when compared against other industrialized countries.

Employment and job creation are other areas of the U.S. economy that exhibited steady growth. The unemployment rate has trended lower, from a recent high of 6.3% in June 2003 to 5.6% as of June 2004 and finally to 4.9% in August 2005. However, it still is not as low as the pre-recession level of 3.8% in April 2000. Job creation, as evidenced by the change in non-farm payroll and reported by the Bureau of Labor Statistics, has trended upward. Average monthly job growth through July 2005 was 191,000, versus a 2004 monthly average increase of 183,000.

Inflation, which in recent years caused the Federal Reserve such significant concern because of its deflationary potential that the Reserve Board held the Fed Funds rate at 1.0% for an entire year, also increased. However, the Reserve Board raised the Fed Funds rate at each meeting since June 2004 to the current 3.5% and its members note that "longer-term inflation expectations remain well contained."

## *Chief Investment Officer's Overview (continued)*

The economic landscape during the 2005 fiscal year resulted in a U.S. bond market that did not appear overly concerned with inflation despite the actions of the Reserve Board. The proof was a flatter year-end yield curve as compared to the beginning of the year. In response to an increasing Fed Funds rate, the front end of the curve rose in yield (as evidenced by the 2-year treasury note) by 90+ basis points (or 0.9%) to over 3.6%. Conversely, the back end of the yield curve (as reflected by the 30-year bond) started at approximately 5.3% and dropped over 100 basis points (or 1%) in yield to finish at approximately 4.2%.

The flatter yield curve provided limited opportunities to invest in longer-term fixed income securities at attractive interest rates. In this environment, the Retirement System's fixed income portfolio had a total return of 4.8% for the 2005 fiscal year.

### *Short-term (Cash Equivalents)*

The short-term fixed income portfolio is comprised of high-quality securities that are easily converted into cash. The main purpose of this portfolio is to have money readily available to satisfy the monthly payment of pension benefits, but is also used to invest in other asset classes and to support the operating obligations of the Retirement System.

The securities held in this portfolio generally mature in 12 months or less. Securities with maturities greater than 13 months at the time of purchase have a coupon rate that will reset at a maximum of every 90 days.

As of June 30, 2005, the duration of the portfolio was 19 days. For the 12 months ended June 30, 2005, the short-term portfolio returned 2.2% versus the iMoneyNet Fund Report Averages/All Taxable Index benchmark, which returned 1.6%.

### *Real Estate*

The System received solid returns from its real estate portfolio in the recently completed fiscal year. Economic growth and continued job formation continue to have a positive affect on performance at the property operating level. Increased demand for real estate assets from investors looking for a stable yield and the possibility of some upside potential has caused a general uplift in investment pricing and property valuations.

NYSTRS was an active participant in the market, funding \$515 million in mortgage loans and over \$550 million for equity real estate transactions. We also took advantage of the strength of the market to selectively sell assets at prices above our carrying value.

As of June 30, 2005, the System had \$6.6 billion of equity real estate investments, representing 7.8% of System net plan assets, and unfunded commitments totaling \$1.75 billion. By fiscal year end, our real estate debt investments totaled \$4.7 billion, or 5.6% of net plan assets, and unfunded mortgage commitments totaled \$839 million.

The System's equity and mortgage portfolios provided total after-fee returns of 25.5% and 11.6%, respectively, during the fiscal year. Investment properties located in New York State comprised 28.7% of our mortgage portfolio. There were no foreclosures during the period.

### *Alternative Investments*

These investments are generally limited partnerships in which the Retirement System commits a fixed amount for the General Partner to invest over several years. The partnership structure may cover periods of 10 years or more and is intend-



## *Chief Investment Officer's Overview (continued)*

ed to achieve higher long-term returns than available through marketable securities. Our long-term performance expectation is for the program to outperform public equities by 500 basis points (S&P 500 plus 5%).

However, during the first few years of a partnership the performance numbers are generally negative because, while fees and expenses are collected annually, profits do not generally occur until the partnership's investments are either sold or value is otherwise realized. This cycle typically takes several years to complete. The negative return in the first few years of this investment phase is known as the J-Curve effect.

Approximately 72% of the Retirement System's alternative investments consist of private equity; the remaining 28% are real estate alternative investments. As of June 30, 2005, the total market value of these investments was \$3.1 billion. For asset allocation purposes, \$855 million of alternative investments were based on real estate and timberland and are categorized in this report as real estate equity. The market value of non-real estate alternative investments was \$2.2 billion.

The latter program has exited the J-Curve, as evidenced by the stronger performance during the past few years. The non-real estate private equity investments returned 26.8% for the past year, exceeding its performance benchmark of 11.7%. The three-year average annual performance rate of 14.5% also exceeded the benchmark of 7.7% and the five-year performance of 2.9% outperformed its benchmark of 1.8%.

We continue to increase our investments in this asset class and currently have additional commitments of \$3.1 billion that will be funded over the next several years. Approximately \$2.6 billion of these additional commitments fall under the heading of private equity investments, while \$508 million is targeted for real estate-related funds.

### *Other Programs*

#### *Securities Lending*

The Retirement System's securities lending program earns incremental income (a.k.a., the spread) by lending domestic equities, American Depository Receipts (ADRs) and fixed income securities to raise cash. The money is then invested in short-term securities at rates above an agreed upon borrower rebate. This program is managed by an agent lender, State Street Bank, pursuant to policies established by NYSTRS and is closely monitored by Retirement System staff. For information describing the securities lending process, please see the *Notes to Financial Statements* under the heading "Securities Lending Transactions."

As of June 30, 2005, the securities lending portfolio was 102.5% collateralized, with nearly 7.4% of the Retirement System's investment portfolio on loan.

Rising short-term interest rates, prompted by Fed Fund hikes during the fiscal year, produced significant spread compression and lowered returns from the securities lending program. The Retirement System earned \$8.1 million in securities lending income for the fiscal year ended June 30, 2005.

#### *Call Options*

The covered call program generates additional revenue for the Retirement System in the form of option premiums. Covered call options are written against securities earmarked to be sold as part of the periodic rebalancing of the internally managed index funds. During the year ended June 30, 2005, the System generated approximately \$2.2 million in premiums.

# Investments

## Diversification of Investments—June 30, 2005 and 2004 (dollars in thousands)

Investment Type	2005		2004		Increase (Decrease)
		Percent		Percent	
Short-term:					
U.S. Treasury and agency	\$ 92,957		\$ 221,793		\$ (128,836)
Corporate	698,233		1,550,413		(852,180)
	<u>791,190</u>	0.95	<u>1,772,206</u>	2.23	<u>(981,016)</u>
Domestic fixed income securities:					
United States Treasury	5,292,970		5,421,417		(128,447)
Federal agency, notes and debentures	642,945		677,101		(34,156)
Federal agency, mortgage backed	622,194		629,566		(7,372)
Commercial mortgage backed	463,400		454,883		8,517
Corporate	4,022,441		4,679,420		(656,979)
Canadian	207,884		239,274		(31,390)
	<u>11,251,834</u>	13.45	<u>12,101,661</u>	15.24	<u>(849,827)</u>
Domestic equities:					
Basic materials	5,621,508		5,846,521		(225,013)
Capital goods	6,642,306		6,301,264		341,042
Consumer cyclicals	5,982,988		5,515,556		467,432
Consumer staples	3,595,110		3,412,765		182,345
Energy	4,240,270		3,207,657		1,032,613
Financial	12,993,034		11,775,210		1,217,824
Technology	6,812,295		6,972,567		(160,272)
Transportation	1,269,495		1,278,659		(9,164)
Utilities	4,557,785		4,111,197		446,588
Diversified and Miscellaneous	1,370		1,035		335
	<u>51,716,161</u>	61.81	<u>48,422,431</u>	60.97	<u>3,293,730</u>
International equities:					
Commingled investments	8,087,654		7,556,573		531,081
ADRs	497,635		---		497,635
	<u>8,585,289</u>	10.26	<u>7,556,573</u>	9.52	<u>1,028,716</u>
Mortgages:					
Conventional	3,900,861		3,436,793		464,068
Federal Housing Administration	107,867		184,585		(76,718)
	<u>4,008,728</u>	4.79	<u>3,621,378</u>	4.56	<u>387,350</u>
Real estate:					
Direct equity real estate investments	2,850,838		2,494,052		356,786
Commingled real estate investments	1,374,206		1,159,990		214,216
	<u>4,225,044</u>	5.05	<u>3,654,042</u>	4.60	<u>571,002</u>
Alternative investments:					
Private equity	2,235,227		1,536,647		689,580
Real estate equity funds	378,288		202,061		176,227
Real estate debt funds	268,739		189,522		79,217
Timberland	207,692		361,680		(153,988)
	<u>3,089,946</u>	3.69	<u>2,289,910</u>	2.88	<u>800,036</u>
<b>Total Investments</b>	<b>\$83,668,192</b>	<b>100.00</b>	<b>\$79,418,201</b>	<b>100.00</b>	<b>\$ 4,249,991</b>

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

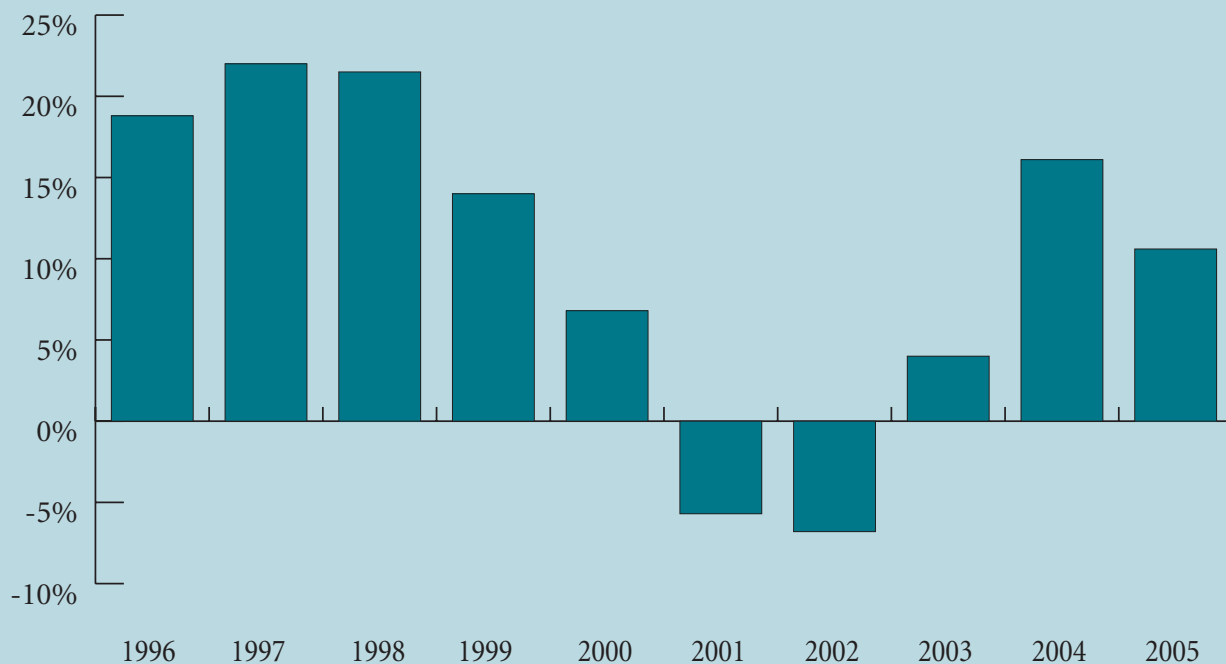
# Investments

## Asset Allocation—June 30, 2005

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 28, 2004 meeting, the Retirement Board left the Asset Allocation targets unchanged while changing the Alternatives range from 1-5% to 2-7% and the Domestic Fixed Income range from 15-25% to 11-25%. The current targets, ranges and actual allocations are detailed below:

	<u>Target</u>	<u>Range</u>	<u>Actual</u>
<b>Domestic Equity</b>	55%	45-65%	60.0%
<b>International Equity</b>	8%	4-12%	10.3%
<b>Real Estate</b>	8%	5-11%	7.6%
<b>Alternatives</b>	<u>3%</u>	2- 7%	<u>2.7%</u>
<i>Total Equities</i>	74%		80.6%
<b>Domestic Fixed Income</b>	18%	11-25%	12.9%
<b>Mortgages</b>	8%	5-11%	5.6%
<b>Cash Equivalent</b>	<u>0%</u>	0- 5%	<u>0.9%</u>
<i>Total Fixed Income</i>	26%		19.4%

## Annual Performance History



Fiscal Year Ending June 30

# Investments

## Investment Performance Results—June 30, 2005

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 (net of fees) and associated benchmark returns are shown in the following table.

	<i>Annualized Rate of Return</i>			
	<i>1-YR</i>	<i>3-YR</i>	<i>5-YR</i>	<i>10-YR</i>
<b>Domestic Equities</b>				
NYSTRS Composite Fund	11.4%	-%	-%	-%
NYSTRS Growth Tilt Fund	12.0	-	-	-
NYSTRS Index Fund	7.6	8.9	-1.3	10.1
NYSTRS Value Tilt Fund	11.2	10.2	0.4	-
Benchmark: S&P 1500*	7.2	8.9	-1.7	9.9
NYSTRS Value Index Fund	13.7	11.1	7.1	12.3
Benchmark: Russell 1000 Value	14.0	11.0	6.6	12.0
NYSTRS Small Cap Fund	13.6	-	-	-
Benchmark: S&P 600	13.5	-	-	-
Total Active Large Cap Management	17.5	13.6	-1.2	7.6
Benchmark: S&P 500	6.3	8.3	-2.4	9.9
Total Active Small Cap Management	3.6	11.5	2.2	8.8
Benchmark: Russell 2000*	9.5	12.8	5.7	9.9
Total	9.3	9.7	0.0	10.2
<b>International Equities</b>				
Total Active Management	13.2	11.3	-1.3	6.2
Total Passive/Enhanced Management	14.2	12.7	0.0	5.7
Total	13.6	11.8	-0.6	5.9
Benchmark: MSCI EAFE	13.7	12.1	-0.5	5.2
<b>Real Estate</b>				
Total Active Management	25.5	16.4	14.0	12.9
Benchmark: Blended NCREIF/Wilshire*	21.4	14.0	12.6	11.5
<b>Alternative Investments</b>				
Total Active Management	27.1	14.5	3.0	14.2
Benchmark: S&P 500 plus 5%	11.3	13.3	2.6	14.9
<b>Domestic Fixed Income</b>				
Total Active Management	4.8	5.5	7.3	6.9
Benchmark: Lehman Bros. Aggregate*	6.8	5.8	7.4	6.8
<b>Mortgages</b>				
Total Active Management	11.6	8.5	9.5	8.5
<b>Short Term</b>				
Total Active Management	2.2	1.6	2.7	4.1
Benchmark: iMoneyNet™ Fund Avgs/All Taxable	1.6	1.0	2.1	3.6
<b>Total Fund</b>	<b>10.6%</b>	<b>10.1%</b>	<b>3.3%</b>	<b>9.7%</b>

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

# Investments

## Manager Investment Performance Results—June 30, 2005

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.

	<i>Assets Managed (\$ millions)</i>	<i>Rates of Return <sup>1</sup> from Inception</i>		<i>Inception Date</i>
		<i>Fund</i>	<i>Benchmark</i>	
<b>Domestic Equities</b>				
Large Cap Value Management				
Iridian	848.0	9.7%	0.3%	Apr-99
Small Cap Management				
Progress Investment Management	765.9	11.1	8.7	Oct-96
<b>International Equities</b>				
Active Management				
Capital Guardian	1,178.3	4.5	1.9	May-99
Fidelity	750.9	-2.4	-3.5	Mar-05
JPMorgan	749.7	-3.6	-3.8	Mar-05
Benchmark Agnostic				
Arnhold & S. Bleichroeder	411.4	29.0	22.7	Oct-02
Artisan Partners	311.1	17.4	22.7	Oct-02
Causeway Capital	415.3	29.7	22.7	Oct-02
Gryphon	378.7	-1.9	-3.5	Mar-05
Harris Associates	394.3	28.0	22.7	Oct-02
Mercator	352.6	22.1	22.7	Oct-02
Walter Scott	383.5	-1.8	-3.5	Mar-05
Wellington	358.8	-3.2	-3.5	Mar-05
Passive/Enhanced Management				
Barclays Global Investors	1,598.6	12.4	10.4	Apr-02
State Street Global Advisors	802.8	11.0	10.7	Mar-04
<b>Mortgages</b>				
BlackRock	218.0	7.9	7.9	Apr-01
ING Clarion	221.4	8.3	7.9	Apr-01
PRIMA	48.1	4.1	4.7	Nov-03
<b>Real Estate</b>				
Private Securities				
Angelo, Gordon & Co.	37.4	29.8	11.3	Dec-01
Blackacre Institutional Capital Mgmt, LLC	25.6	14.0	18.0	May-04
BlackRock, Inc.	78.4	9.8	11.5	Dec-97
CB Richard Ellis Investors, LLC				
Fund II	30.1	20.6	11.7	Mar-02
Fund III	20.2	15.8	16.0	Dec-03
Cabot Properties, Inc.	12.5	33.2	16.0	Dec-03
CIGNA Realty Investors	12.2	-0.6	13.2	Dec-02
Cornerstone Real Estate Advisers LLC				
Apartment Fund I	42.6	20.2	10.4	Nov-00
Apartment Venture I	70.7	87.7	15.4	Jul-03
Essex Property Trust, Inc.				
Apartment Value Fund I	4.9	39.9	11.3	Oct-01
Apartment Value Fund II	11.2	2.5	9.0	Nov-04
Hines Interests				
1997 US Office Development Fund	0.3	21.7	10.5	Jan-01
1999 US Office Development Fund	-0.6	144.4 <sup>2</sup>	12.6	Jul-02
US Office Value Added Fund	21.7	2.3	5.3	Jan-05

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

<sup>2</sup> Internal rate of return (time-weighted return was not meaningful).

# Investments

## Manager Investment Performance Results—June 30, 2005 (continued)

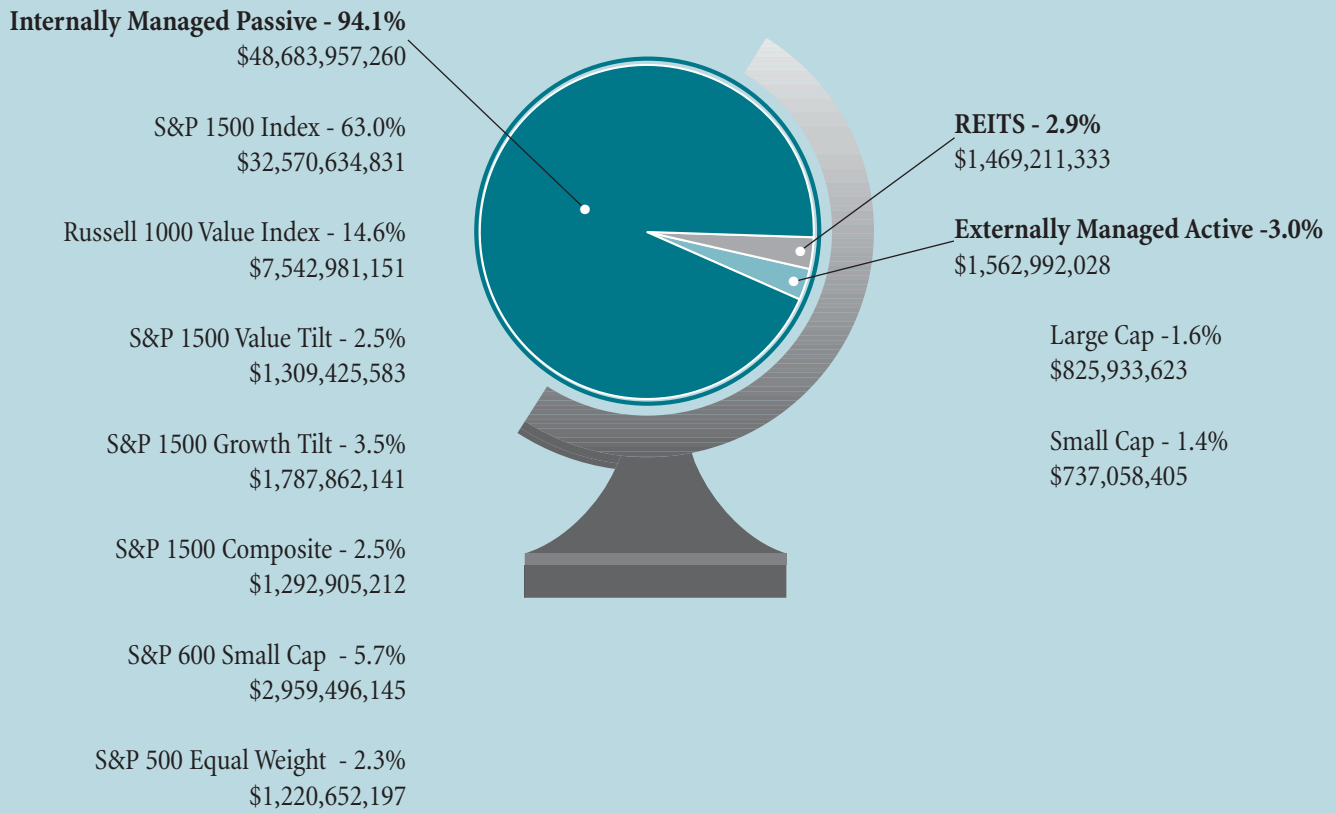
	Assets Managed (\$ millions)	Rates of Return <sup>1</sup> from Inception		Inception Date
		Fund	Benchmark	
<b>Real Estate (continued)</b>				
Private Securities (continued)				
Landmark Partners, Inc.	13.3	22.9	11.7	Mar-02
Morgan Stanley				
Select Properties Fund	0.3	1.8	7.6	Dec-89
Value Enhancement Fund B	0.1	6.5	10.7	Jul-93
O'Connor Capital Partners	11.0	2.5	14.1	Sep-04
Prudential Real Estate Investors				
PRISA	312.0	7.6	7.7	Sep-85
PRISA II	161.7	10.2	7.5	Sep-89
PRISA III	44.0	48.0	14.4	Jun-03
Strategic Value Investors, LLC	36.4	13.7	12.1	Sep-97
Rockpoint Group, LLC	48.1	12.1	14.1	Sep-04
Rockwood Capital Corporation				
Fund IV	19.6	30.9	10.6	Sep-00
Fund V	42.1	30.6	15.4	Jul-03
Starwood Capital Group LLC	47.6	19.8	12.2	Jan-97
UBS Realty Investors LLC	371.0	8.6	7.7	Sep-85
Westbrook Partners				
Fund IV	44.9	18.2	10.5	Jun-01
Fund V	20.5	2.3	5.3	Feb-05
Direct Investments				
ING Clarion Partners	521.9	8.4	7.5	Jun-90
Invesco Realty Advisors (Multifamily)	87.8	11.7	10.9	Dec-98
Invesco Realty Advisors (Industrial)	218.8	10.7	11.3	Nov-94
J. P. Morgan Asset Management	1,637.9	11.4	7.9	Oct-90
Kennedy Assoc. Real Estate Counsel, Inc.	125.0	10.6	11.4	Apr-95
Morgan Stanley	145.0	14.3	11.5	Aug-95
Sentinel Real Estate Corporation	243.5	11.8	11.7	Mar-96
Public Securities				
Adelante Capital Management LLC	296.9	16.8	14.7	Aug-98
Cohen & Steers Capital Management, Inc.				
Total Return Separate Account	452.1	16.2	15.1	Jun-95
Equity Income Separate Account	142.2	8.2 <sup>3</sup>	7.2	Jul-98
RREEF America, LLC	299.1	17.0	14.7	Aug-98
Timber: Private Securities				
Global Forest Partners LP	3.3	-18.8	---	Mar-98
Timber: Direct Investments				
Forest Investment Associates	202.3	1.7	---	Dec-98
Global: Private Securities				
Hines Interests	14.5	0.7	---	Oct-99
Lone Star Funds				
Lone Star Fund II	9.5	11.1	---	Apr-99
Lone Star Fund III	59.7	37.7	---	Oct-00
Lone Star Fund IV	194.0	23.6	---	Dec-01
Lone Star Fund V	10.2	3.5	---	Jan-05
Macquarie Global Property Advisors	64.5	7.1	---	May-99
O'Connor Capital Partners	25.3	10.3	---	Jul-99

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

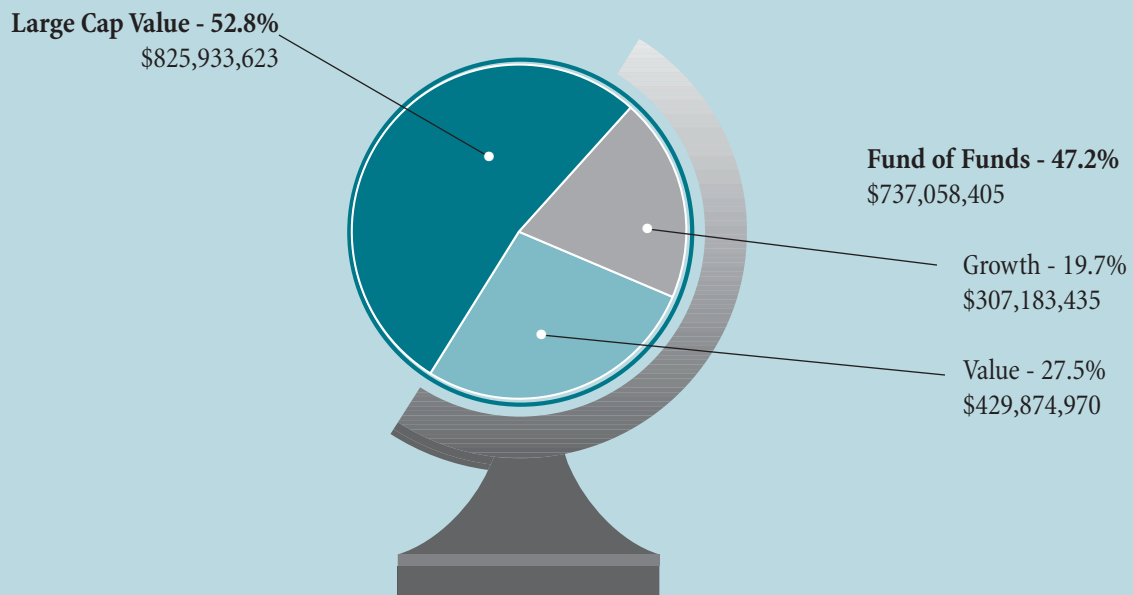
<sup>3</sup> Reflects income return only. Total return is 13.5%.

# Investments

## Domestic Equity Distribution—June 30, 2005 \$51,716,160,621



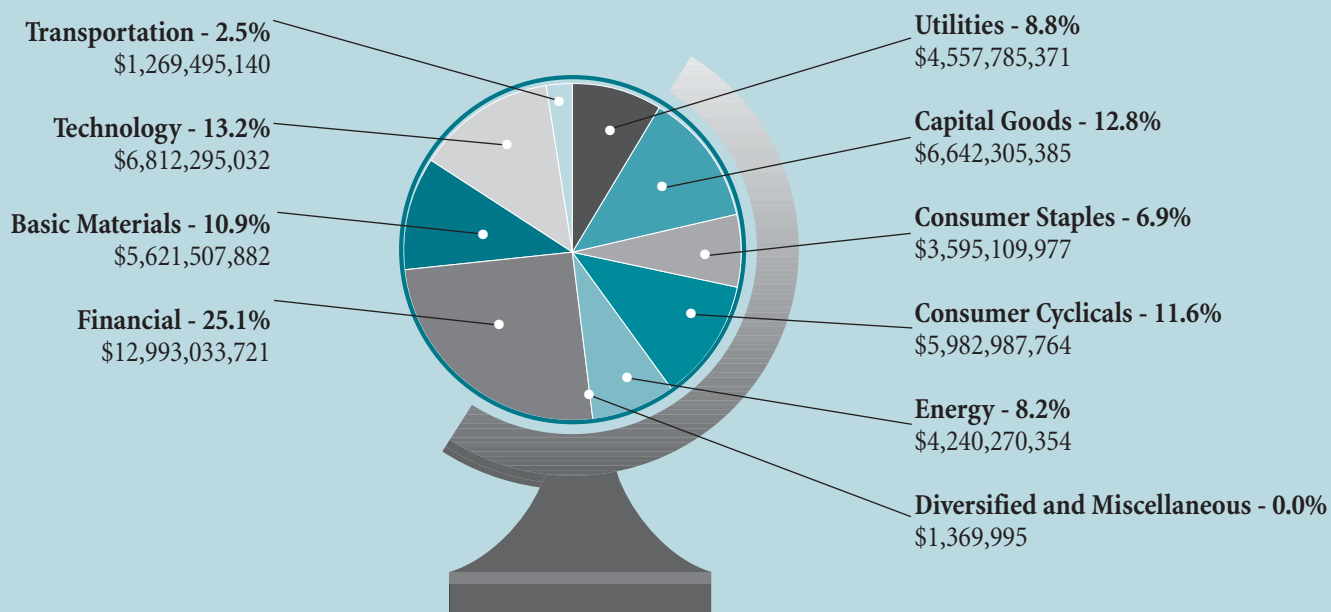
## Domestic Equity Externally Managed Style Distribution—June 30, 2005 \$1,562,992,028



# Investments

## Domestic Equity Holdings by Industry Distribution—June 30, 2005

\$51,716,160,621



## Ten Largest Domestic Equity Holdings—June 30, 2005

Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon Mobil	\$ 300,092,471	\$ 1,532,621,914	3.0%
2	General Electric	508,817,579	1,400,383,215	2.7
3	Citigroup	250,317,647	1,001,120,867	2.0
4	Bank of America	239,183,546	797,502,070	1.5
5	Microsoft	513,352,417	793,851,624	1.5
6	Pfizer	229,449,487	654,370,968	1.3
7	Johnson & Johnson	137,104,992	574,198,885	1.1
8	Altria Group	160,605,452	561,971,440	1.1
9	JP Morgan Chase	243,607,777	539,564,037	1.0
10	Chevron	186,183,858	537,222,098	1.0
<b>Total</b>		<b>\$2,768,715,226</b>	<b>\$8,392,807,118</b>	<b>16.2%</b>

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

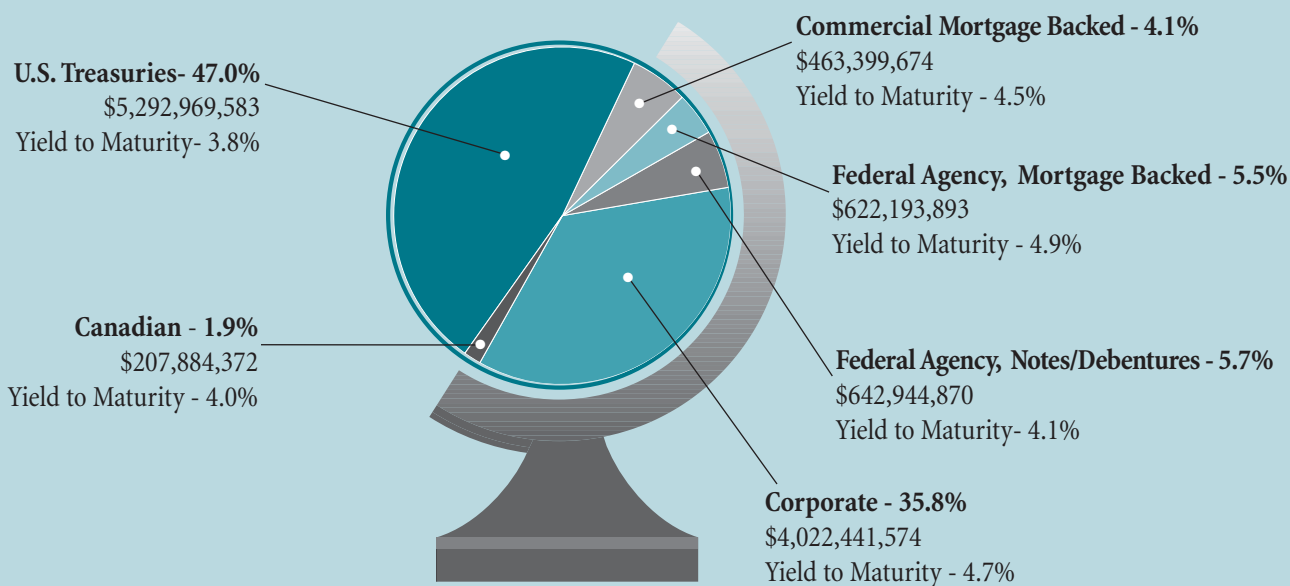


# Investments

## Domestic Fixed Income Sector Distribution—June 30, 2005

\$11,251,833,966

Yield to Maturity - 4.2%



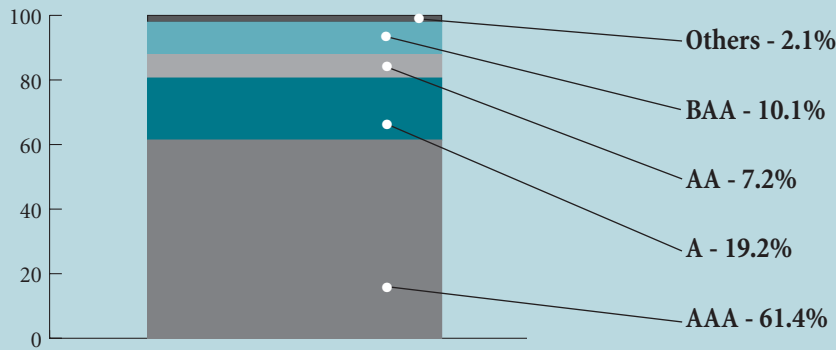
## Ten Largest Domestic Fixed Income Holdings - June 30, 2005

Rank	Issue	Market Value	Percent of Fixed Income
1	U.S. Treasury Strips (Principal) Due 8/15/08	\$ 975,331,500	8.7%
2	U.S. Treasury Strips (Principal) Due 11/15/09	593,962,600	5.3
3	U.S. Treasury Strips (Principal) Due 5/15/06	425,111,357	3.8
4	U.S. Treasury Strips (Coupon) Due 11/15/10	412,785,500	3.7
5	U.S. Treasury Strips (Principal) Due 11/15/06	375,608,376	3.3
6	U.S. Treasury Strips (Principal) Due 11/15/07	290,291,913	2.6
7	U.S. Treasury Strips (Coupon) Due 5/15/11	280,910,000	2.5
8	U.S. Treasury Strips (Coupon) Due 11/15/05	246,975,500	2.2
9	U.S. Treasury Strips (Coupon) Due 2/15/08	224,207,835	2.0
10	U.S. Treasury Strips (Coupon) Due 11/15/11	196,313,250	1.7
<b>Total</b>		<b>\$4,021,497,831</b>	<b>35.8%</b>

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

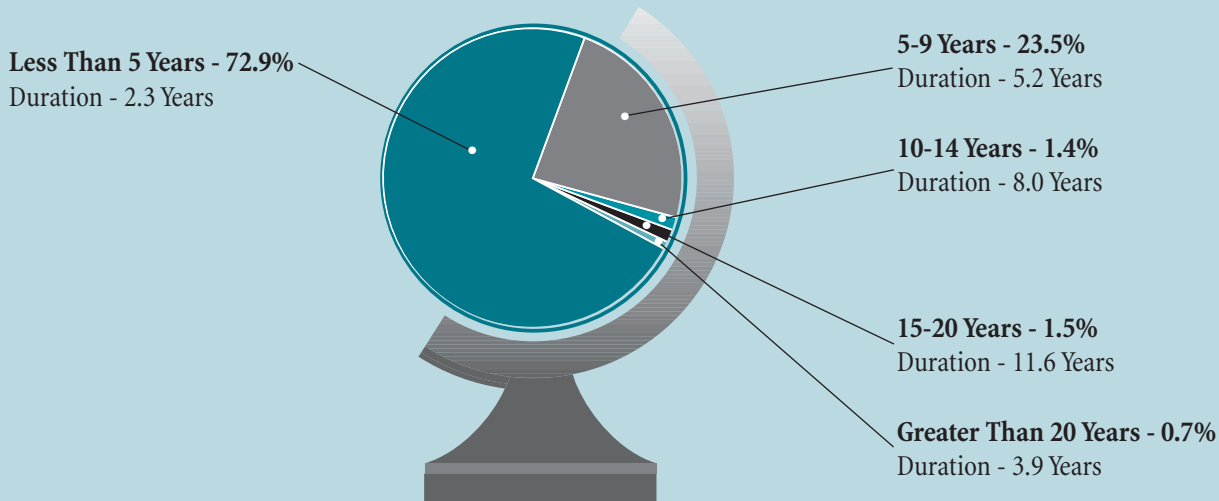
# Investments

## Domestic Fixed Income Quality Distribution—June 30, 2005



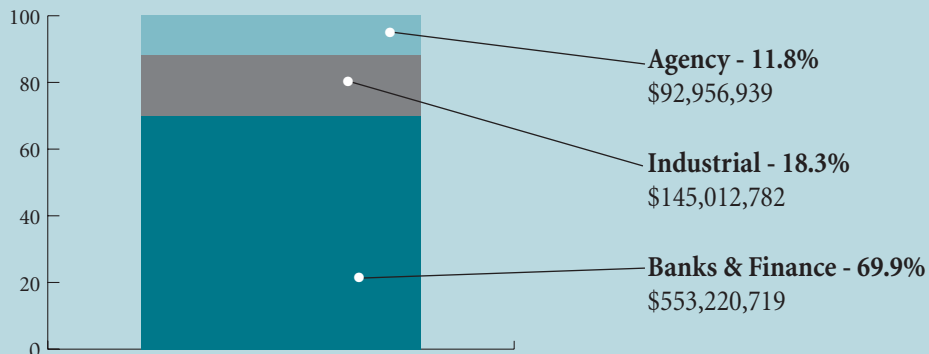
## Domestic Fixed Income Average Maturity—June 30, 2005

Effective Duration 3.2 Years



## Short-term Sector Distribution—June 30, 2005

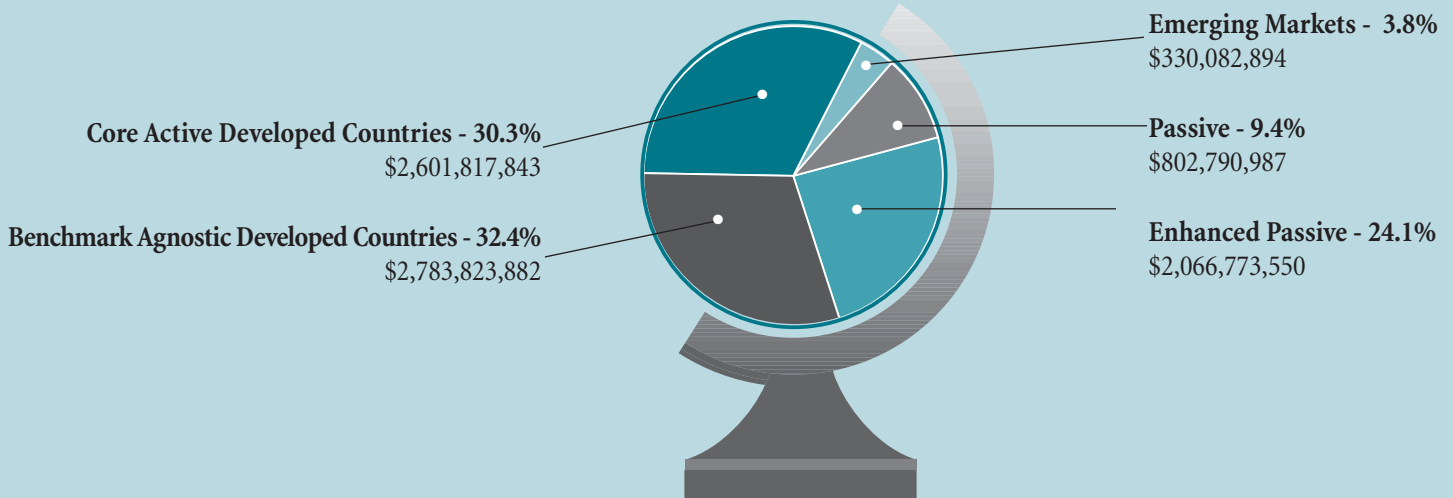
\$791,190,440



# Investments

## International Equity Style Distribution—June 30, 2005

\$8,585,289,156



## International Equity Exposure Distribution—June 30, 2005

### Developed Countries

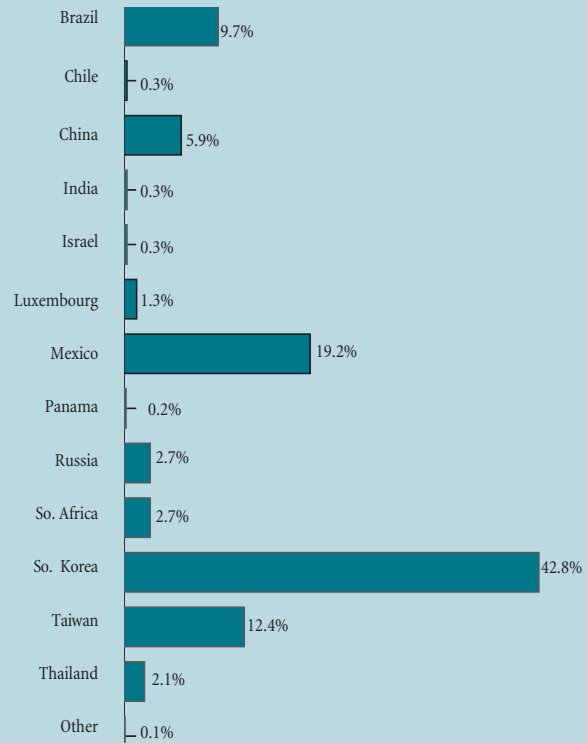
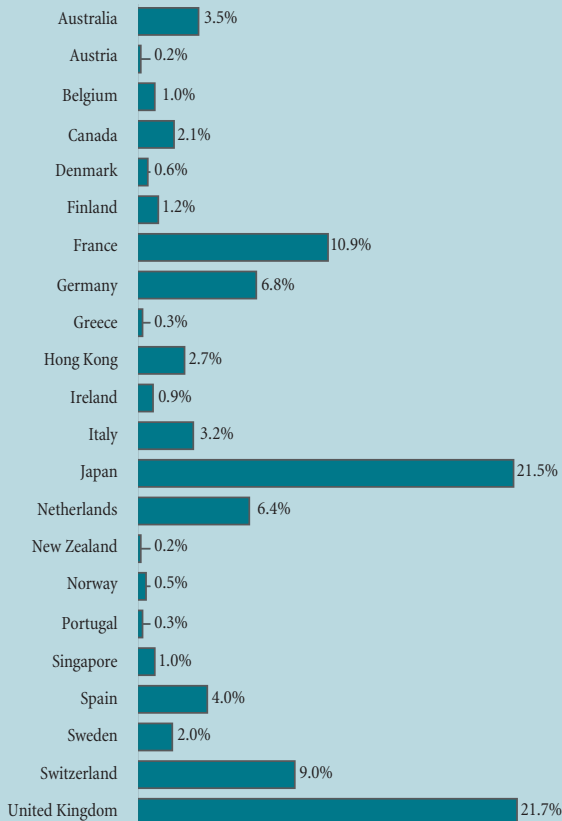
\$8,255,206,262

### Percentage of Portfolio

### Emerging Markets

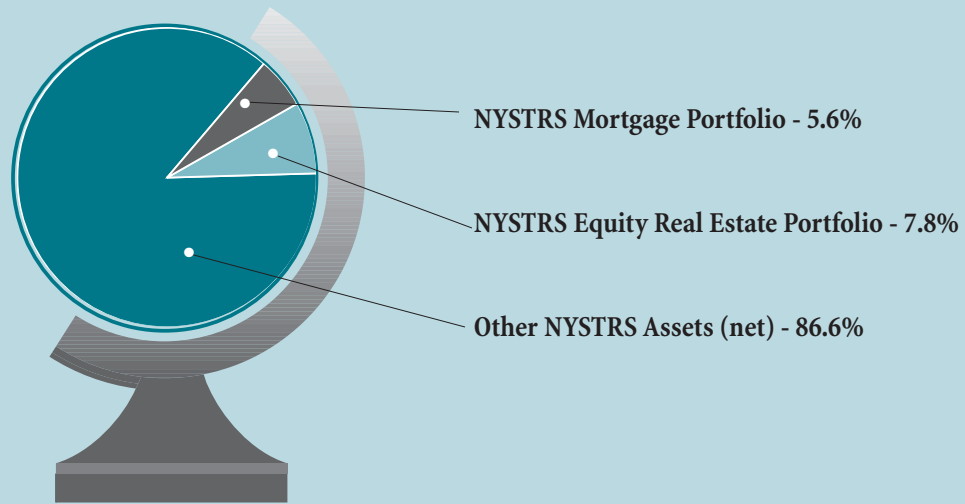
\$330,082,894

### Percentage of Portfolio

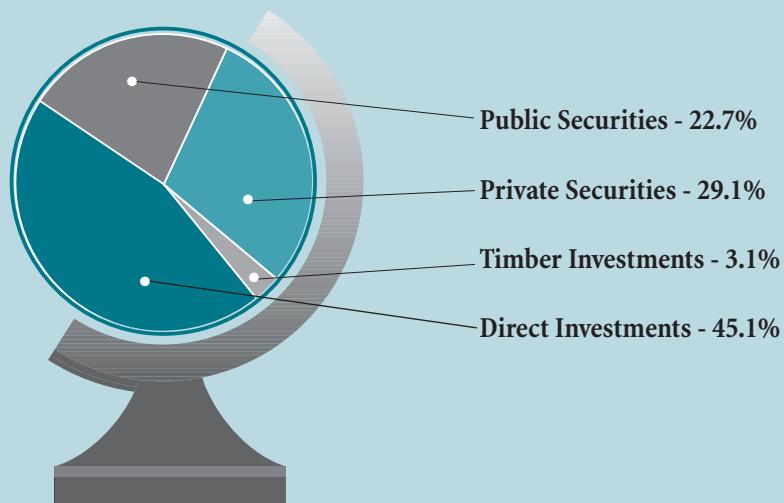


# Investments

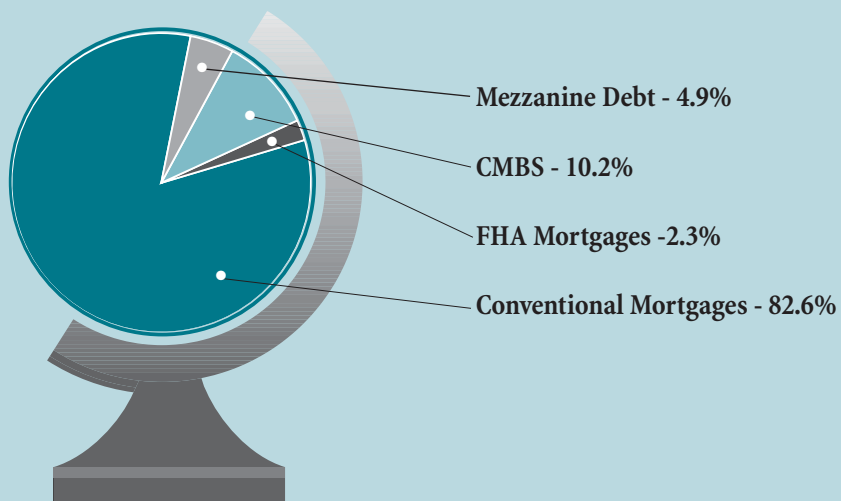
## Real Estate as a Percentage of NYSTRS Total Net Assets—June 30, 2005



## Breakdown of Real Estate Equity Portfolio—June 30, 2005

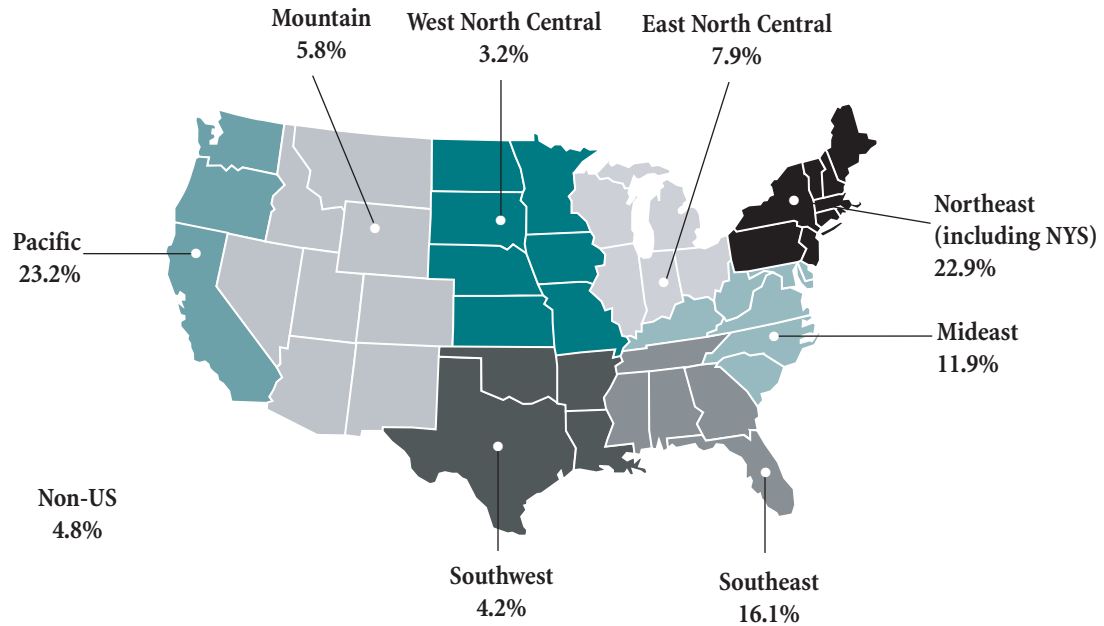


## Breakdown of Mortgage Portfolio—June 30, 2005

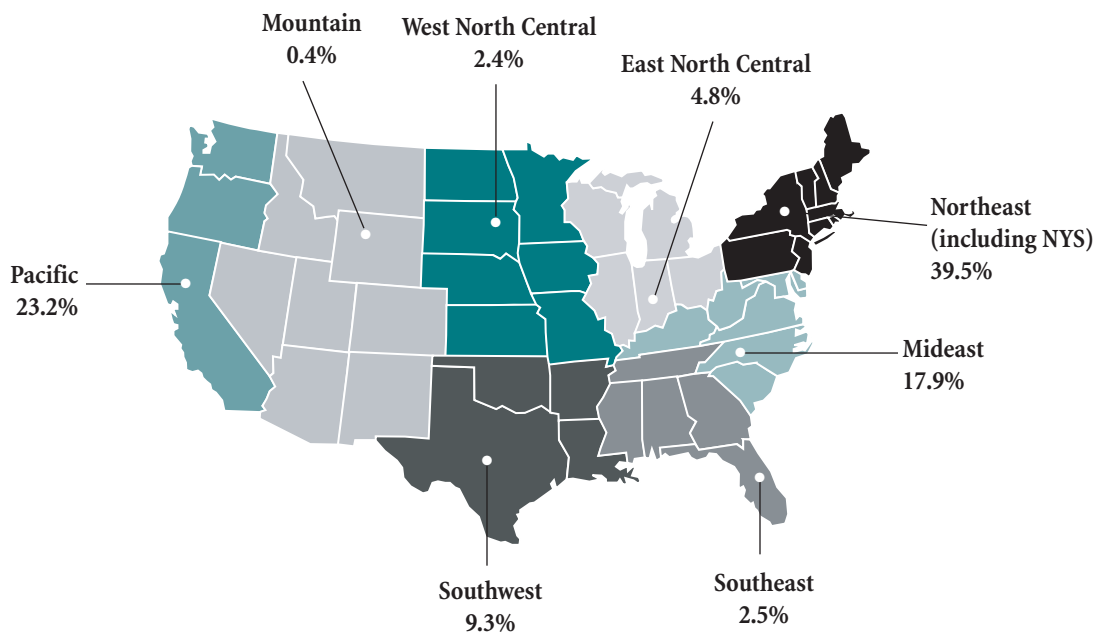


# Investments

## Geographic Distribution of the Real Estate Equity Portfolio—June 30, 2005



## Geographic Distribution of the Mortgage Portfolio—June 30, 2005



# 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 2004-2005. Over 5,000 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 (4,554)

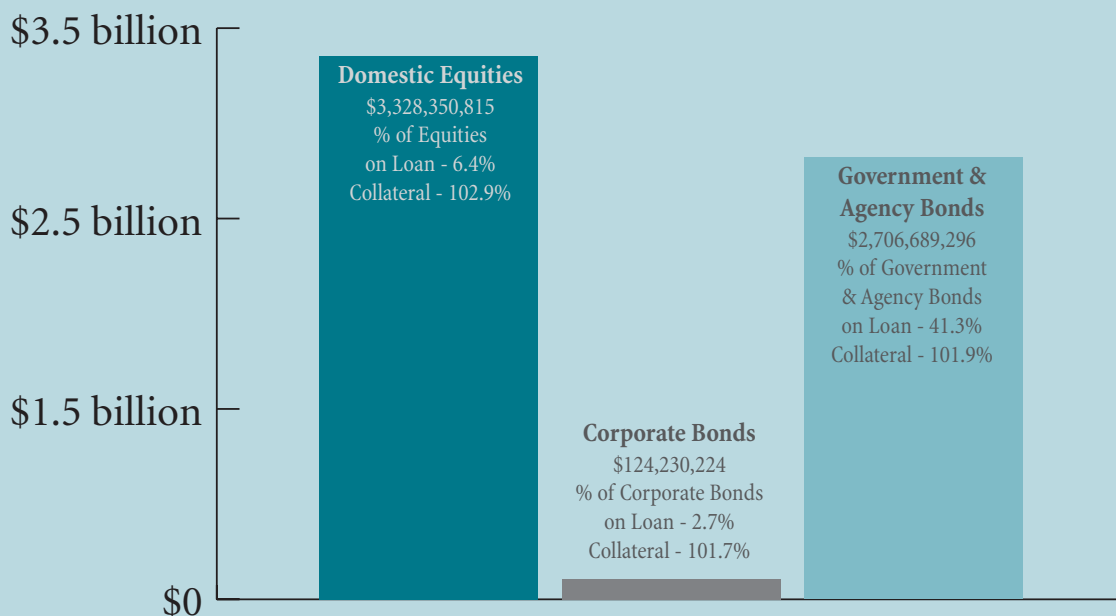
Yes	94.7%
No	5.3%

### Shareholder Proposals (509)

Yes	50.5%
No	49.5%

## Securities Lending Program—June 30, 2005

Value on Loan - \$6,159,270,335



# Investments

## Investment Advisory Committee

### DAVID L. BRIGHAM, *Chairman*

*Trustee*

Church Pension Fund  
New York, New York

### LEONADE D. JONES

*Director, six equity mutual funds  
within The American Funds Group*  
American Funds Group  
Washington, DC

### ROBERT G. WADE JR.

*Director (Retired)*

Chancellor LGT Asset Management  
New York, New York

### DANIEL J. BUKOWSKI

*Chief Investment Officer*

*Global Equities*

Citigroup Asset Management  
Stamford, Connecticut

### HIRAM F. MOODY JR.

*President*

Wicopeset Management Co.  
Fishers Island, New York

### CAROL A. ZIPKIN

*Executive Vice President (Retired)*

Alliance Capital Management L.P.  
New York, New York

## External Investment Managers

### DOMESTIC EQUITIES:

#### Active Large Cap

Iridian Asset Management LLC (Value)

#### Active Small Cap

Peregrine Capital Management Co. (Growth) (*terminated 4/05*)  
Progress Investment Management Co. (Funds of Funds)

### INTERNATIONAL EQUITIES:

#### Active

Arnhold & S. Bleichroeder Advisors, Inc.  
Artisan Partners Limited Partnership  
Baillie Gifford Funds (*terminated 1/05*)  
Bank of Ireland Asset Management (*terminated 1/05*)  
Capital Guardian Trust Co.  
Causeway Capital Management, LLC  
Fidelity Management Trust Company (*hired 3/05*)  
Gryphon International Investment Corporation (*hired 3/05*)  
Harris Associates L. P.  
JPMorgan Fleming Asset Management (*hired 3/05*)  
Mercator Asset Management, L. P.  
Morgan Stanley Investment Management (*terminated 1/05*)  
Walter Scott & Partners Limited (*hired 3/05*)  
Wellington Management Company (*hired 3/05*)

#### Passive/Enhanced

Barclays Global Investors  
Merrill Lynch Asset Management (*terminated 1/05*)  
State Street Global Advisors

### CUSTODIAN:

State Street Bank & Trust Co.

### SECURITIES LENDING:

State Street Bank & Trust Co.

# Investments

## External Investment Managers (continued)

### PRIVATE EQUITY— LIMITED PARTNERSHIPS:

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

## 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

*Executive Vice President & Managing Director*  
GMAC Institutional Advisors  
Irvine, California

### 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 Homes  
Dallas, Texas



# Investments

## Real Estate Advisors

### EQUITY:

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

### DEBT:

ARCap REIT, Inc.  
Blackrock Financial Management, Inc.  
Capital Trust, Inc.  
Capri Capital Advisors, LLC  
Carbon Capital, Inc.  
ING Clarion Capital, LLC  
Legg Mason Real Estate Capital, Inc.  
MMA Realty Capital, Inc.  
Prima Capital Advisors, LLC

### COMMINGLED:

Angelo, Gordon & Co.  
Blackacre Institutional Capital Management, LLC  
BlackRock, Inc.  
CB Richard Ellis Investors, LLC  
Cabot Properties, Inc.  
CIGNA Realty Investors  
Cornerstone Real Estate Advisers LLC  
DLJ Real Estate Capital Partners, Inc.  
Essex Property Trust, Inc.  
Global Forest Partners LP  
Hines Interests  
ING Clarion Partners  
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  
Starwood Capital Group LLC  
UBS Realty Investors LLC  
Westbrook Partners

### REITS:

Adelante Capital Management LLC  
Cohen & Steers Capital Management, Inc.  
RREEF America, LLC

## Investment Consultants

Abel/Noser Corporation  
New York, New York

Callan Associates  
San Francisco, California

INVESCO Private Capital  
Denver, Colorado (*contract expired 2/05*)

# *for·mu·la*

*A statement, especially  
an equation, of a fact,  
rule, principle, or  
other logical relation.*



# *Actuarial*



## Actuarial Certification Letter



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

10 Corporate Woods Drive  
Albany, NY 12211-2395  
(800) 356-3128 or 447-2666 (Albany-area calls)  
Web Site: [www.nystrs.org](http://www.nystrs.org)

**George M. Philip, Executive Director**

**Office of the Actuary**

(518) 447-2692

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

September 2, 2005

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, 2004. 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 2004 Legislative Session that had a significant impact on plan funding. Our market value rate of return was 16.1% for the fiscal year ending June 30, 2004. This is the first year out of the last five that the market value rate of return has exceeded the assumed actuarial valuation rate of return of 8.0%. Our five-year market value rate of return was 2.6% as of June 30, 2004. The Retirement System's liabilities continue to grow each year as existing members get closer to retirement. Additionally, the Retirement System's membership continues to grow. The June 30, 2004 actuarial valuation produced a required employer contribution rate of 7.97% 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, 2004 was 99.2%. 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,

A handwritten signature in red ink that reads "Richard A. Young".

Richard A. Young, A.S.A., E.A., M.A.A.A.  
Actuary

cc: G. Philip

# Actuarial

## Summary of Actuarial Methods and Assumptions—June 30, 2004

### 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 <i>Summary of Benefits</i> in the Introduction.
Actuarial asset valuation method:	Five-year smoothing for equities, real estate, and alternative investments

### Assumptions

(Selected sample rates)	Assumptions are computed by the Actuary and adopted by the Retirement Board.
(Adoption dates in parentheses)	They are based upon recent NYSTRS member experience.

#### Economic:

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

#### Salary Scale:

				(10/00)
<u>Age</u>	<u>Female</u>	<u>Male</u>		
25	11.08%	11.53%		
35	6.70	7.00		
45	5.94	5.16		
55	4.99	4.38		

#### Demographic:

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

Active Members			(10/00)
<u>Age</u>	<u>Female</u>	<u>Male</u>	
30	3	4	
40	3	5	
50	8	13	
60	13	18	

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

Retired Members and Beneficiaries			(10/00)
<u>Age</u>	<u>Female</u>	<u>Male</u>	
20	3	5	
40	10	11	
60	55	66	
80	359	539	

Service Retirement:	(10/00)
Tier 1 & Tiers 2-4	Tiers 2-4 less than
age 62 or with	age 62 & less than
30 years of service	30 years of service

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

Disabled Members			(10/00)
<u>Age</u>	<u>Female</u>	<u>Male</u>	
30	356	563	
40	461	1,302	
60	291	323	
80	624	539	

Disability Retirement:	(10/00)	
<u>Age</u>	<u>Female</u>	<u>Male</u>
35	0.01%	0.01%
40	0.03	0.03
45	0.06	0.07
50	0.13	0.18

# Actuarial

## The Actuary's Valuation Balance Sheet—June 30, 2004 (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, 2004.

### Assets

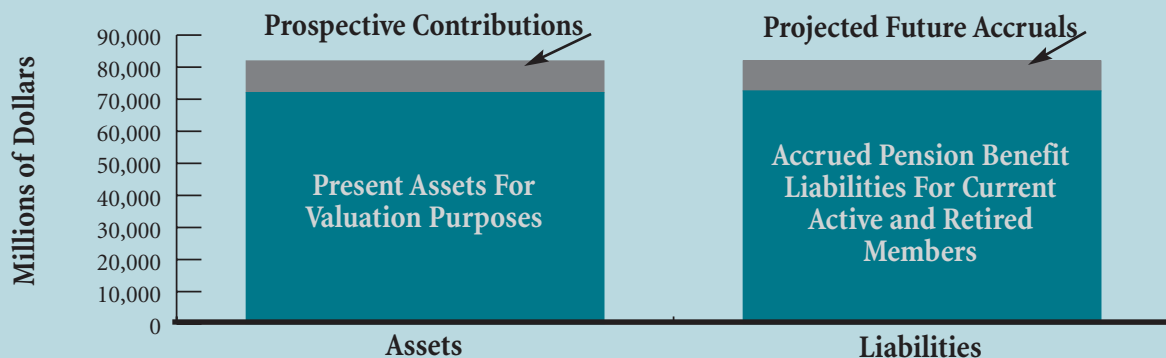
Present Assets of System for Valuation Purposes*	\$72,044,385
Present Value of Prospective Contributions to Pension Accumulation Fund:	
From Employer Contributions	9,290,908
From Member Contributions	<u>627,626</u>
Total Assets	\$81,962,919

### Liabilities

Present Value of Future Benefits to:	
Retired Members and Beneficiaries	\$36,824,596
Active Members	45,078,799
Member Contributions Accumulated to Date	
in the Annuity Savings Fund	51,582
Benefits Due and Unpaid	<u>7,942</u>
Total Liabilities	\$81,962,919

\*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, 2004



# Actuarial

## Funding Progress

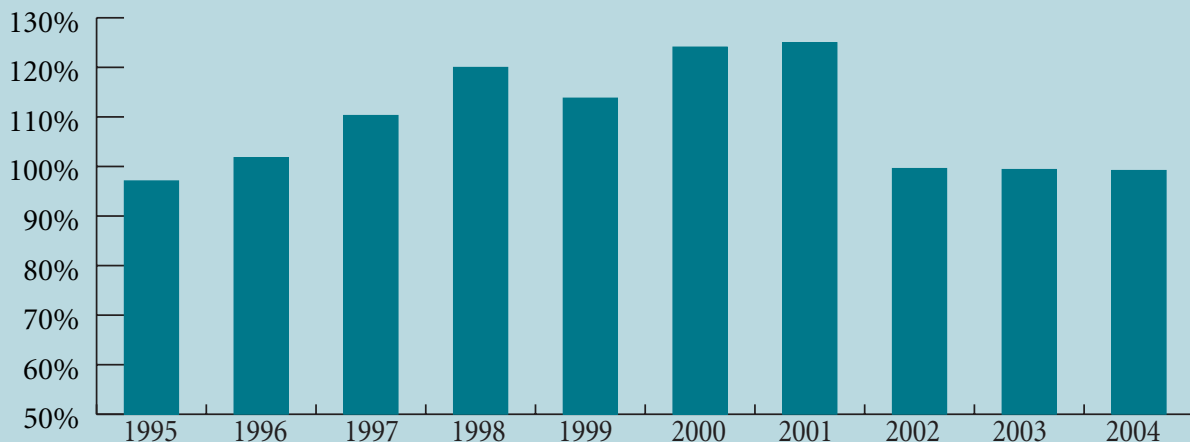
The Actuary's Valuation Balance Sheet provides a point-in-time comparison, as determined by actuarial valuation, between the present value of projected future benefits and the present assets as well as prospective contributions. In order to effectively assess the funding progress of a retirement system,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

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

### *Analysis of Funding Progress in Conformity with the Retirement System's Funding Method* (in millions)

Fiscal Year	Actuarial Value of Assets	Accrued Pension Benefit Liability	Percentage Funded
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
2004	72,044.4	72,604.9	99.2

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



# Actuarial

## 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)
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	11,766.7	3.0	59,918	2.52
2005	260,356	12,254.4*	4.1*	not available	5.63

\*Estimated

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

Fiscal Year	Number of Retired Members and Beneficiaries		Annual Benefit of Retired Members and Beneficiaries		Total Number of Retired Members and Beneficiaries	Total Annual Benefit	Percentage Increase in Total Annual Benefit	Average Annual Benefit
	Added During the Year	Removed During the Year	Added During the Year	Removed During the Year				
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
2005	7,536	3,457	347,943,836	72,645,187	125,325	4,236,863,962	6.95	33,807

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





Deloitte & Touche LLP  
Two Hilton Court  
Parsippany, NJ 07054-0319  
U.S.A.  
Tel: +1 (973) 683 7000  
Fax: +1 (973) 683 7459  
www.deloitte.com

September 9, 2005

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, 2003 and the resultant employer contribution rate of 5.63% applied to the payroll for the fiscal year ended June 30, 2005.
- A review of the methodology used to estimate the payroll as of June 30, 2005, and the employer and employee contributions receivable as of June 30, 2005.
- A review of the System's Experience Studies as of June 30, 2003 and 2004, 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, 2005, 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 judgment 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,

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

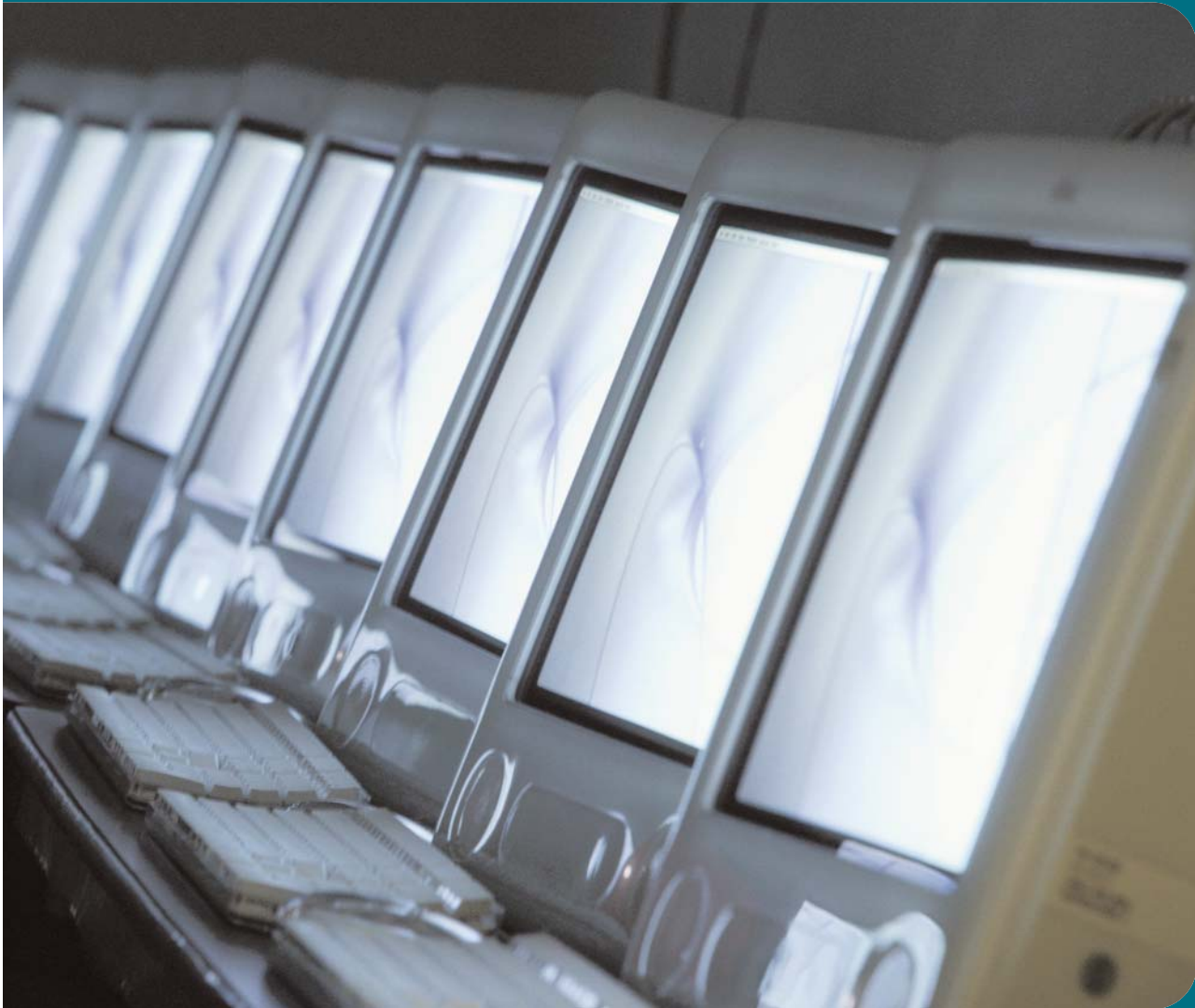
---

---

# *com·put·er*

*A device that computes,  
especially a programmable  
electronic machine that performs  
high-speed mathematical or logical  
operations or that assembles,  
stores, correlates, or otherwise  
processes information.*

# *Statistical*



# Statistical

## Active Members

	<u>Men</u>	<u>Women</u>	<u>Total</u>
July 1, 2004 .....	63,689	190,826	254,515
Changes During Year:			
Added .....	3,672	12,323	15,995
Withdrawn .....	684	2,097	2,781
Retired .....	2,214	4,968	7,182
Died .....	60	131	191
Total Membership July 1, 2005 .....	64,403	195,953	260,356

## Members Retired for:

	<u>Service*</u>			<u>Disability</u>			<u>Total</u>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2004 .....	44,978	69,932	114,910	559	1,373	1,932	45,537	71,305	116,842
Changes During Year:									
Retired .....	2,186	4,856	7,042	28	112	140 **	2,214	4,968	7,182
Died .....	949	1,870	2,819	29	83	112	978	1,953	2,931
Lump Sum .....	72	182	254	0	0	0	72	182	254
Restored to Active Membership .....	0	0	0	4	4	8	4	4	8
July 1, 2005 .....	46,143	72,736	118,879	554	1,398	1,952 ***	46,697	74,134	120,831

## Beneficiaries of Deceased:

	<u>Service Annuitants</u>			<u>Disability Annuitants</u>			<u>Active Members</u>			<u>Total</u>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
July 1, 2004 .....	756	3,114	3,870	78	180	258	35	241	276	869	3,535	4,404
Changes During Year:												
Added .....	91	244	335	11	8	19	0	0	0	102	252	354
Died .....	65	166	231	2	6	8	2	18	20	69	190	259
Lump Sum .....	1	2	3	1	0	1	0	1	1	2	3	5
July 1, 2005 .....	781	3,190	3,971	86	182	268	33	222	255	900	3,594	4,494

## Summary

	<u>Men</u>	<u>Women</u>	<u>Total</u>
Active Members .....	64,403	195,953	260,356
Retired Members .....	46,697	74,134	120,831
Beneficiaries .....	900	3,594	4,494
Total .....	112,000	273,681	385,681

\*Also includes vested retirees.

\*\*Includes 2 men and 2 women retired for disability who receive a service benefit.

\*\*\*Includes 50 men and 66 women retired for disability who receive a service benefit.

# Statistical

## Members and Annuitants 1922-2005

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	2005	260,356	125,325

## Number of Active Members by Tier

As of June 30	Tier 1	Tier 2	Tier 3	Tier 4	Total
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
2005	17,901	13,210	18,535	210,710	260,356

# Statistical

## Distribution of Active Members by Age and Years of Service\* as of June 30, 2004

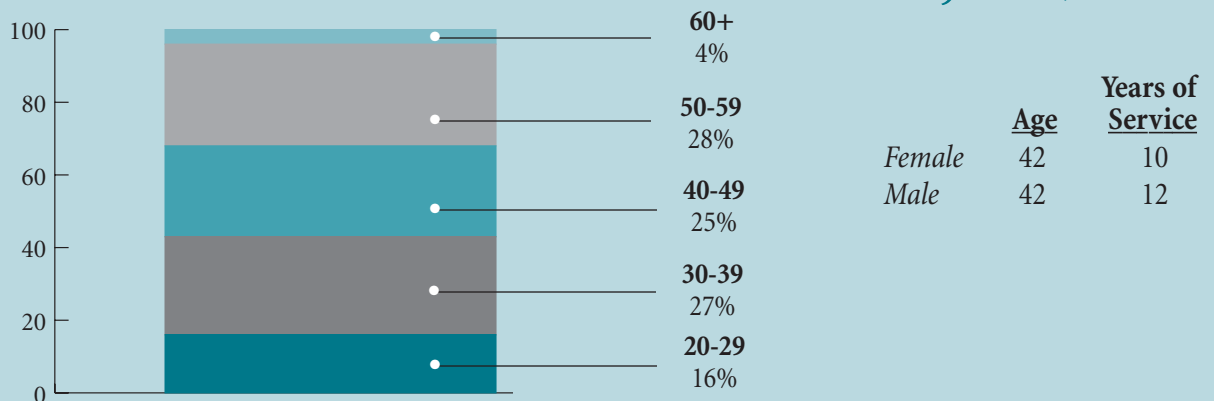
### YEARS OF SERVICE

AGE		<u>0-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>
20-24	Number of Members	7,766	0	0	0	0
	Average Salary	\$34,173	\$0	\$0	\$0	\$0
25-29	Number of Members	31,126	2,392	0	0	0
	Average Salary	\$43,242	\$51,612	\$0	\$0	\$0
30-34	Number of Members	20,849	14,693	1,106	1	0
	Average Salary	\$46,787	\$54,482	\$58,592	\$21,164	\$0
35-39	Number of Members	12,842	10,208	7,941	1,092	0
	Average Salary	\$45,297	\$55,931	\$62,104	\$65,210	\$0
40-44	Number of Members	11,203	5,971	5,480	7,120	721
	Average Salary	\$41,247	\$52,424	\$62,576	\$68,779	\$70,219
45-49	Number of Members	10,118	5,412	4,530	5,466	5,278
	Average Salary	\$40,117	\$50,112	\$60,515	\$70,252	\$75,010
50-54	Number of Members	7,348	5,160	5,802	5,921	5,336
	Average Salary	\$43,082	\$50,852	\$59,905	\$68,242	\$76,610
55-59	Number of Members	3,850	2,308	3,167	4,182	3,695
	Average Salary	\$43,251	\$50,489	\$59,161	\$67,526	\$76,523
60-64	Number of Members	1,480	643	828	1,303	1,324
	Average Salary	\$44,987	\$50,586	\$57,236	\$65,555	\$75,216
65-69	Number of Members	422	150	139	205	188
	Average Salary	\$49,893	\$45,136	\$55,050	\$65,851	\$73,249
70+	Number of Members	224	58	48	51	54
	Average Salary	\$30,022	\$28,095	\$40,141	\$56,385	\$69,948
<b>Total</b>	Number of Members	<b>107,228</b>	<b>46,995</b>	<b>29,041</b>	<b>25,341</b>	<b>16,596</b>
	Average Salary	\$43,128	\$53,232	\$60,921	\$68,402	\$75,617

\* Average salary data is for the 186,947 members who earned a full year of service.

## Distribution of Active Members by Age—June 30, 2004

### Averages— June 30, 2004

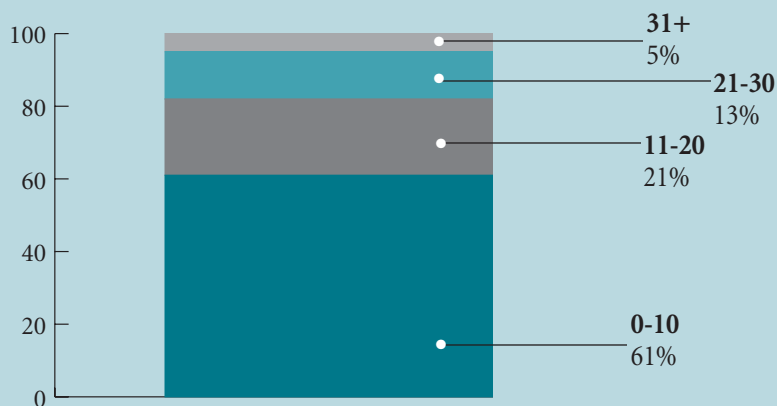


# Statistical

## YEARS OF SERVICE

<u>26-30</u>	<u>31-35</u>	<u>36-40</u>	<u>41-45</u>	<u>46-50</u>	<u>51-55</u>	<u>Total</u>
0	0	0	0	0	0	7,766
\$0	\$0	\$0	\$0	\$0	\$0	\$34,173
0	0	0	0	0	0	33,518
\$0	\$0	\$0	\$0	\$0	\$0	\$44,065
0	0	0	0	0	0	36,649
\$0	\$0	\$0	\$0	\$0	\$0	\$51,107
0	0	0	0	0	0	32,083
\$0	\$0	\$0	\$0	\$0	\$0	\$55,360
2	0	0	0	0	0	30,497
\$109,379	\$0	\$0	\$0	\$0	\$0	\$57,408
999	5	0	0	0	0	31,808
\$78,561	\$89,982	\$0	\$0	\$0	\$0	\$60,535
9,124	3,312	6	0	0	0	42,009
\$80,919	\$85,698	\$105,076	\$0	\$0	\$0	\$69,199
4,070	7,587	796	2	0	0	29,657
\$83,306	\$89,455	\$99,657	\$99,244	\$0	\$0	\$75,930
1,088	761	866	63	0	0	8,356
\$82,461	\$89,194	\$98,004	\$100,534	\$0	\$0	\$74,531
165	113	95	81	11	0	1,569
\$79,681	\$90,654	\$97,060	\$98,411	\$108,294	\$0	\$74,112
43	28	27	23	31	16	603
\$62,603	\$84,669	\$86,210	\$98,059	\$93,346	\$99,125	\$67,299
15,491	11,806	1,790	169	42	16	254,515
\$81,442	\$88,379	\$98,546	\$99,160	\$97,457	\$99,125	\$59,918

*Distribution of Active Members by Service—June 30, 2004*



# Statistical

## Members Retired in 2004-2005 for:

	Service*	Disability
Number Retired	7,046	136
Age at Retirement:		
Average .....	57 yrs., 10 mos.	51 yrs., 2 mos.
Median .....	56 yrs., 4 mos.	52 yrs., 1 mo.
Years of Service:		
Average .....	28 yrs., 6 mos.	19 yrs., 3 mos.
Median .....	32 yrs., 2 mos.	17 yrs., 8 mos.
**Benefit:		
Average .....	\$45,394.47	\$25,447.39
Median .....	\$48,354.96	\$22,694.76
Final Average Salary:		
Average .....	\$72,126.25	\$61,121.55
Median .....	\$73,626.23	\$59,366.98
***Benefit as % of FAS:		
Average .....	57.07%	39.37%
Median .....	65.96%	35.09%

## Members Retired in 2004-2005 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	1,323	3,634	2,089
Age at Retirement:			
Average .....	58 yrs., 8 mos.	57 yrs., 7 mos.	57 yrs., 9 mos.
Median .....	57 yrs., 2 mos.	55 yrs., 10 mos.	56 yrs., 9 mos.
Years of Service:			
Average .....	13 yrs., 1 mo.	29 yrs., 6 mos.	36 yrs., 8 mos.
Median .....	13 yrs., 1 mo.	31 yrs., 1 mo.	36 yrs., 0 mos.
**Benefit:			
Average .....	\$ 7,233.13	\$46,629.02	\$67,415.10
Median .....	\$ 4,256.88	\$46,713.36	\$64,304.52
Final Average Salary:			
Average .....	\$34,003.39	\$76,196.55	\$89,189.48
Median .....	\$25,153.58	\$74,265.92	\$84,784.84
***Benefit as % of FAS:			
Average .....	18.99%	60.35%	75.47%
Median .....	18.13%	63.86%	74.85%

\*Also includes vested retirees.

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

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



# Statistical

## All Retirees as of June 30, 2005 Retired for:

	Service*	Disability
Number Retired	118,995	1,836
Age at Retirement:		
Average .....	58 yrs., 2 mos.	48 yrs., 10 mos.
Median .....	56 yrs., 10 mos.	49 yrs., 8 mos.
Years of Service:		
Average .....	28 yrs., 2 mos.	19 yrs., 1 mo.
Median .....	30 yrs., 0 mos.	18 yrs., 5 mos.
**Benefit:		
Average .....	\$32,339.49	\$15,848.22
Median .....	\$30,582.84	\$13,776.72
Final Average Salary:		
Average .....	\$54,082.22	\$41,786.37
Median .....	\$54,157.33	\$40,868.53
***Benefit as % of FAS:		
Average .....	54.89%	36.67%
Median .....	60.00%	34.07%

## All Retirees as of June 30, 2005 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	20,457	72,329	26,209
Age at Retirement:			
Average .....	58 yrs., 5 mos.	57 yrs., 11 mos.	58 yrs., 9 mos.
Median .....	56 yrs., 7 mos.	56 yrs., 5 mos.	58 yrs., 1 mo.
Years of Service:			
Average .....	14 yrs., 6 mos.	28 yrs., 6 mos.	37 yrs., 2 mos.
Median .....	15 yrs., 0 mos.	29 yrs., 6 mos.	36 yrs., 5 mos.
**Benefit:			
Average .....	\$ 6,768.04	\$32,148.18	\$52,826.81
Median .....	\$ 5,191.32	\$30,679.44	\$52,430.64
Final Average Salary:			
Average .....	\$28,361.60	\$55,048.67	\$71,490.90
Median .....	\$23,240.84	\$54,840.40	\$71,217.09
***Benefit as % of FAS:			
Average .....	23.16%	57.00%	73.81%
Median .....	22.11%	58.69%	73.30%

\*Also includes vested retirees.

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

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

# Statistical

## Distribution of Retired Members and Beneficiaries by Tier—June 30, 2005

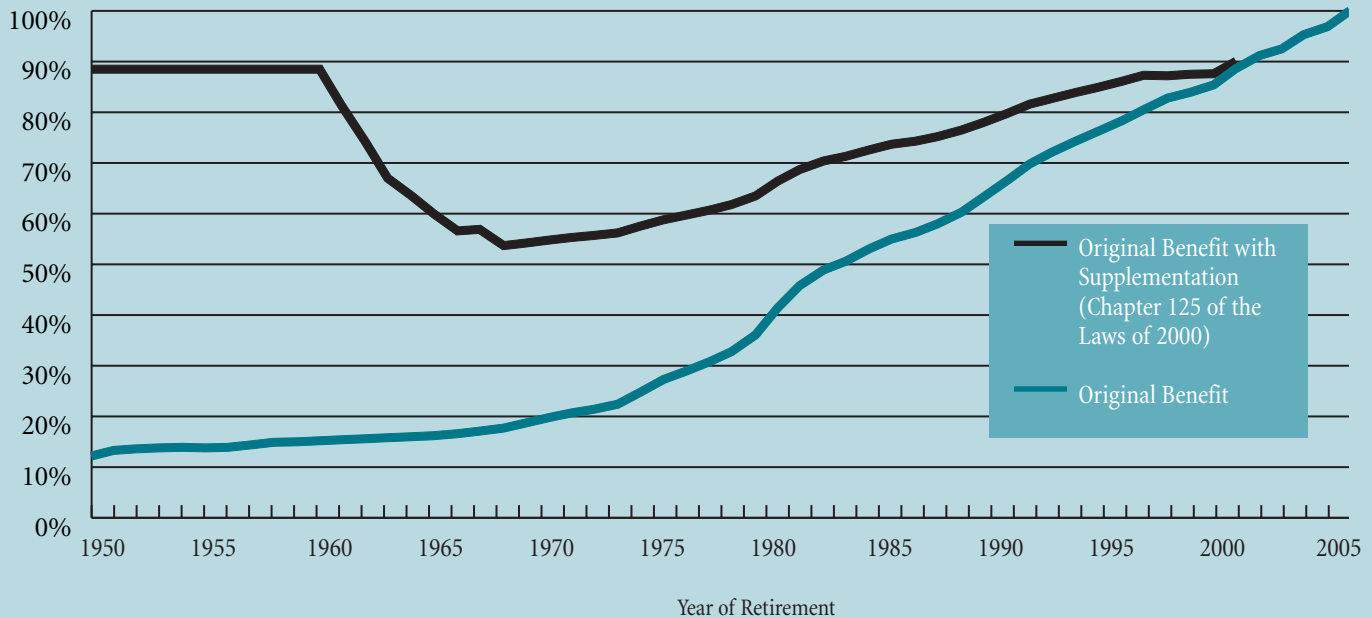
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Total</u>
<b>Members Retired for:</b>					
Service*	106,071	5,481	3,776 (273)**	3,551	118,879
Disability	1,190	198	226 (33)**	338	1,952
<b>Beneficiaries of Deceased:</b>					
Service Annuitants	3,792	97	50 (3)**	32	3,971
Disability Annuitants	201	25	28 (7)**	14	268
Active Members	252	2	1 (0)**	0	255
<b>Total</b>	<b>111,506</b>	<b>5,803</b>	<b>4,081 (316)**</b>	<b>3,935</b>	<b>125,325</b>

\*Also includes vested retirees.

\*\*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.

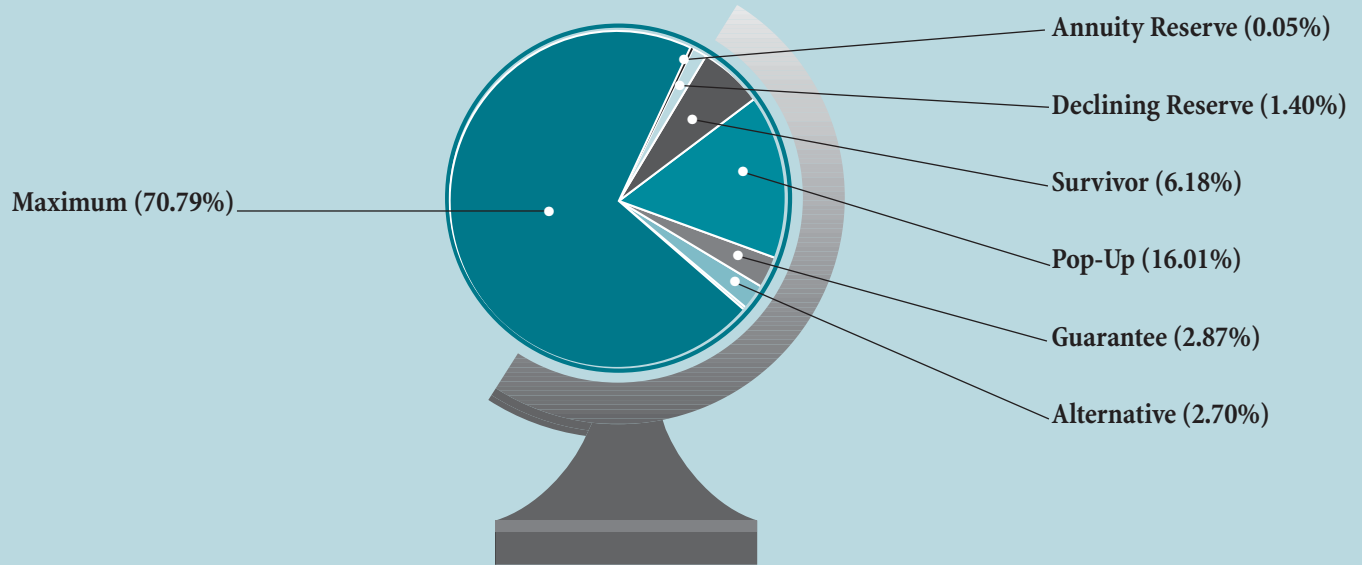
## Retired Members—Remaining Purchasing Power Through 2005

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 2005, in accordance with Chapter 125 of the Laws of 2000.



# Statistical

## Retirement Benefit Options and Percent of Election 2001-2005 Retirees



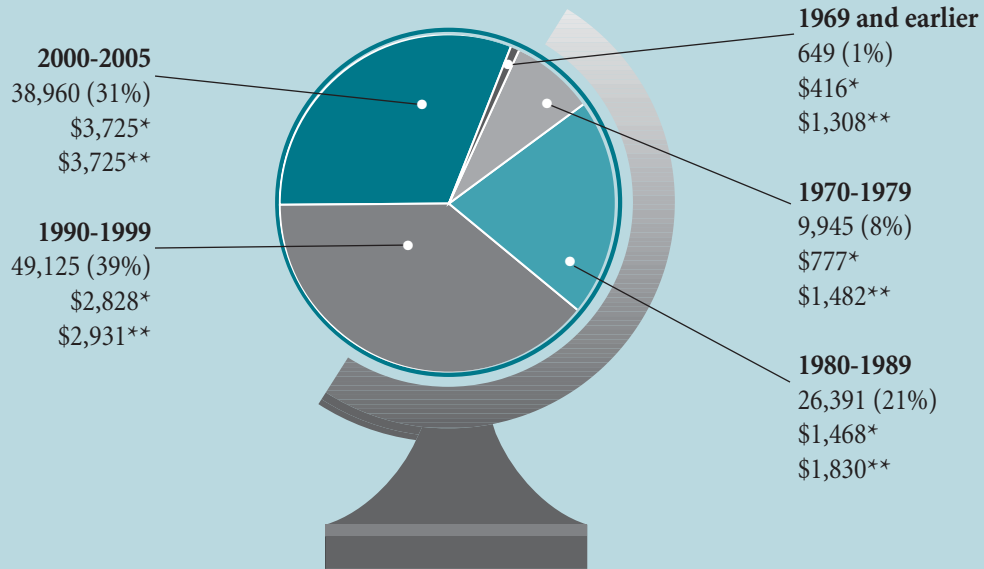
## Retired Members' Characteristics\* by Year of Retirement

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
1996	6,267	58-10	28-4	\$58,316	\$34,878
1997	6,452	58-3	28-6	60,512	36,061
1998	5,303	57-10	28-3	61,726	36,381
1999	6,111	57-9	27-4	61,442	35,710
2000	6,658	57-10	27-1	63,977	36,986
2001	7,946	57-9	29-7	67,027	42,266
2002	7,344	57-6	28-6	68,014	41,731
2003	10,173	57-4	30-1	70,427	44,898
2004	7,287	57-7	28-8	72,799	45,063
2005	7,182	57-10	28-6	72,126	45,394

\*Averages are for service and vested retirees.

# Statistical

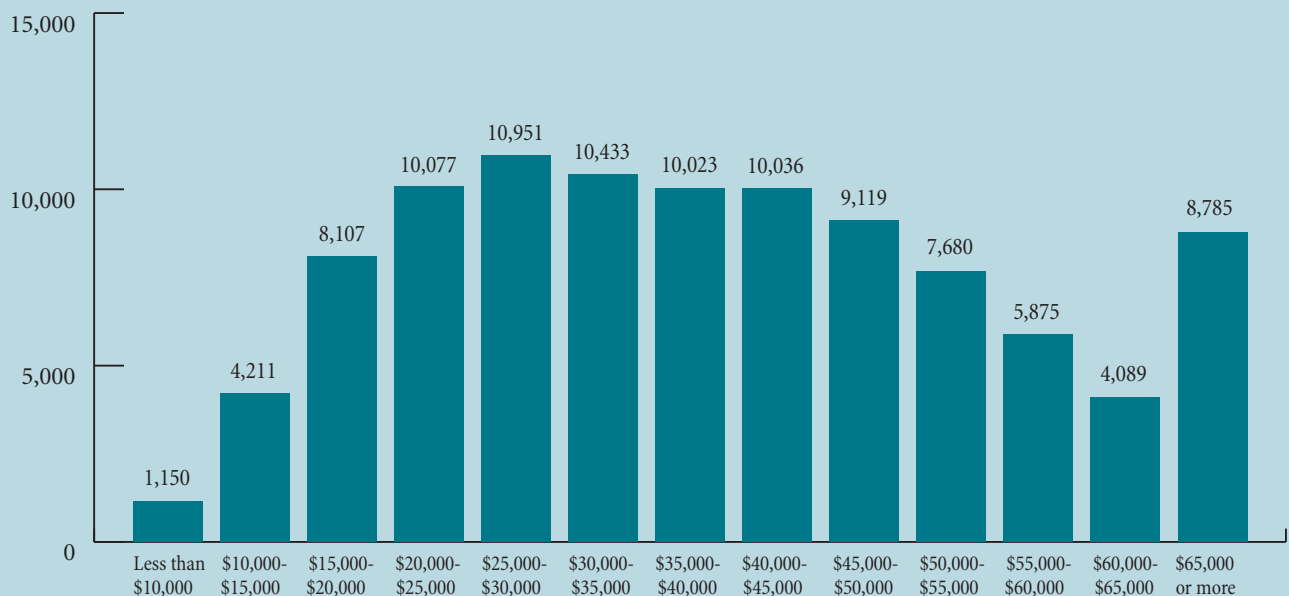
## Number of Retired Members and Monthly Benefits by Decade of Retirement—June 30, 2005



\*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, 2005



\*Maximum annual retirement benefit including supplementation and COLA.

# Statistical

## Distribution of Monthly COLA Increase Commencing September 2005

Monthly COLA Increase	Number of Retired Members and Beneficiaries
\$24.00	59,749
\$21.00 - \$23.99	3,652
\$18.00 - \$20.99	3,507
\$15.00 - \$17.99	2,838
\$12.00 - \$14.99	5,307
\$ 9.00 - \$11.99	2,613
\$ 6.00 - \$ 8.99	2,735
\$ 3.00 - \$ 5.99	3,487
\$ 0.01 - \$ 2.99	1,464
\$0 (currently ineligible)	39,973
<b>Total</b>	<b>125,325</b>

Commencing September	Fiscal Year Ending March 31 CPI	Applicable COLA Percentage	Maximum Annual Base Benefit Amount	Maximum Monthly COLA Increase	Cumulative Maximum Monthly COLA	Average Monthly COLA Increase	Cumulative Average Monthly COLA
2001	2.92%	1.5%	\$18,000	\$22.50	\$22.50	\$18.80	\$18.80
2002	1.48%	1.0%	\$18,000	\$15.00	\$37.50	\$12.64	\$31.44
2003	3.02%	1.6%	\$18,000	\$24.00	\$61.50	\$20.32	\$51.76
2004	1.74%	1.0%	\$18,000	\$15.00	\$76.50	\$12.85	\$64.61
2005	3.15%	1.6%	\$18,000	\$24.00	\$100.50	\$20.68	\$85.29

## Distribution of Cumulative Monthly COLA Commencing September 2005

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
\$100.50	44,037
\$90.50 - \$100.49	3,696
\$80.50 - \$ 90.49	2,652
\$70.50 - \$ 80.49	6,209
\$60.50 - \$ 70.49	6,444
\$50.50 - \$ 60.49	1,866
\$40.50 - \$ 50.49	4,801
\$30.50 - \$ 40.49	7,676
\$20.50 - \$ 30.49	3,205
\$10.50 - \$ 20.49	3,060
\$ 0.01 - \$ 10.49	1,706
\$0 (currently ineligible)	39,973
<b>Total</b>	<b>125,325</b>

## 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
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
2005	7,951,926	666,317	29,418	158,354	17,155	8,823,170

\*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
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
2005	4,085,296	52,826	12,466	40,309	4,190,897

# Statistical

## Participating Employers

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

# Statistical

## Participating Employers (continued)

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



# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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

# Statistical

## Participating Employers (continued)

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



# Statistical

## Participating Employers (continued)

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



*New York State Teachers' Retirement System*

*10 Corporate Woods Drive*

*Albany, NY 12211-2395*

*[www.nystrs.org](http://www.nystrs.org)*