NYS Teachers' Retirement System

Building a Secure Future for Our Members

Comprehensive Annual Financial Report

NY STRS

Fiscal Year Ended June 30, 2006

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

This CAFR was prepared by NYSTRS Staff

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.

George M. Philip
Executive Director and
Chief Investment Officer

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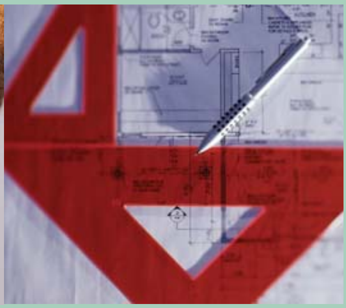

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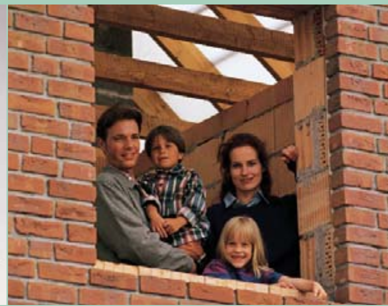
Investments

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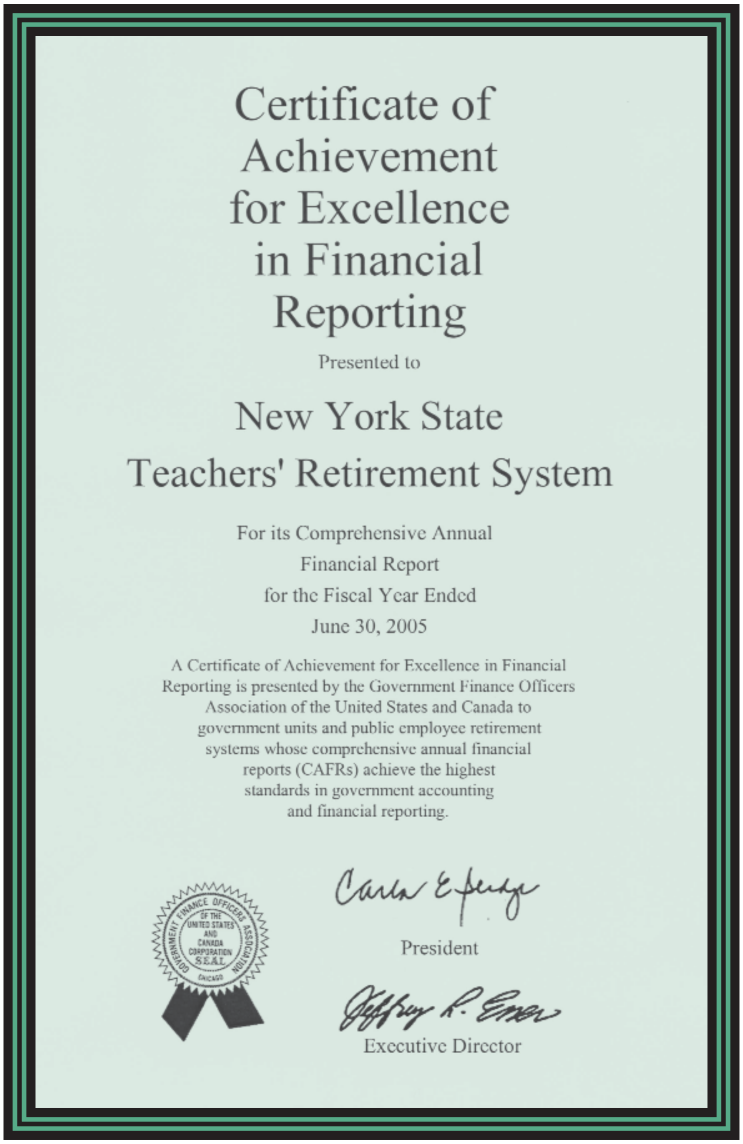


Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

New York State
Teachers' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished
Budget Presentation
Award

PRESENTED TO

New York State Teachers' Retirement System

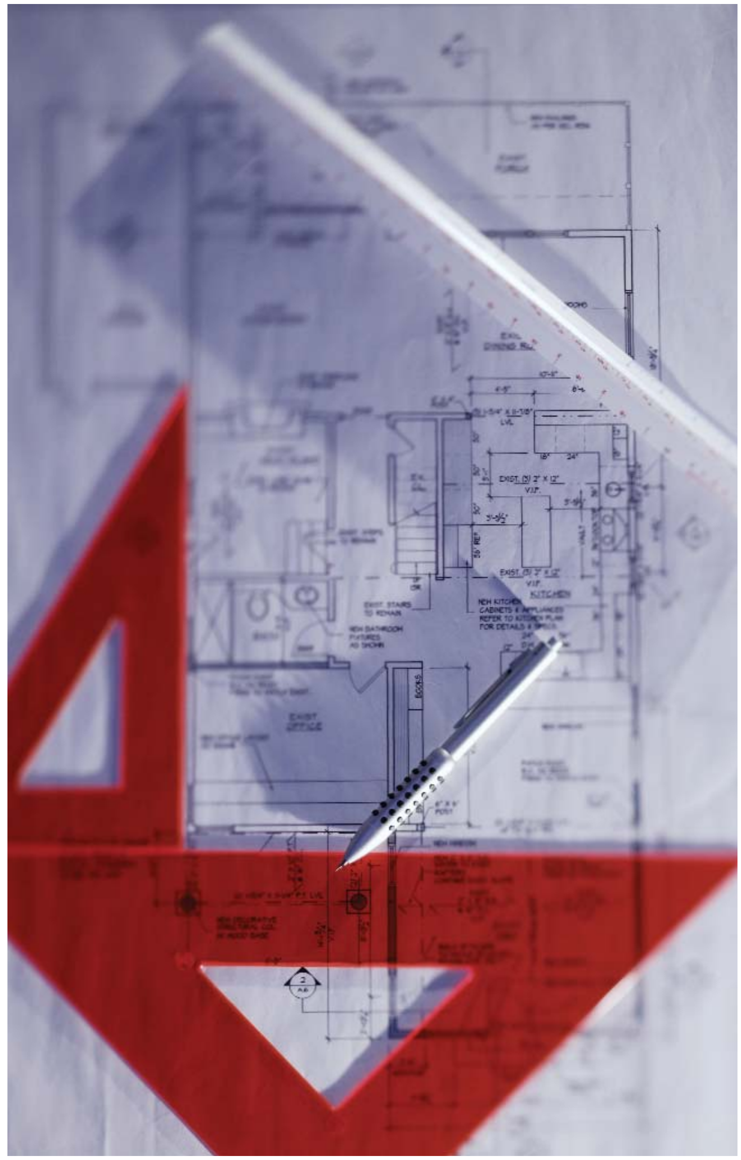
For the Fiscal Year Beginning

July 1, 2005

President

Executive Director

Introduction



Introduction

Board of Trustees

Board of Trustees (continued)

Rosemary F. Jones
Administrator
Appointed by
Commissioner of Education
First Appointed 2006
Sayville

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

David Loglisci
State Comptroller's
Representative
Appointed 2006
New York City

Sheila J. Salenger
Teacher Member
Elected by Delegates
First Elected 1989
Malta

Introduction

Executive Staff & Organizational Structure

Executive Staff

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

Trustees

George M. Philip
Executive Director
and
Chief Investment Officer

Wayne Schneider
General Counsel

Sheila O. Gardella
Director of Member Relations

Lawrence A. Johansen
Securities Investment Officer

William S. O'Brien
Director of Administration

John W. Virtanen
Real Estate Investment Officer

Richard A.Young
Actuary

See pages 62-64 of this report for a list of investment professionals who provide services to NYSTRS.

Introduction

Letter of Transmittal

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

George M. Philip, Executive Director

September 15, 2006

Trustees of the Retirement System Board:

It is my pleasure to present you with the Comprehensive Annual Financial Report of the New York State Teachers' Retirement System (NYSTRS) for the fiscal year ending June 30, 2006. This report complies with all legal requirements governing the preparation and contents of annual reports.

The report is divided into the following sections:

- **Introduction:** In addition to this Letter of Transmittal, this section contains the President's Message and a summary of benefits, and familiarizes readers with Board and Executive Staff members.
- **Financial:** Basic financial statements and accompanying footnotes, as well as the report of independent auditors KPMG LLP, are contained in this section.
- **Investments:** The Chief Investment Officer's Overview opens this segment of the report, which also contains information on System investment policies, holdings and performance. All external investment and real estate managers, consultants and advisory committee members are listed here.
- **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:** In this section, data regarding membership, service, salary and benefits is provided. The report ends with a list of all NYSTRS participating 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 16-20 of this report.

The System is one of the 10 largest public retirement funds in the nation, based on portfolio size and total membership; it is also consistently among the top performers. The fund's steady performance is primarily attributable to a sound asset allocation strategy applied to a diversified portfolio.

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 the day-to-day administration and operation of NYSTRS, which serves more than 800 employers — including public school districts, BOCES, institutions of higher education and charter schools that choose to participate in this System.

Membership Figures as of 6/30/2006	
Total Membership:	393,997
Active Members:	264,410
Retired Members/ Beneficiaries:	129,587
Members Added:	14,859
Members Retired:	7,281

Awards

Our strong commitment to quality fiscal practices was exemplified by the accolades received for the year ending June 30, 2006. Among the prestigious awards of merit accepted 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 2005 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, 2005 through June 30, 2006, 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.

Legislation

It was a relatively quiet legislative period, with few bills affecting the System and its members introduced. The new laws having an impact on pensions and retirement were as follows:

Chapter 559 of the Laws of 2005, signed into law Aug. 23, 2005, amended certain provisions relating to death and disability benefits provided by NYSTRS to ensure compliance by the System with the federal Older Workers Benefit Protection Act.

Chapter 22 of the Laws of 2006, effective April 7, 2006, increases the portion of public pension assets that may be invested according to the prudent investor standard from 15% to 25%.

Letter of Transmittal (continued)

Chapter 74 of the Laws of 2006, signed into law June 7, 2006 and effective Jan. 1, 2007, increases the post-retirement earnings limit for New York State public employment under Section 212 of the Retirement & Social Security Law to $30,000 for calendar year 2007.

Major Initiatives and Accomplishments

Trustee Re-elected
Joseph P. McLaughlin of Harrison was unanimously re-elected to the Retirement System's Board of Trustees at the 2005 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 1990, McLaughlin was also elected by fellow trustees as Board president. He chairs the Board's Governance Committee and also serves on the Finance and Proxy committees.

New Board Members Welcomed
Primarily in response to retirements by long-time Board members, four individuals joined the Retirement Board this year. Daniel J. Hogarty Jr. of Troy was elected by the Board of Regents to be the Bank Executive on the 10-member Board, replacing the retired Richard F. Lindstrom, a 20-year Board member. Dr. Rosemary F. Jones of Sayville and Dr. Michael A. Glover of LeRoy, both school administrators appointed by state Commissioner of Education Richard P. Mills, were also named to the Retirement Board. They replaced Dr. Frederick D. Volp and Dr. Lucy P. Martin, who retired with a combined 32 years of service as trustees. In June, David Loglisci of New York City joined the Board as the representative for New York State Comptroller Alan Hevesi. Loglisci replaced Stanley Laborde.

COLAs Paid
Approximately 85,000 retirees and beneficiaries received a 1.6% cost-of-living adjustment (COLA) on the first $18,000 of their annual benefit beginning in September 2005. It was the fifth consecutive year of COLA payments, the result of legislation enacted in 2000. For the recipient, it meant a maximum monthly increase of $24. When combined with the four previous COLA increases, benefit recipients receive a maximum of $100.50 more monthly than they did prior to enactment of the law.

Monthly Reporting Initiated
More than 1,000 staff members from over 600 NYSTRS participating employers attended System-sponsored training seminars to address questions and issues related to the July 1, 2005, implementation of a new, electronic monthly reporting format. The new procedure will reduce record checking and correspondence with the System when members retire. It also will provide members with more up-to-date benefit projections and more current personal information online through the System's Secure Area. Ultimately, monthly reporting will allow us to process most retirement applications quicker and provide future retirees with initial monthly payments significantly closer to their final benefit amount.

Members Surveyed
Each of the almost 1,000 members who attended a NYSTRS preretirement planning seminar during the summer of 2005 received a survey and a postage-paid return envelope with their workbooks. The seminars received a rating of excellent from 77% of attendees and a rating of good from 23%. NYSTRS presenters received a rating of excellent from 84% of respondents and a rating of good from 16%.

Introduction

Financial Information

Safeguarding the fund used to pay guaranteed retirement and ancillary benefits to members and their beneficiaries is the core commitment made by all those associated with NYSTRS. From managing portfolios to processing benefit payments, all tasks associated with this critical public trust are accomplished with the integrity, professionalism and care that members and taxpayers deserve. Independent consultants and auditors hired by the System are held to the same high standards.

System management is responsible for the accuracy of information provided in NYSTRS financial statements. The design, implementation and administration of appropriate internal controls that ensure assets are secure is also management's responsibility. To ensure the validity of these controls, a system of both external and internal checks and balances exists. 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 KPMG LLP, an independent certified public accountant, whose unqualified opinion appears on page 22 of this report.

Predictably, major System expenses result from retirement benefit payments, death benefits and refunds of contributions to certain eligible members and beneficiaries. The increase in retirement benefit payments from 2005 to 2006 is attributable to a net increase of about 4,300 retirees and beneficiaries. See pages 86 and 87 of this report for more information.

For an overview of NYSTRS' financial activities for the fiscal year ended June 30, 2006, see *Management's Discussion and Analysis* on page 23. This section provides explanations and further details of 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 28 for more information.

Investment income is typically our largest income source, and this year was no exception. Our total year-end net assets totaled $91.5 billion, an increase of $6.6 billion over the prior fiscal year. This increase, which is especially noteworthy considering we paid out a record $4.4 billion in benefit payments during the fiscal year, was largely the result of increased market value of System investments.

Portfolio performance is also a key driver of the employer contribution rate (ECR), expressed as a uniform percentage of member payroll, which is set annually at the level necessary to properly fund the retirement and ancillary benefits of members and their beneficiaries. The rate is established in accordance with an actuarial valuation made each year. The most recently adopted ECR of 8.60% will apply to 2006-07 member salaries and will be paid by employers in the 2007-08 fiscal year. The rates are set well in advance so school districts can budget for this expense. The 8.60% rate represents a small increase over the prior year's rate of 7.97%. Market returns over the last three years have been strong, exceeding our 8.0% actuarially assumed rate of return each year. However, our five-year rate of return remains below 8.0%, a factor impacting the ECR. Although the ECR has increased in each of the last few years, it is important to note it follows a period earlier in the decade when the rate was nearly zero.

Letter of Transmittal (continued)

As of June 30, 2005, the date of the most-recent annual actuarial valuation prepared by our actuary, our plan's funded ratio was 98.8%. Details of our funding progress may be obtained by turning to page 70.

Investments

Without question, our primary responsibility as an organization is to make timely and accurate benefit payments to all eligible members and their beneficiaries. To that end, Retirement System assets are prudently invested and diversified in order to achieve optimum long-term returns with an appropriate level of risk. Based on our historical track record as a long-term investor, we anticipate we will continue to have the funds necessary to make guaranteed benefit payments — both now and in the future — to our members.

This fiscal year marked the third consecutive year of double-digit returns for the System. For the fiscal year ending June 30, 2006, the Retirement System's total portfolio returned 11.8%. Over the last 10 years, the average annualized total rate of return is 9.0%. Each of these returns exceeds our actuarially assumed 8.0% per annum rate of return.

The healthy returns of these past few years reaffirm the importance of a sound asset allocation policy. The allocation of assets, as well as the fund's overall structure, are continuously reviewed and adjusted to achieve these goals.

The Retirement Board, at its July 2006 meeting, reviewed our portfolio with the assistance of an independent consultant and determined no changes were needed to our asset allocation. However, the System will continue to cash in a small percentage of its domestic equity portfolio each month and convert it to fixed income to keep the portfolio properly balanced and provide access to funds used to pay retirement benefits.

Refer to pages 44-64 for further information on NYSTRS investments. A listing of our Equity and Fixed Income holdings can be viewed on our Web site at www.nystrs.org.

Acknowledgements

This report is prepared annually by NYSTRS staff and reviewed by external auditors prior to publication. The intent of the document is to provide complete and reliable information for making management decisions, determining compliance with legal provisions and determining responsible stewardship of System assets.

This comprehensive annual financial report is distributed to libraries, government officials and members of the investment community, as well as any members of the 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.

On a personal note, I want to take this opportunity to extend heartfelt thanks to Board members, both past and present, for their dedication to protecting the financial security of New York State educators. Many long-time Board members retired in the past year, including former President Dr. Lucy P. Martin (first appointed in 1984), former Vice President Richard F. Lindstrom (first elected in 1985) and Dr. Frederick D. Volp (first appointed in 1994). During their tenure, the NYSTRS fund experienced unprecedented growth and our success was due in part to their leadership, experience and wise counsel. They helped lay the foundation that allowed the Retirement System to succeed. Although they have been replaced by knowledgeable and devoted individuals, the retiring Board members will be sorely missed. We are forever grateful for their contributions.

Also leaving us was State Comptroller Representative Stanley Laborde, a three-year member of the Board. He brought a wealth of institutional knowledge to the table, and is a well-known and respected member of the investment community. On behalf of the remaining members of the Board and the System's Executive Staff, we thank him and the other departed trustees for their exemplary service to NYSTRS and its members.

As for our new Board members, their transition has been smooth and seamless. They are all highly skilled individuals who bring levels of experience, commitment and enthusiasm similar to those they replaced. I fully expect they will be with us for many successful years to come.

I would be remiss if I didn't also acknowledge NYSTRS' management and staff for their many day-to-day contributions to the success of the System. A team is only as good as its players and the team we have assembled here is as strong as any I have seen. Our members are truly lucky to have such caring, hard-working and skilled individuals looking out for them.

I also extend sincere gratitude to the members of the Medical Board, and the Investment Advisory and Real Estate Advisory committees, all of whom serve without compensation to benefit our members.

Everyone associated with this organization is proud of our top-10 ranking among public retirement systems nationwide, and will continue to guide the System along a course of growth and stability.

Respectfully submitted,

George M. Philip
NYSTRS Executive Director
and Chief Investment Officer

President's Message

It is with great pride that I join Executive Director George Philip in presenting NYSTRS' Annual Report for the fiscal year ended June 30, 2006. The past year was another successful one on many fronts, thanks to the dedication and commitment of NYSTRS' staff and Retirement Board.

We are pleased to report NYSTRS had its third consecutive year of strong performance. During this fiscal year, the System's assets grew by $6.6 billion and our fund's rate of return was an impressive 11.8%. Our funded ratio of 98.8% is well above the national average and among the strongest in the nation.

These financial accomplishments are significant and particularly important at a time when baby boomers are entering retirement in record numbers. In this environment, we cannot overstate the importance of our investment practices as being key to our ability to provide the benefits our members deserve and expect. The System's advance funding approach, coupled with diversification across the most attractive asset classes, enables us to achieve the best-possible long-term total returns with an appropriate risk level.

The true key to our success is the people behind these accomplishments. NYSTRS' highly qualified staff make these important financial decisions with great skill and care. This is among the many reasons the NYSTRS Board and staff feel strongly that a defined benefit plan like the one offered our members is the safest and most secure, efficient and effective retirement plan available.

All staff members are equally committed to providing the superior service and retirement-planning guidance our members expect of us. On behalf of the Retirement Board, I applaud System staff for their consistently superior efforts.

In the past year, the System lost four long-time trustees who retired or otherwise moved.

Former Board President Dr. Lucy P. Martin, a school administrator who served the System for more than 21 years, and former Vice President Richard F. Lindstrom, a bank executive and NYSTRS board member for over 20 years, both retired. So did school administrator and 11-year Board member Dr. Frederick D. Volp. State Comptroller Representative Stanley Laborde, a three-year member of the Board, also left. They left some very big shoes to fill, as all made tremendous contributions to the Board. All will be missed.

They were replaced by four very qualified individuals: Dr. Rosemary F. Jones, Dr. Michael A. Glover, Daniel J. Hogarty Jr. and David Loglisci. Each brings knowledge and experience to the table, and I'm confident they will help keep our System among the strongest and most well-respected.

Together, the Board and staff pledge to continue working tirelessly for the success of the Retirement System. Our formula for success is proven and we vow to continue strengthening it to ensure the sound financial future of our members.

Joseph P. McLaughlin
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 2:	Membership 7/1/73—7/26/76
Tier 3:	Membership 7/27/76—8/31/83
Tier 4:	Membership on or after 9/1/83

Eligibility for Service Retirement

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

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

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

Service Retirement Benefit

A Tier 1 member is eligible to retire at age 55 under the Career Plan without a reduction in benefits if credited with 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 $1\frac{1}{2}$% of final average salary.

Benefit Enhancement (Article 19)

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

Summary of Benefits (continued)

Pension Formulas

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

Final Average Salary

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

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

Vested Retirement

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

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

Tier 4—Article 15

1⅔% x years of NYS service if credited with less than 20 years, or 2% x years of NYS service if credited with 20 to 30 years, plus 1½% x years of NYS service beyond 30 years. Reduction of between 6% and 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.

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*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.

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.

Tier 1 and 2 members are not required to contribute to the System. Tier 1 and Tier 2 members who have made contributions to the annuity savings fund (ASF) can withdraw them with interest upon retirement, or receive an annuity throughout retirement in addition to the employer-funded pension described earlier. The annuity is based on total member contributions, life expectancy, date of membership and choice of benefit.

Summary of Benefits (continued)

Transfer and Prior Service

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

Ordinary Death Benefits

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

Tier 1 Death Benefit

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

a. Three times the last 12 months of earnings to a maximum of $20,000,

OR

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

OR

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

Tier 2, 3 and 4 Death Benefit

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

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

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

Summary of Benefits (continued)

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

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

Accidental Death Benefit

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

Vested Member Death Benefit

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

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

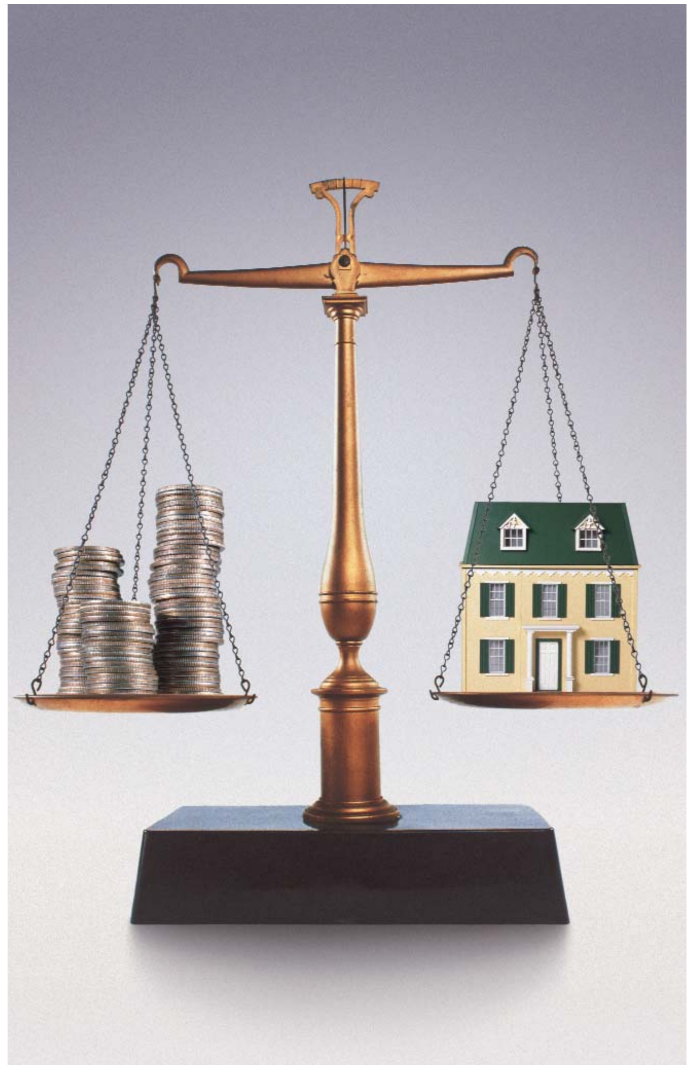
Retirement Options

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

Cost-of-Living Adjustment (COLA)

All eligible current and future retired members will receive an automatic COLA based on 50% of the Consumer Price Index increase from one March to the next. It will be a minimum of 1% and a maximum of 3% of the first $18,000 of the retiree's Maximum benefit and is effective each September. Most service retirees must be age 62 and retired five years to be eligible.

Financial



Independent Auditors' Report

KPMG

KPMG LLP
515 Broadway
Albany, NY 12207

Retirement Board
New York State Teachers' Retirement System:

We have audited the accompanying statement of plan net assets of the New York State Teachers' Retirement System (the System) as of June 30, 2006, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of System management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System as of June 30, 2005, were audited by other auditors whose report dated September 9, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2006 and changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and required supplementary information as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The required supplementary information for the years ended June 30, 2003 through 2005 was reported on by other auditors whose report states that they did not audit this information and did not express an opinion on it.

Our 2006 audit was conducted for the purpose of forming an opinion on the basic financial statements of the System. The accompanying Supplemental Schedules of Administrative Expenses, Investment Activity and Investment Expenses (Supplemental Schedules) as listed in the accompanying table of contents for the year ended June 30, 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole. The Supplemental Schedule of Administrative Expenses for the year ended June 30, 2005, was reported on by other auditors whose report indicated such schedule had been subjected to the auditing procedures applied in the 2005 audit of the basic financial statements, and is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. The Introduction, Investments, Actuarial and Statistical sections of this report as listed in the accompanying table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 15, 2006

KPMG LLP

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the New York State Teachers' Retirement System (NYSTRS or the System) provides an overview of its activities for the fiscal year ended June 30, 2006. 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; $7.9 billion in 2006, up from $6.0 billion in fiscal 2005.
- The System's net assets, which represent funds available to pay current and future benefits, were $91.5 billion as of the end of the current fiscal year.
- Net assets increased from the prior year by $6.6 billion, or 7.75%.
- Contributions from employers increased from $695.7 million in fiscal year 2005 to $997.0 million in fiscal year 2006, consistent with the increase in the employer contribution rate.
- Benefits paid to retirees and members grew, rising from $4.1 billion in fiscal year 2005 to $4.4 billion in fiscal year 2006.
- The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, changed from 99.2% as of the June 30, 2004 actuarial valuation to 98.8% as of the June 30, 2005 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 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 and the schedule of employer contributions. Other supplemental information is also presented and includes the schedules of 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 42.

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

	June 30			Percent
	2006	2005	Change	Change
Investments at fair value:				
Short-term	$ 2,320,857	$ 791,190	$1,529,667	193.34%
Domestic fixed income securities	11,465,623	11,251,834	213,789	1.90
Domestic equities	52,516,790	51,716,161	800,629	1.55
International equities	10,867,369	8,585,289	2,282,080	26.58
Mortgages	3,771,978	4,008,728	(236,750)	(5.91)
Real estate	5,064,520	4,225,044	839,476	19.87
Alternative investments	4,041,434	3,089,946	951,488	30.79
Total investments	90,048,571	83,668,192	6,380,379	7.63
Receivables:				
Employer and member	1,172,897	896,819	276,078	30.78
Investment income and sales	191,161	212,349	(21,188)	(9.98)
Total receivables	1,364,058	1,109,168	254,890	22.98
Other assets*	214,782	282,562	(67,780)	(23.99)
Total assets	91,627,411	85,059,922	6,567,489	7.72
Total liabilities*	135,166	151,403	(16,237)	(10.72)
Net assets	$91,492,245	$84,908,519	$6,583,726	7.75%

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

The increase in the short-term investment balance at year end was due to net cash additions to the portfolio during the fiscal year from domestic equity sales, dispositions of real estate holdings and employer contributions. The balance will stay invested in the short-term investment portfolio until moneys are needed to fund long-term investment opportunities and/or to pay pensioner benefits.

The Domestic Fixed Income portfolio balance increased due to disciplined rebalancing toward the target allocation of the portfolio by investing in excess of $2.0 billion during the fiscal year. The net amount invested after maturities, calls and pre-payments was approximately $500 million.

The domestic equity market performed well this past fiscal year returning approximately 9.8% for the fiscal year. During the year, there were net sales of approximately $3.3 billion in equities due to disciplined rebalancing toward the target allocation of the portfolio.

The international equities portfolio performed better than the domestic equities portfolio, returning approximately 26.6% for the fiscal year. This positive performance generated by that portfolio was primarily the reason for the increase.

The mortgage loans funded and the dollar amount paid off were nearly equal at $535 million funded versus $537 million paid off. The amount invested in real estate increased substantially with a large part of the increase being due to positive investment performance.

The increase in the private equity market value during the past fiscal year is due to a combination of factors, including the addition of 22 new private equity funds and the increases in market values as the portfolio continues to grow toward the target allocation of 5%.

The change in the employer and member contributions was a function of an increase in the employer contribution rate from 5.63% in 2005 to 7.97% in 2006.

The System's 2006 net assets increased $6.6 billion from 2005 due primarily to appreciation in domestic and international equities, private equity and real estate.

Management's Discussion and Analysis (continued)

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

	June 30 2006	June 30 2005	Change	Percent Change
Additions:				
Investment income:				
Net appreciation in fair value of investments:	$ 7,914,023	$5,977,704	$ 1,936,319	32.39%
Interest income	725,755	699,306	26,449	3.78
Dividend income	1,053,405	1,053,362	43	0.00
Real estate—net operating income	312,781	287,532	25,249	8.78
Securities lending (net)	11,569	8,117	3,452	42.53
Other (net)	41,494	28,381	13,113	46.20
Less: Investment expenses	(165,194)	(102,476)	(62,718)	61.20
Net investment income	9,893,833	7,951,926	1,941,907	24.42
Contributions:				
Employer	997,032	695,735	301,297	43.31
Member	161,738	158,354	3,384	2.14
Transfers in/out (net)	15,807	17,155	(1,348)	(7.86)
Total additions	11,068,410	8,823,170	2,245,240	25.45
Deductions:				
Retirement benefits	4,442,016	4,150,588	291,428	7.02
Administrative expenses	42,668	40,309	2,359	5.85
Total deductions	4,484,684	4,190,897	293,787	7.01
Increase in net assets	6,583,726	4,632,273	1,951,453	42.13
Prior Year Net Assets	84,908,519	80,276,246	4,632,273	5.77
Current Year Net Assets	$91,492,245	$84,908,519	$ 6,583,726	7.75%

For the fiscal year ended June 30, 2006, NYSTRS reported net investment income of $9.89 billion compared to $7.95 billion in 2005. The most significant change was in appreciation on investments as follows:

Table 3 – Net Appreciation on Investments (dollars in thousands)

	June 30 2006	June 30 2005	Change	Percent Change
Domestic fixed income	$ (310,781)	$ 160,702	$ (471,483)	(293.39)%
Domestic equities	4,091,439	3,632,335	459,104	12.64
International equities	2,307,388	1,050,628	1,256,760	119.62
Mortgages	(234,422)	160,257	(394,679)	(246.28)
Real estate investments	900,907	429,203	471,704	109.90
Alternative investments	1,159,492	544,579	614,913	112.92
Totals	$7,914,023	$5,977,704	$1,936,319	32.39%

Other noteworthy changes include:

- Interest income increased for the fiscal year due to the overall increase in interest rates.
- The increase in real estate operating income is in part due to improved occupancy levels and increasing rental rates.
- Securities lending income increased as a result of rising short-term rates and the addition of ADRs (American Depository Receipts) to the lending portfolio.
- 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 increased as a result of the corresponding increase in the employer contribution rate from 5.63% in 2005 to 7.97% in 2006.

Economic Factors

The economic factor that has primary significance for NYSTRS is the return earned in the capital markets. Legislative and demographic changes can also have a significant impact on the funded status of the plan. All of these factors determine the amount participating employers must contribute to fund current and future member benefits. There were no significant legislative changes in fiscal 2006. In terms of demographics, the System has and will continue to experience a shift toward a greater proportion of retirees relative to active members. This year's return on investments was quite strong, exceeding, as it did in the two previous fiscal years, the actuarially assumed target return rate of 8.0% per annum. 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 8.60% on 2006-2007 salaries. The result has been a funded ratio (comparison of actuarial assets to actuarial liabilities) of 98.8% as of the most-recent actuarial valuation of June 30, 2005, down slightly from 99.2% in 2004.

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, N.Y. 12211 or by e-mail at communit@nystrs.state.ny.us.

Statements of Plan Net Assets — June 30, 2006 and 2005
(dollars in thousands)

Assets	*2006*	*2005*
Investments—At fair value (Note 4):		
Short-term	**$ 2,320,857**	$ 791,190
Domestic fixed income securities	**11,465,623**	11,251,834
Domestic equities	**52,516,790**	51,716,161
International equities	**10,867,369**	8,585,289
Mortgages	**3,771,978**	4,008,728
Real estate	**5,064,520**	4,225,044
Alternative investments	**4,041,434**	3,089,946
Total investments	**90,048,571**	83,668,192
Receivables:		
Employer	**970,818**	659,632
Employer—long-term	**48,103**	89,194
Member	**153,976**	147,993
Investment income	**174,539**	167,253
Investment sales	**16,622**	45,096
Total receivables	**1,364,058**	1,109,168
Other Assets:		
Securities lending cash collateral—invested (Note 4)	**9,229,044**	6,309,845
Member loans	**142,521**	145,238
Building and equipment—net of depreciation	**35,010**	36,299
Miscellaneous assets	**37,251**	101,025
Total other assets	**9,443,826**	6,592,407
Total assets	**100,856,455**	91,369,767
Liabilities and Net Assets		
Securities lending collateral—Due to borrowers (Note 4)	**9,229,044**	6,309,845
Investment purchases payable	**14,582**	39,195
Mortgage escrows and deposits—Net of investments	**25,638**	28,334
Other liabilities (Note 4 and 7)	**94,946**	83,874
Total liabilities	**9,364,210**	6,461,248
Net assets held in trust for pension benefits	**$91,492,245**	$84,908,519

See accompanying notes to financial statements.

Financial

Statements of Changes in Plan Net Assets

Years Ended June 30, 2006 and 2005
(dollars in thousands)

Additions:	*2006*	*2005*
Investment income:		
Net appreciation in fair value of investments	**$ 7,914,023**	$ 5,997,704
Interest income	**725,755**	699,306
Dividend income	**1,053,405**	1,053,362
Real estate—net operating income	**312,781**	287,532
Securities lending—gross earnings	**294,139**	122,540
Other—net	**41,494**	28,381
	10,341,597	8,168,825
Less: Investment expenses	**165,194**	102,476
Securities lending, rebates and fees	**282,570**	114,423
Net investment income	**9,893,833**	7,951,926
Contributions:		
Employer	**997,032**	684,744
Employer—long-term	**-----**	10,991
Member	**161,738**	158,354
Transfers in/out—net	**15,807**	17,155
Total contributions	**1,174,577**	871,244
Net additions	**11,068,410**	8,823,170
Deductions:		
Retirement benefit payments—periodic	**4,371,863**	4,085,296
Beneficiary payments	**54,553**	52,826
Return of contributions	**15,600**	12,466
Administrative expenses	**42,668**	40,309
Total deductions	**4,484,684**	4,190,897
Net increase	**6,583,726**	4,632,273
Net assets held in trust for pension benefits:		
Beginning of year	**84,908,519**	80,276,246
End of year	**$91,492,245**	$84,908,519

See accompanying notes to financial statements.

Notes to Financial Statements – June 30, 2006 and 2005

(dollars in thousands)

(1) Plan Description

The 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:

	2006	2005
Public school districts	697	697
B.O.C.E.S.	38	38
S.U.N.Y.	31	31
Community colleges	31	31
Charter schools	21	22
Other	9	9
Total	827	828

As of June 30, the System membership consisted of:

	2006	2005
Retired members and beneficiaries currently receiving benefits	129,587	125,325
Members:		
Active members	260,041	256,177
Terminated members entitled to but not yet receiving benefits	4,369	4,179
Subtotal	264,410	260,356
Total	393,997	385,681

Benefits

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

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

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

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

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

Service Retirements

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

Vested Benefits

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

Disability Retirement

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

Death Benefits

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

Prior Service

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

Tier Reinstatement

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

Member Contributions

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

Article 19 Benefit Enhancement

Article 19 of the Retirement and Social Security Law 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 2006 is 1.7% compared to 1.6% paid beginning September 2005.

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

(a) 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.

Notes to Financial Statements (continued)

(dollars in thousands)

(b) 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.

(c) Employer/Member Contributions Receivable

Current – Employer contributions receivable are determined by applying the actuarially calculated contribution rate of 7.97% and 5.63% to the estimated covered payroll for the fiscal years ended June 30, 2006 and 2005, 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 – Various retirement incentive programs have been enacted under which members are granted additional service credit as an inducement to retire. Numerous employers have elected to participate in one or more of these incentives. Employers have the option of payment in one year or over five years including interest at 8%. Retirement incentives have been offered for most years from 1991 to 2003. The most recent incentive, Chapter 69, resulted in costs being recorded in 2003. There was no retirement incentive legislation that would have resulted in costs being recorded in 2005 or 2006.

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

(d) Building and Equipment

Fixed assets are recorded at historical cost. Expenditures of $25 thousand 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:

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

(e) Federal Tax Status

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

(f) Reclassifications

Where necessary, amounts in the prior year's financial statements have been reclassified to conform to the presentation in the current year's financial statements.

Notes to Financial Statements (continued)

(dollars in thousands)

(g) 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 U.S. generally accepted accounting principles. 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, 2006 and 2005 were $8,595 and $8,818, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

CO-ESC Member Contributions Fund

Members covered by the provisions of Article 14 and Article 15 of the Retirement and Social Security Law contributed 3% of salary to the System's CO-ESC Member Contribution Fund. Effective October 2000, contributions were eliminated for members with 10 or more years of service or membership. Contributions to this fund were $151,518 and $147,624 in fiscal years ended June 30, 2006 and 2005, 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:

	2006	2005
Administrative Fund	$ 17,100	$ 17,066
Annuity Savings Fund	35,210	46,441
Annuity Reserve Fund	209,913	217,939
Pension Accumulation Fund	49,384,294	47,683,907
Pension Reserve Fund	41,845,728	36,943,166
Total	$91,492,245	$84,908,519

Notes to Financial Statements (continued)

(dollars in thousands)

(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. The "Leeway Clause" of Section 177 provides that, subject to guidelines adopted by the Retirement Board, up to 15% of assets may be invested in types of assets not otherwise specifically authorized, provided the Retirement Board is satisfied such investments were made with the care, skill, prudence, and diligence of a prudent person acting in a like capacity and familiar with such matters. Pursuant to regulations promulgated by the New York State Department of Insurance, investments must be made in a manner consistent with those of a reasonably prudent person exercising care, skill and caution. In addition to applicable legal constraints, the Retirement Board has adopted policies governing the investments made by the System.

Credit Risk

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2006 and 2005 are as follows:

	2006		2005	
Quality rating	**Fair value**	**Percentage of portfolio**	**Fair value**	**Percentage of portfolio**
AAA	$ 3,047,158	26.58%	$1,612,103	14.33%
AA	1,023,130	8.92	815,439	7.25
A	1,755,911	15.31	2,155,572	19.16
BAA	780,095	6.80	1,140,309	10.13
Other	353,909	3.09	235,440	2.09
Total credit risk debt securities	6,960,203	60.70	5,958,863	52.96
U.S. government fixed income securities *	4,505,420	39.30	5,292,971	47.04
Total fixed income securities	$11,465,623	100.00%	$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, 2006 and 2005, the System's bank balance was ($14,706) and ($6,273), 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.
- 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(dollars in thousands)

- 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 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; (b) 70% in the aggregate (domestic equities must share the 15% and 70% limitations with foreign equities; or (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 investments, and fall within the percentage limitation currently applicable to the leeway clause.
– In addition, the System is authorized to write covered call options traded on a national exchange. The New York State Banking Department has issued a determination that a prudently maintained covered call option program is 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 sufficient to completely amortize a loan whose period extended for four-fifths of the unexpired term of the lease. For these purposes, the unexpired term shall include any period covered under an option to renew the ground lease which can be exercised at the unilateral discretion of the System.
- The System may invest in any mortgage insured by 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The System is exposed to interest rate risk at June 30, 2006 and 2005 as follows:

	2006		2005	
Investment Type	**Fair value**	**Duration**	**Fair value**	**Duration**
Short-term	$ 2,320,857	0.0658	$ 791,190	0.0528
Domestic fixed income	11,465,623	3.2200	11,251,834	3.3300
Total fair value	$13,786,480		12,043,024	
Portfolio modified duration		2.6900		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 8 would mean that, given a 100-basis point change up/down in rates, a bond's price would move up/down by 8%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund, establishes investments in international equities. The "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 U.S. dollars and accounted for at fair market value. The System has an indirect exposure to foreign currency fluctuation at June 30, 2006 and 2005 as follows (holdings valued in U.S. dollars):

	2006		2005	
Currency	**International equities**	**Alternatives**	**International equities**	**Alternatives**
Euro	$ 3,361,417	$231,698	$2,740,823	$163,126
Japanese Yen	2,503,549	16,069	1,656,167	-----
British Pound Sterling	2,055,832	-----	1,716,080	5,975
Swiss Franc	865,190	-----	713,275	-----
Australian Dollar	323,341	-----	270,310	-----
Hong Kong Dollar	249,751	-----	224,478	-----
Korean Won	196,130	-----	136,277	-----
Canadian Dollar	168,472	-----	160,496	-----
Swedish Krona	155,240	-----	224,478	-----
Singapore Dollar	106,175	-----	81,189	-----
Other	294,340	-----	164,081	-----
Totals	$10,279,437	$247,767	$8,087,654	$169,101

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 Statements of Plan 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 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, 2006 and 2005 the average effective duration of the fund was 47 days and 25 days, respectively.

(dollars in thousands)

		2006	
Securities lent	**Underlying securities**	**Collateral value**	**Cash collateral investment value**
U.S. government and agency bonds	$2,210,758	-----	$2,249,796
Corporate bonds	145,599	-----	147,111
Domestic equities	6,702,953	411	6,832,137
Total	$9,059,310	411	$9,229,044

		2005	
Securities lent	**Underlying securities**	**Collateral value**	**Cash collateral investment value**
U.S. government and agency bonds	$2,706,689	-----	$2,759,234
Corporate bonds	124,230	-----	126,344
Domestic equities	3,328,351	1,860	3,424,267
Total	$6,159,270	1,860	$6,309,845

(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, 2006 or 2005.

(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, 2006 and 2005 were respectively: real estate and real estate alternative investments of $2,484,596 and $2,053,878 mortgages of $258,849 and $839,493, and private equity investments of $3,873,219 and $3,107,965.

Notes to Financial Statements (continued)

(dollars in thousands)

(7) Other Liabilities

Other liabilities include amounts due to bank for disbursements issued on previous business days which are funded when presented for payment at the issuing bank. Of the total other liabilities of $94,946 and $83,873, at June 30, 2006 and 2005, respectively, $14,706 and $6,273, 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 11.25% was applicable to the annual covered payroll for the fiscal year ended March 31, 2006. Average rates applicable to the fiscal years ended March 31, 2005, 2004 and 2003 were, respectively, 12.90%, 4.90% and 1.275%. The required contributions paid to NYSLRS during the System's fiscal years ended June 30, 2006, 2005 and 2004, were $2,318, $2,440 and $1,018, respectively, and were 100% of the contributions required.

(9) Other Post-employment Benefits

Pursuant to contractual agreement and policy, the System provides post-employment 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, 2006 and 2005, 174 and 164 retirees and covered dependents, respectively, were enrolled in the health plan. For the years ended June 30, 2006 and 2005 the amounts recognized for post-employment health care costs were $1,407 and $1,119, 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 post-employment healthcare and other nonpension benefits. The System has not completed the process of evaluating the impact that will result from adopting GASB No. 45. The System is required to implement GASB No. 45 during fiscal year ending June 30, 2008.

(10) Risk Management

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the System carries commercial insurance. There were no settlements in the past three years that exceeded coverage. Further, management of the System believes there will be no adverse effect on the financial statements as a result of the outcome of these matters.

Required Supplementary Information

Actuarial Methods and Assumptions

Year Ended June 30, 2006 (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, 2005 and 2004 actuarial valuation are as follows:

Economic:		Demographic:	
Valuation rate of interest*	8%		
Salary scale*	Varies by age and gender	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
2001	$152,718	100%
2002	51,861	100
2003	220,081	100
2004	306,782	100
2005	695,735	100
2006	$997,032	100

See accompanying independent auditors' report.

Supplemental Schedules

Schedule of Administrative Expenses

Years Ended June 30, 2006 and 2005

Salaries and benefits:	*2006*	*2005*
Salaries	$21,268,817	$21,117,069
Civil service	34,955	74,736
Employees' retirement	2,413,950	2,681,617
Health and dental insurance	4,329,527	3,608,264
Overtime salaries	336,815	392,114
Social Security	1,713,429	1,511,727
Total salaries and benefits	30,097,493	29,385,527
Building occupancy expenses:		
Building, grounds and equipment	969,346	852,988
Depreciation—building and improvement	772,285	774,595
Depreciation—equipment	281,314	300,135
Office supplies and services	208,680	182,910
Utilities and municipal assessments	958,844	713,985
Total building occupancy expense	3,190,469	2,824,613
Computer expenses:		
Amortization/depreciation—computer mainframe	454,457	460,232
Amortization/depreciation—computer micro	2,334,204	1,624,502
Computer hardware and software	2,665,127	2,410,049
Computer maintenance and supplies	314,014	286,413
Total computer expenses	5,767,802	4,781,196
Investment expenses:		
Advisory committee expenses	65,730	52,497
Investment information services	749,483	712,744
Service costs—real estate	57,952	67,849
Total investment expenses	873,165	833,090
Personnel and meeting expenses:		
Board—meetings, travel and education	72,033	76,645
Delegates' meeting	51,756	35,266
Pre-retirement seminars	146,196	121,581
Professional development	589,793	696,433
Travel and automobile expense	143,355	136,504
Other personnel expenses	38,050	40,381
Total personnel and meeting expenses	1,041,183	1,106,810
Professional and governmental:		
Auditors—financial	98,570	114,630
Auditors—insurance department	30,000	28,000
Disability medical examinations	88,261	59,072
Postage and cartage	787,045	673,804
Professional fees and services	159,957	99,969
Publications	448,702	321,505
Statutory custodian charges	85,725	80,823
Total professional and governmental services	1,698,260	1,377,803
Total	$42,668,372	$40,309,039

See accompanying independent auditors' report.

Schedule of Investment Activity

Years Ended June 30, 2006
(dollars in thousands)

	Fair Value 2005	Acquisitions	Appreciation (depreciation)	Sales, redemptions, maturities & paydowns	Fair value 2006	Percent of fair value
Short-term	$ 791,190	$40,946,411	$ -----	$39,416,744	$ 2,320,857	2.58%
Domestic fixed income	11,251,834	2,665,427	(310,781)	2,140,857	11,465,623	12.73
Domestic equities	51,716,161	6,043,686	4,091,439	9,334,496	52,516,790	58.32
International equities	8,585,289	341,946	2,307,388	367,254	10,867,369	12.07
Mortgages	4,008,728	534,883	(234,422)	537,211	3,771,978	4.19
Real estate	4,225,044	1,006,480	900,907	1,067,911	5,064,520	5.62
Alternative investments	3,089,946	1,181,195	1,159,492	1,389,199	4,041,434	4.49
Totals	$83,668,192	$52,720,028	$7,914,023	$54,253,672	$90,048,571	100.00%

See accompanying independent auditors' report.

Schedule of Investment Expenses

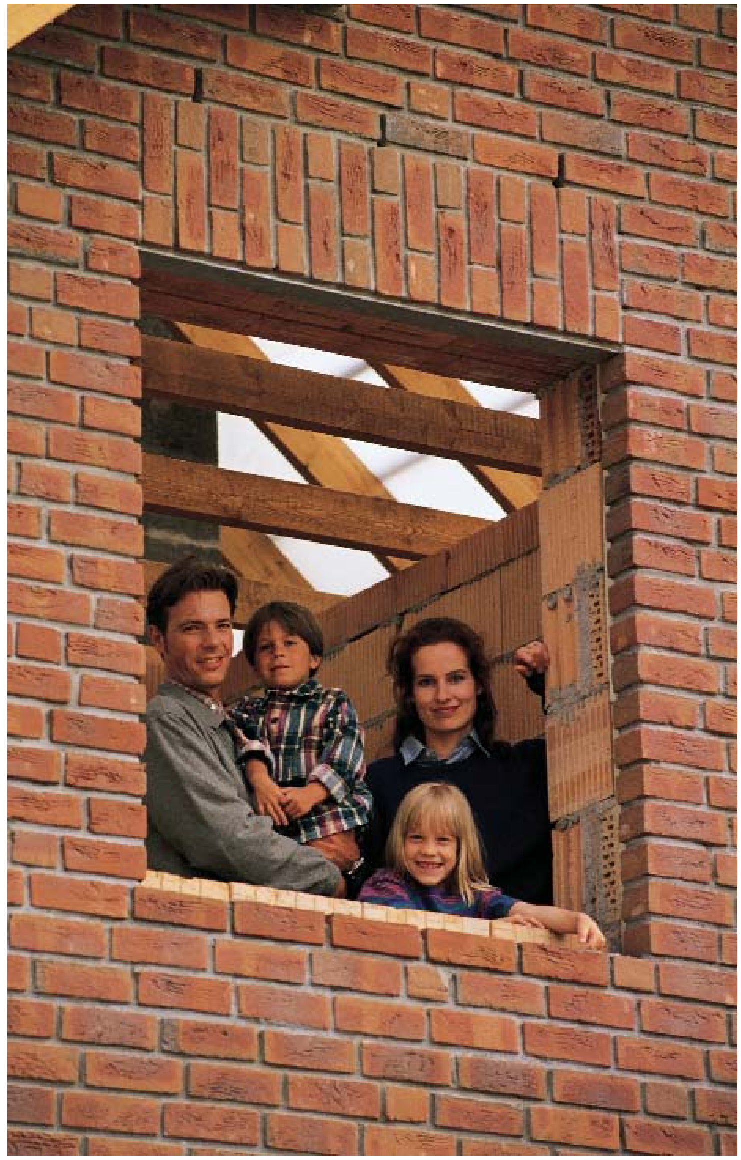
Years Ended June 30, 2006
(dollars in thousands)

Investment Category	Assets Serviced or Under Management	Expenses*
Domestic equities	$ 1,737,982	$ 11,078
International equities	10,279,438	38,204
Commercial mortgage backed securities	491,986	1,113
Mortgages	1,900,740	397
Real estate	5,064,520	44,955
REITS	1,418,104	4,103
Alternative investments	4,041,434	63,548
General investments	-----	1,796
Totals	$24,934,204	$165,194

*Expenses represent primarily professional fees.

See accompanying independent auditors' report.

Investments



Investments

Chief Investment Officer's Overview

Overall Objective and Performance

Our objective as a public retirement system is to meet or exceed an actuarially assumed 8.0% per annum rate of return on our investment portfolio. Doing so helps us properly fund both current and future benefits of our almost 400,000 members while keeping employer contribution costs manageable for NYSTRS' more than 800 participating employers. By extension, the taxpayers who fund school budgets benefit when district pension costs comprise a small portion of the overall budget as a direct result of the System's strong portfolio performance.

While our 8.0% goal was comfortably achieved during the bull markets of the 1990s, meeting the objective in this decade has been much more challenging in the wake of the dot-com bubble, corporate scandals, terrorist attacks, natural disasters and rising oil prices. As a System, we have successfully weathered these storms and, after a few down years earlier in the decade, have rebounded to post double-digit gains in each of the last three years.

For the fiscal year ending June 30, 2006, the Retirement System's total portfolio returned 11.8%. This follows returns of 10.6% for 2004-05 and 16.1% for 2003-04. As a result of this sustained strong performance, our 10-year rate of return is 9.0%, exceeding our actuarially assumed target by 1.0%.

Philosophically, we continue adherence to a policy of diversifying assets and investing them prudently in order 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.

Continuing to meet or exceed our investment goal is critical as our liabilities continue to grow. Annual benefit payments, for example, have grown from $1.5 billion in 1995 to $4.4 billion in 2006. With baby boomers reaching retirement age at ever-increasing rates, this figure will grow sharply in the coming years. In addition, the Retirement System continues to pay out legislatively mandated cost-of-living adjustments (COLAs) to about 85,000 eligible retirees annually. With member and employer contributions combining to cover about one-quarter of all benefit payment costs, continued strong returns in the capital markets are critical to the System's ongoing success.

Domestic Equities

The domestic equity markets posted moderate gains during the System's fiscal year, with performance affected by several incremental increases to the short-term interest rate by the Federal Reserve, and the previously mentioned economic and political factors. Despite these challenges, NYSTRS staff – which manages about 95% of the System's domestic equity portfolio internally within seven varied funds – outperformed the Standard & Poor's 1500 benchmark for this period. The System's domestic equity portfolio returned 9.8% during the 12-month period ending June 30, while the S&P 1500 returned 9.2%. Over the last three years the Retirement System's annualized domestic equity portfolio returned 13.3%. Returns are net of all fees and costs.

These internally managed funds are consistent with the System's commitment to diversification. In addition to the traditional passively managed index and value index funds, NYSTRS staff also manage value tilt, growth tilt,

Chief Investment Officer's Overview (continued)

composite, small cap and equal weight funds. The latter, created during the 2004-05 fiscal year, gives equal weight to each of the stocks within the index, whether the company is large or small, rather than weighting them by capitalization.

By fiscal year end, NYSTRS' domestic equity holdings represented 56.5% of the investment portfolio. While this is within the established range of 41-61% for these holdings, the System will continue to sell some of these assets in an effort to move closer to the preferred target of 51%.

International Equities

The international equity markets performed remarkably well during the fiscal year despite continued unrest in the Middle East, and parts of Europe and the Far East. The System's international equity portfolio performed in line with its corresponding benchmark, the Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Total Return Index. Both posted returns of 26.6%.

External managers are primarily responsible for administrating this portion of NYSTRS' portfolio. While one fund is internally managed, the remainder of NYSTRS' international commitment is handled by 13 external managers. All externally managed funds are measured against the MSCI EAFE, while the internally managed fund is measured against the S&P American Depository Receipts (or ADR) Index.

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. Core active management utilizes active management of country, currency and stock selection. Benchmark agnostic is like core active management, except it provides the potential for greater returns because the variation from the benchmark may be much wider.

Domestic Fixed Income

In addition to adding diversification to Retirement System investments, NYSTRS' internally managed domestic fixed income portfolio generates some of the cash flow necessary to meet the $370 million in monthly retirement benefit obligations. Through the purchase of high-quality, fixed income securities such as U.S. Government-guaranteed bonds, AAA rated agency mortgage-backed securities and investment-grade corporate bonds, the System actively manages the fixed income portfolio to strike a balance between taking advantage of economic opportunities and maintaining portfolio stability.

Real Gross Domestic Product, which reports the total market value of goods and services produced within the U.S., increased by 5.6% in NYSTRS' fiscal third quarter (the most recent figure available). Only twice in this decade (7.2 % in the third quarter of calendar year 2003 and 6.4% in the second quarter of calendar year 2000) was there greater quarterly growth. The 5.6% quarterly increase exceeds the 2004-05 two-year average of 3.9%.

Investments

Chief Investment Officer's Overview (continued)

The upward economic U.S. growth trend experienced during the past decade was accompanied by increases in consumption and investment spending, and exports. Increased productivity, labor force expansions accompanied by decreases in unemployment, and increases in available capital allowed real GDP to grow at the faster rates.

Inflation pressure was on the rise during the fiscal year, with the year over year Consumer Price Index up 4.3%. The increase was primarily attributable to an extended period of relatively low interest rates (which in turn stimulated spending); rising food prices and medical care costs; and, rapidly rising energy prices. The continued acceleration of the inflation rate could lead to increasingly restrictive monetary policy. A strong indication of this came near the end of the fiscal year when the Federal Reserve raised the Fed funds rate by 25 basis points to 5.25%, the 17th consecutive increase. *(Note: At the Aug. 8, 2006 meeting of the Federal Reserve — the first such meeting since the end of NYSTRS' fiscal year — the Fed refrained from raising rates in order to see what impact previous rate increases would have on inflation.)*

Overall, the interest rate yield curve was relatively flat for the fiscal year. The flat 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 0.8% for the 2006 fiscal year, outperforming the benchmark by 1.6%.

Short-term (Cash Equivalents)

The System's short-term fixed income portfolio is comprised of high-quality securities which can quickly and easily be converted to cash in order to satisfy the monthly payment of pension benefits. In addition, the funds in this portfolio are 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, 2006, the duration of the portfolio was 24 days. For the 12 months ended June 30, 2006, the short-term portfolio returned 4.3% versus iMoneyNet Fund Report Averages/All Taxable Index benchmark, which returned 3.7%.

Real Estate

The System's equity real estate portfolio generated strong returns during the fiscal year and each of our three principal investment strategies — direct property investments, public market real estate investments and real estate funds — performed well. This is the fifth consecutive year of solid performance for the asset class. We anticipate future performance may start to moderate and return to levels closer to historic averages.

Chief Investment Officer's Overview (continued)

NYSTRS was an active participant in the market, funding $535 million in mortgage loans and over $654 million for equity real estate transactions. We continued to take advantage of the strength of the market to selectively sell assets and reposition the portfolio.

As of June 30, 2006, the System had $7.6 billion of equity real estate investments, representing 8.3% of System net plan assets, and unfunded commitments totaling $2.18 billion. Our real estate debt investments totaled $4.5 billion, or 5.0% of net plan assets, and unfunded mortgage commitments totaled $561 million.

The System's equity and mortgage portfolios provided after-fee returns of 25.8% and 2.2%, respectively, during the fiscal year. Investment properties located in New York State made up 24.7% of our mortgage portfolio. There were no foreclosures during the period.

Private Equity

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

The Retirement System's private equity investments consist of investments in venture capital, corporate finance and real estate funds. For asset allocation purposes, the $856 million of private equity based on real estate and timberland are categorized in this report as real estate equity. As of June 30, 2006, the value of the non-Real Estate private equity investments was $3.2 billion.

Private equity investments, excluding real estate, returned 32.3% for the past year, more than doubling its performance benchmark of 13.6%. The three-year average annual return of 25.2% also exceeded the benchmark of 16.2% and the five-year performance of 11.5% outperformed its benchmark of 7.5%.

The Retirement System's investments in private equity continue to grow toward the asset allocation target of 5.0% of assets. In addition to the amounts already invested, there are additional commitments of $4.3 billion that will be funded over the next several years. Approximately $3.8 billion of these additional commitments fall under the heading of private equity investments, while $484 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."

Chief Investment Officer's Overview (continued)

As of June 30, 2006, the securities lending portfolio was collateralized at 101.9%, with approximately 10.1% of the Retirement System's investment portfolio on loan.

The program maintained a positive return in spite of Fed funds interest rate hikes during the fiscal year, resulting in increased on-loan balances and higher incremental return for NYSTRS' securities lending program. The Retirement System earned $11.6 million in securities lending income for the fiscal year ended June 30, 2006, up approximately 43% from the $8.1 million earned the prior fiscal year.

As a result of larger spreads, defined as the difference between interest earned on collateral reinvestment and the rebate paid to the borrower on their cash collateral for securities borrowed, the program achieved higher average on-loan balances across all asset classes, most notably domestic equities. Average monthly on-loan balances of equities increased by 39% year over year — the largest contributing factor to our increased earnings in this class.

Commission Recapture
The Retirement System aggressively negotiates with brokers to obtain the lowest commission possible for securities traded in internally managed index funds. External managers, on the other hand, have discretion when selecting brokers for trading in their portfolios. The commission recapture program allows the System to recoup in the form of cash payments some of the commissions paid to brokers used by our external managers. During the 2006 fiscal year, the Retirement System recaptured $276,569 directly from brokers used by external managers.

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, 2006, the System generated approximately $2.1 million in premiums.

DIVERSIFICATION OF INVESTMENTS – JUNE 30, 2006 AND 2005
(dollars in thousands)

Investment Type	2006	Percent	2005	Percent	Increase (Decrease)
Short-term:					
U.S. Treasury and agency	$ 264,322		$ 92,957		$ 171,365
Corporate	2,056,535		698,233		1,358,302
	2,320,857	2.58	791,190	0.95	1,529,667
Domestic fixed income securities:					
United States Treasury	4,505,420		5,292,970		(787,550)
Federal agency, notes and debentures	837,848		642,945		194,903
Federal agency, mortgage backed	1,819,760		622,194		1,197,566
Commercial mortgage backed	488,781		463,400		25,381
Corporate	3,656,452		4,022,441		(365,989)
Canadian	157,362		207,884		(50,522)
	11,465,623	12.73	11,251,834	13.45	213,789
Domestic equities:					
Basic materials	5,885,315		5,621,508		263,807
Capital goods	6,324,833		6,642,306		(317,473)
Consumer cyclicals	5,258,632		5,982,988		(724,356)
Consumer staples	3,759,445		3,595,110		164,335
Energy	4,733,127		4,240,270		492,857
Financial	13,524,648		12,993,034		531,614
Technology	6,976,625		6,812,295		164,330
Transportation	1,417,999		1,269,495		148,504
Utilities	4,634,133		4,557,785		76,348
Diversified and Miscellaneous	2,033		1,370		663
	52,516,790	58.32	51,716,161	61.81	800,629
International equities:					
Commingled investments	10,279,438		8,087,654		2,191,784
ADRs	587,931		497,635		90,296
	10,867,369	12.07	8,585,289	10.26	2,282,080
Mortgages:					
Conventional	3,709,784		3,900,861		(191,077)
Federal Housing Administration	62,194		107,867		(45,673)
	3,771,978	4.19	4,008,728	4.79	(236,750)
Real estate:					
Direct equity real estate investments	3,260,162		2,850,838		409,324
Commingled real estate investments	1,804,358		1,374,206		430,152
	5,064,520	5.62	4,225,044	5.05	839,476
Alternative investments:					
Private equity	3,185,015		2,235,227		949,788
Real estate equity funds	367,097		378,288		(11,191)
Real estate debt funds	308,126		268,739		39,387
Timberland	181,196		207,692		(26,496)
	4,041,434	4.49	3,089,946	3.69	951,488
Total Investments	**$90,048,571**	**100.00**	**$83,668,192**	**100.00**	**$6,380,379**

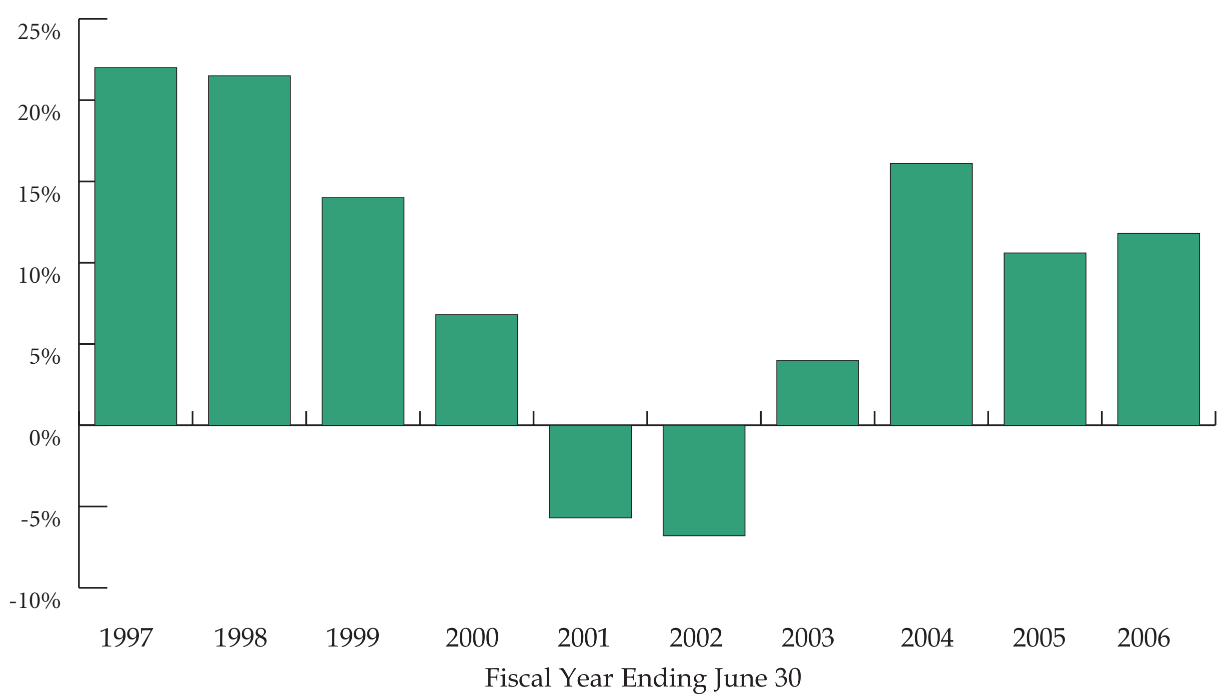
Investments

ASSET ALLOCATION — JUNE 30, 2006

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 when necessary. At the July 28, 2005 meeting, the Retirement Board increased the target allocations (and ranges) to International Equity and Private Equity with an offsetting reduction to Domestic Equity. The current targets, ranges and actual allocations are detailed below:

	Target	Range	Actual
Domestic Equity	51%	41-61%	56.5%
International Equity	10%	6-14%	12.1%
Real Estate	8%	5-11%	8.1%
Private Equity	5%	2- 8%	3.5%
Total Equities	74%		80.2%
Domestic Fixed Income	18%	11-25%	12.2%
Mortgages	8%	5-11%	5.0%
Cash Equivalents	0%	0- 5%	2.6%
Total Fixed Income	26%		19.8%

ANNUAL PERFORMANCE HISTORY



INVESTMENT PERFORMANCE RESULTS – JUNE 30, 2006

The System is a long-term investor and therefore can withstand some short-term volatility. The liabilities are generally long-term in nature and may not become payable for 30 or more years in the future. The time-weighted performance (net of fees) and associated benchmark returns are shown in the following table.

	Annualized Rate of Return			
	1-YR	3-YR	5-YR	10-YR
Domestic Equities				
NYSTRS Composite Fund	10.9%	---%	---%	---%
NYSTRS Growth Tilt Fund	7.6	13.6	---	---
NYSTRS Index Fund	8.8	12.1	3.2	8.5
NYSTRS Value Tilt Fund	10.7	14.5	4.6	---
Benchmark: S&P 1500*	9.2	12.1	3.1	8.3
NYSTRS Value Index Fund	12.6	15.7	7.2	11.2
Benchmark: Russell 1000 Value	12.1	15.7	6.9	10.8
NYSTRS S&P 500 Equal Weight Fund	12.0	---	---	---
Benchmark: S&P 500 Equal Weight	11.8	---	---	---
NYSTRS Small Cap Fund	14.1	---	---	---
Benchmark: S&P 600	13.9	---	---	---
Total Active Large Cap Management	9.1	17.8	5.2	6.1
Benchmark: S&P 500	8.6	11.2	2.5	8.3
Total Active Small Cap Management	15.0	16.5	7.2	7.7
Benchmark: Russell 2000*	14.6	18.7	8.5	9.0
Total	9.8	13.3	4.1	8.7
International Equities				
NYSTRS S&P ADR Index Fund	25.1	---	---	---
Benchmark: S&P ADR Index	26.3	---	---	---
Total Active Management	26.5	23.1	9.8	6.7
Total Passive/Enhanced Management	26.8	24.3	10.6	6.8
Total	26.6	23.5	10.1	6.7
Benchmark: MSCI EAFE	26.6	23.9	10.0	6.4
Real Estate	25.8	22.4	16.4	14.6
Benchmark: Blended NCREIF/Dow Jones Wilshire REIT*	19.3	18.2	13.6	12.8
Private Equity	32.3	25.2	11.5	14.0
Benchmark: S&P 500 plus 5%	13.6	16.2	7.5	13.3
Domestic Fixed Income	0.8	2.0	5.2	6.5
Benchmark: Lehman Bros. Aggregate*	-0.8	2.1	5.0	6.3
Mortgages	2.2	4.9	7.8	8.1
Short Term	4.3	2.5	2.3	4.0
Benchmark: iMoneyNet™ Fund Avgs/All Taxable	3.7	1.9	1.8	3.4
Total Fund	11.8%	12.8%	6.8%	9.0%

* 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, 2006

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

	Assets Managed ($ millions)	Rates of Return[1] from Inception Fund	Benchmark	Inception Date
Domestic Equities				
Large Cap Value Management				
Iridian	$ 920.6	9.6%	1.4%	Apr-99
Small Cap Management				
Progress	879.0	11.5	9.3	Oct-96
International Equities				
Active Management				
Capital Guardian	1,535.9	7.7	5.0	May-99
Fidelity	957.5	17.6	16.2	Mar-05
JPMorgan	943.5	15.8	16.5	Mar-05
Benchmark Agnostic				
Arnhold & S. Bleichroeder	532.3	28.9	23.7	Oct-02
Artisan Partners	404.7	20.7	23.7	Oct-02
Causeway Capital	503.9	27.3	23.7	Oct-02
Gryphon	440.7	10.1	16.2	Mar-05
Harris Associates	506.7	28.1	23.7	Oct-02
Mercator	450.7	23.4	23.7	Oct-02
Walter Scott	500.7	20.1	16.2	Mar-05
Wellington	443.3	13.9	16.2	Mar-05
Passive/Enhanced Management				
Barclays Global Investors	2,039.7	15.7	14.0	Apr-02
State Street Global Advisors	1,018.9	17.6	17.2	Mar-04
Real Estate				
Private Securities				
Angelo, Gordon & Co.: Realty Fund V	18.9	33.4	13.0	Dec-01
Angelo, Gordon & Co.: Realty Fund VI	11.0	-5.4	13.6	Sep-05
Blackacre Institutional Partners, L.P.	28.9	32.2	18.4	May-04
BlackRock: Tower Fund	90.1	10.9	12.4	Dec-97
Cabot: Industrial Fund II	7.3	6.8	7.8	Nov-05
CB Richard Ellis: Strategic Partners II	10.1	31.1	13.4	Mar-02
CB Richard Ellis: Strategic Partners III	44.5	20.5	17.1	Dec-03
CB Richard Ellis: Strategic Partners IV	10.7	-7.6	7.8	Dec-05
CIGNA: Apartment Alliance	19.2	12.4	14.8	Dec-02
Cornerstone: Apartment Fund I	45.1	27.5	11.9	Nov-00
Cornerstone: Apartment Venture I	48.1	81.7	16.6	Jul-03
DLJ: RE Capital Partners III	22.5	29.5	18.7	Jun-05
Essex Prop. Trust: Apartment Value Fund	0.2	81.2	13.0	Oct-01
Essex Prop. Trust: Apartment Value Fund II	21.7	15.5	18.8	Nov-04
Hines Interests: 1999 US Office Devel. Fund	37.8	25.1	14.2	Jul-02
Hines Interests: US Office Value Added	51.0	32.7	19.6	Jan-05
ING Clarion: Development Ventures II	11.6	11.3	18.7	Jun-05
JPMorgan: Excelsior II	22.3	-3.9	7.8	Dec-05
Landmark Partners: Real Estate Fund IV	8.4	33.7	13.4	Mar-02
Morgan Stanley: Value Enhancement Fund B	0.0	7.3	11.3	Jul-93
O'Connor: North American Property Partners	34.7	11.3	18.9	Sep-04
Penwood RE: Calif. Select Industrial Partners	2.7	-13.3	7.8	Dec-05
Prudential: PRISA	353.4	8.2	8.2	Sep-85
Prudential: PRISA II	199.8	10.9	8.2	Sep-89
Prudential: PRISA III	72.5	43.4	15.9	Jun-03
Prudential: Strategic Value Investors	13.0	15.7	12.9	Oct-97

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

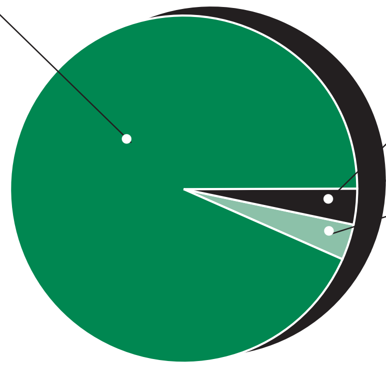
Manager Investment Performance Results – June 30, 2006 (continued)

	Assets Managed ($ millions)	Rates of Return [1] from Inception Fund	Benchmark	Inception Date
Real Estate (continued)				
Private Securities (continued)				
Rockpoint: Heritage Fields	30.3	-1.9	13.6	Jul-05
Rockpoint: Real Estate Fund I	47.0	32.4	18.9	Sep-04
Rockpoint: Real Estate Fund II	21.8	-20.9	13.6	Sep-05
Rockwood: Fund IV	12.1	30.7	12.0	Sep-00
Rockwood: Fund V	48.4	29.5	16.6	Jul-03
Rockwood: Fund VI	42.1	7.5	18.7	Jun-05
Starwood: Opportunity Fund IV	25.9	19.5	12.9	Jan-97
Starwood: Opportunity Fund VII-A	9.9	5.0	4.0	Jan-06
UBS Realty: RESA (SA-87)	409.4	8.9	8.2	Sep-85
Westbrook: Real Estate Fund IV	21.0	24.0	12.1	May-01
Westbrook: Real Estate Fund V	54.6	40.5	19.6	Feb-05
Direct Investments				
ING Clarion Partners	630.0	9.5	8.2	Jun-90
Invesco Realty Advisors (Multi-family)	128.9	16.9	11.9	Dec-98
Invesco Realty Advisors (Industrial)	222.2	11.1	11.9	Nov-94
JPMorgan	1,855.2	12.6	8.5	Oct-90
Kennedy Associates	139.7	11.9	12.1	Apr-95
Morgan Stanley	188.5	15.5	12.1	Aug-95
Sentinel Real Estate	287.1	13.0	12.4	Mar-96
Public Securities				
Adelante Capital Management	374.6	17.9	15.6	Aug-98
Cohen & Steers: Equity Income	159.8	8.0[2]	6.9	Jul-98
Cohen & Steers: Total Return	558.8	16.9	15.7	Jun-95
RREEF	364.3	17.5	15.6	Aug-98
Timber: Private Securities				
Cambium: Fund II	0.1	-13.7	----	Mar-98
Timber: Public Securities				
Forest Investments: Adirondack Timber I	181.7	0.3	----	Dec-98
Global				
Hines Interests: Emerging Markets	31.4	6.0	----	Oct-99
Lone Star: Fund II	8.2	11.8	----	Mar-99
Lone Star: Fund III	53.7	45.2	----	Oct-00
Lone Star: Fund IV	179.7	33.2	----	Dec-01
Lone Star: Fund V	36.7	51.2	----	Jan-05
Macquarie: Asia Fund II	9.7	-20.2	----	Apr-05
Macquarie: Europe Parallel Fund II	4.1	-8.0	----	Apr-05
Macquarie: Global Properties	56.6	8.4	----	May-99
O'Connor: Global Real Estate	8.5	13.7	----	Jul-99
Mortgages				
BlackRock: CMBS	249.3	6.2	6.1	Apr-01
ING Clarion: Clarion Value Fund	48.2	1.7	0.2	Sep-05
ING Clarion: CMBS	207.3	6.4	6.1	Apr-01
PRIMA: CMBS	45.6	2.9	2.5	Nov-03

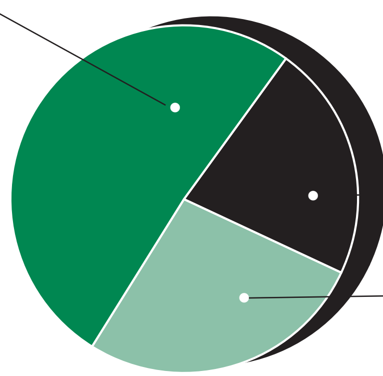
[1] Returns for periods over 1 year are annualized.
[2] Reflects income return only. Total Return is 13.4%

Investments

Domestic Equity Distribution – June 30, 2006
$52,516,789,658

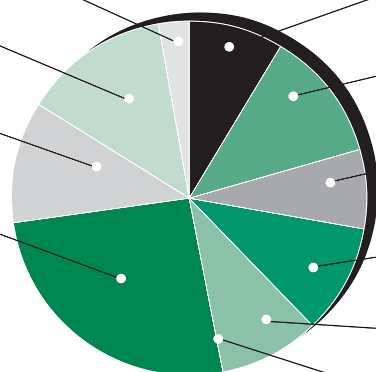


Domestic Equity Externally Managed Style Distribution – June 30, 2006
$1,737,981,653



DOMESTIC EQUITY HOLDINGS BY INDUSTRY DISTRIBUTION — JUNE 30, 2006

$52,516,789,658



TEN LARGEST DOMESTIC EQUITY HOLDINGS — JUNE 30, 2006

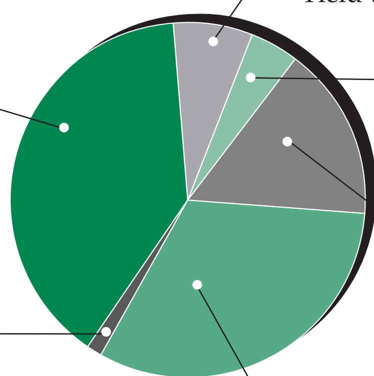
Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon Mobil	$ 265,445,989	$1,459,915,766	2.8%
2	General Electric	242,733,335	1,042,953,280	2.0
3	Citigroup	225,064,005	949,961,488	1.8
4	Bank of America	258,254,255	901,606,939	1.7
5	Pfizer	393,563,364	686,173,285	1.3
6	Microsoft	419,552,737	608,428,240	1.2
7	JP Morgan Chase	228,422,272	598,321,290	1.1
8	Chevron	192,170,600	592,215,680	1.1
9	American Int'l 'Group	265,443,430	533,078,835	1.0
10	Altria Group	117,647,619	531,961,873	1.0
	Total	**$2,608,297,606**	**$7,904,616,676**	**15.0%**

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

Investments

DOMESTIC FIXED INCOME SECTOR DISTRIBUTION – JUNE 30, 2006

$11,465,623,199
Yield to Maturity 5.7%



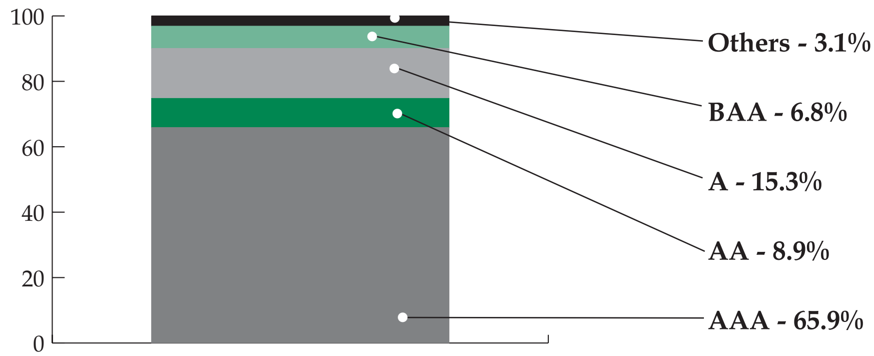
TEN LARGEST DOMESTIC FIXED INCOME HOLDINGS – JUNE 30, 2006

Rank	Issue	Market Value	Percent of Fixed Income
1	U.S. Treasury Strips (Principal) Due 8/15/08	$ 983,285,600	8.6%
2	U.S. Treasury Strips (Principal) Due 11/15/09	590,347,800	5.1
3	U.S. Treasury Strips (Coupon) Due 11/15/10	402,666,000	3.5
4	U.S. Treasury Strips (Principal) Due 11/15/06	388,521,144	3.4
5	U.S. Treasury Strips (Principal) Due 11/15/07	295,635,596	2.6
6	U.S. Treasury Strips (Coupon) Due 5/15/11	276,273,200	2.4
7	U.S. Treasury Strips (Coupon) Due 2/15/08	226,898,483	2.0
8	U.S. Treasury Strips (Coupon) Due 11/15/11	193,105,250	1.7
9	U.S. Treasury Strips (Coupon) Due 5/15/08	185,830,083	1.6
10	U.S. Treasury Strips (Coupon) Due 2/15/10	166,873,800	1.5
Total		**$3,709,436,956**	**32.4%**

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

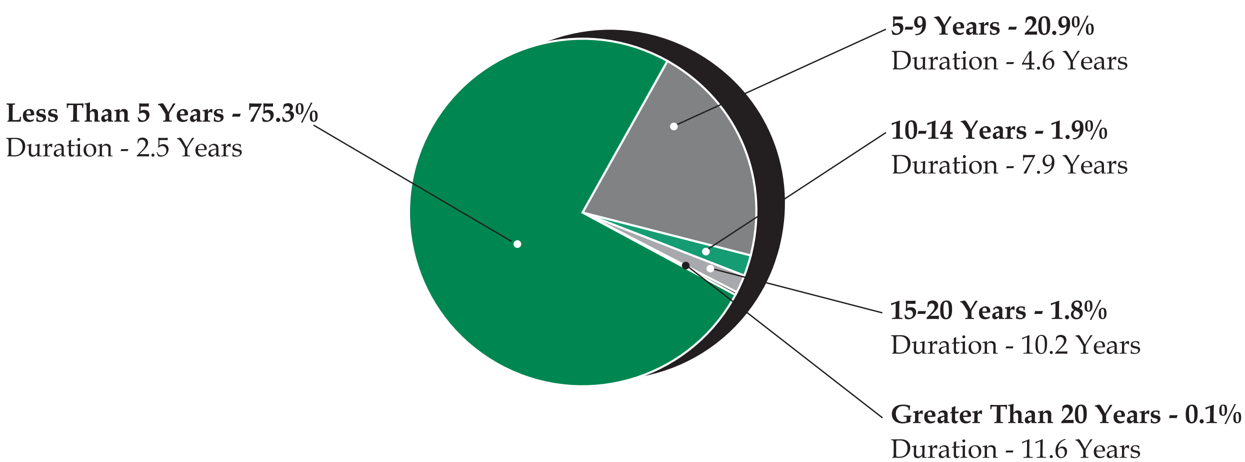
Investments

Domestic Fixed Income Quality Distribution — June 30, 2006



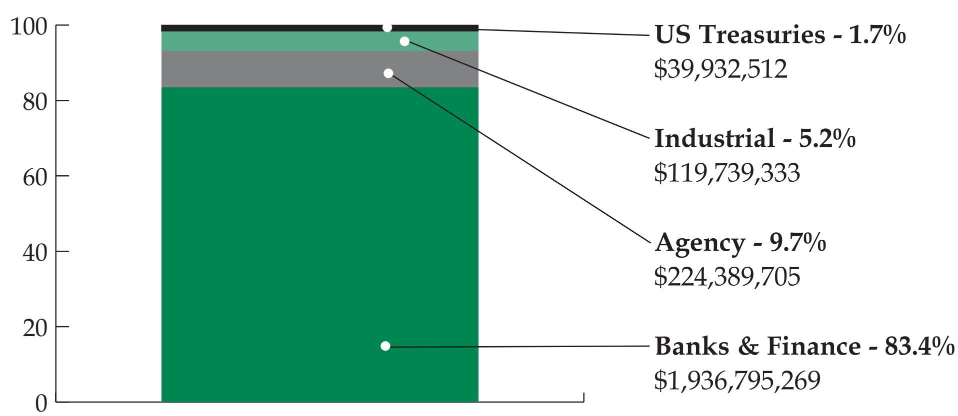
Domestic Fixed Income Average Maturity — June 30, 2006

Effective Duration 3.1 Years



Short-term Sector Distribution — June 30, 2006

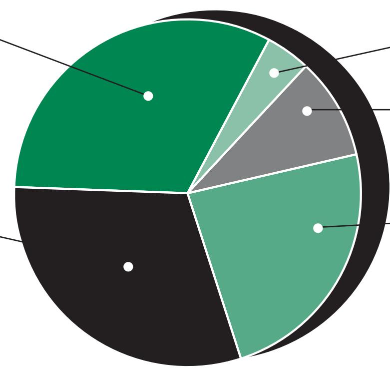
$2,320,856,819



Investments

International Equity Style Distribution – June 30, 2006

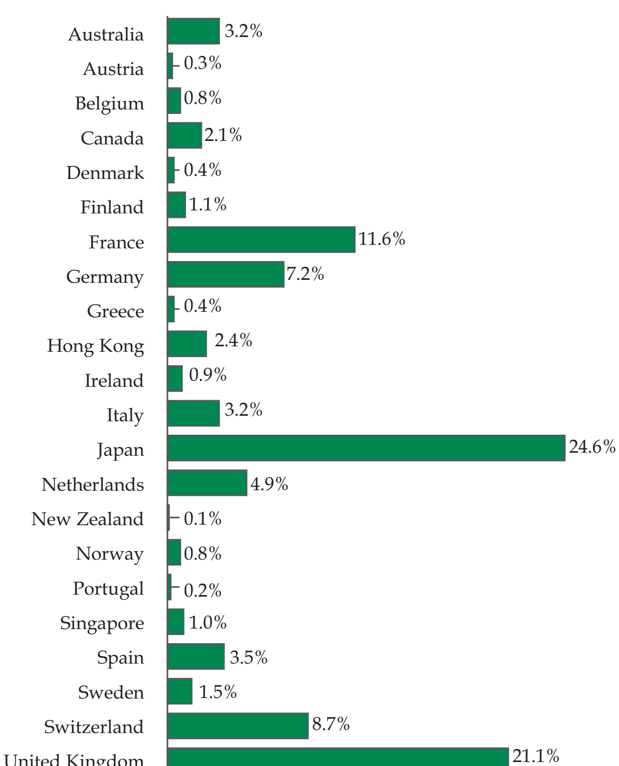
$10,867,368,877



International Equity Exposure Distribution – June 30, 2006

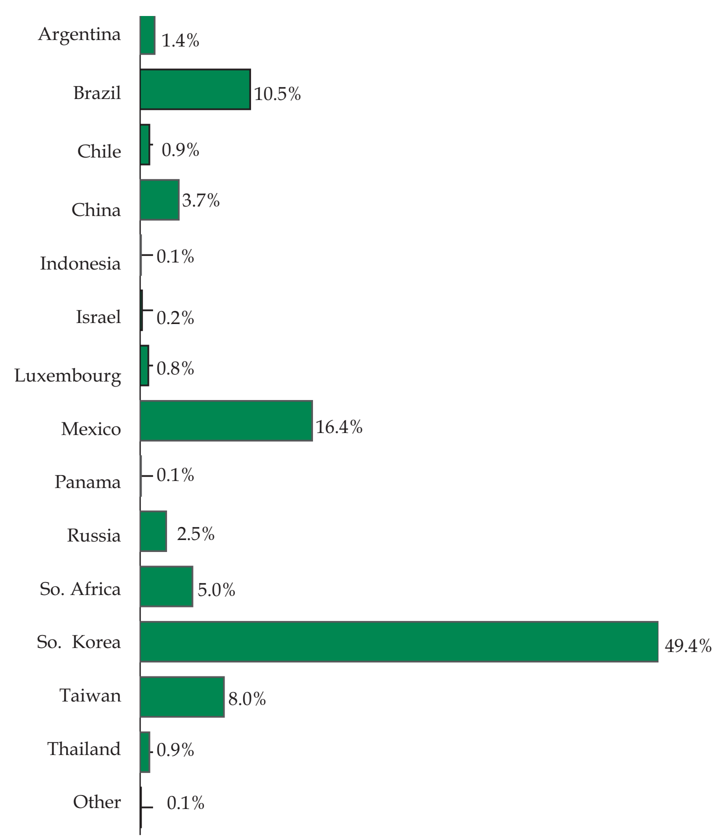
Developed Countries — **Percentage of Portfolio**

$10,433,998,757

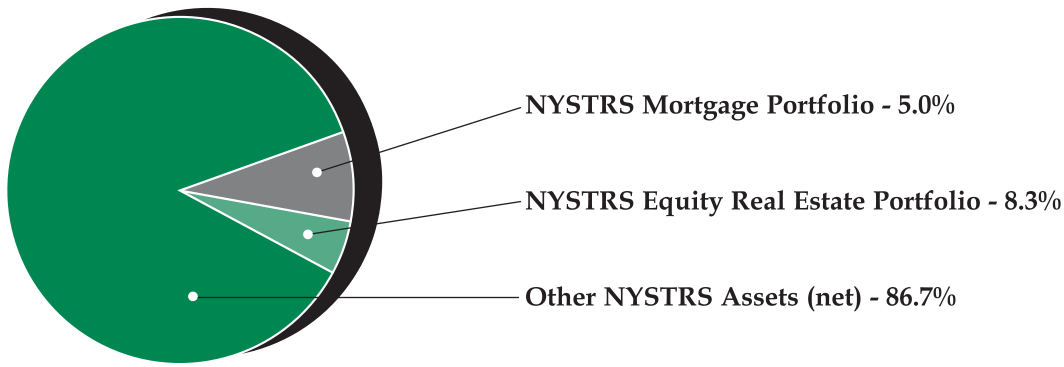


Emerging Markets — **Percentage of Portfolio**

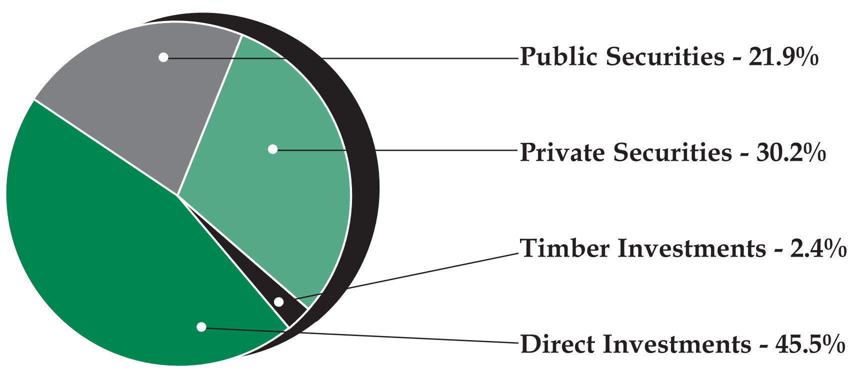
$433,370,120



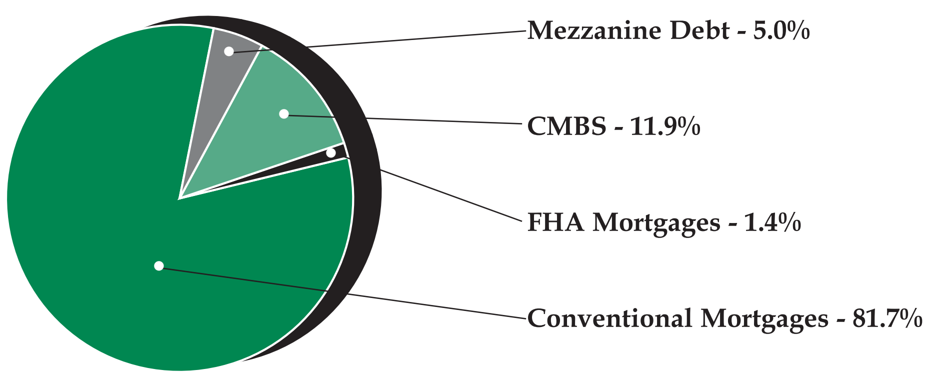
Real Estate as a Percentage of NYSTRS Total Net Assets — June 30, 2006



Breakdown of Real Estate Equity Portfolio — June 30, 2006

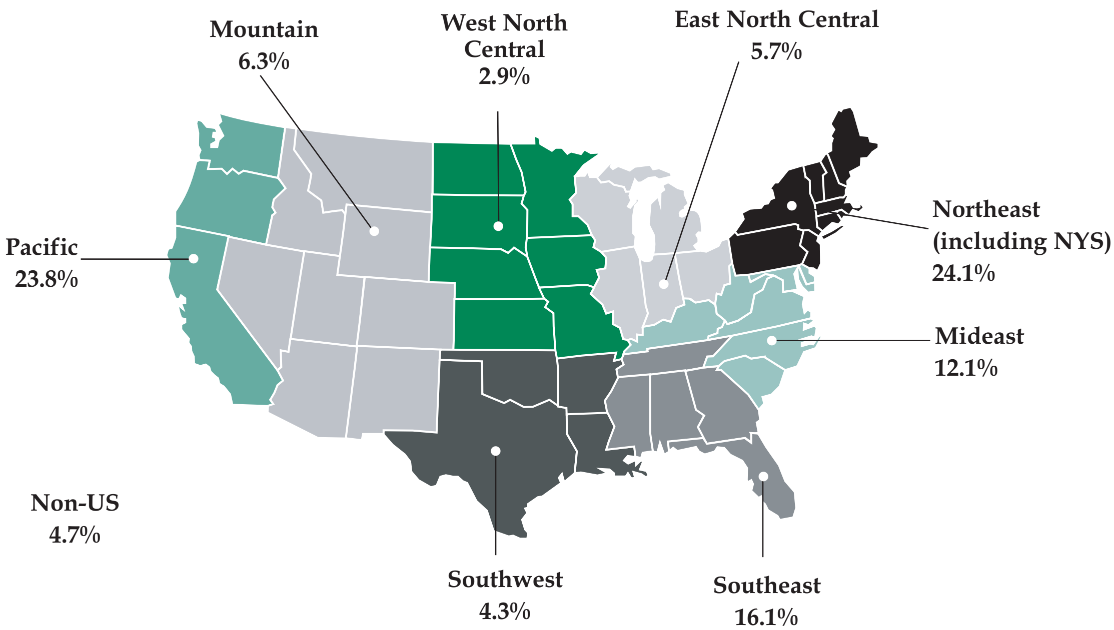


Breakdown of Mortgage Portfolio — June 30, 2006

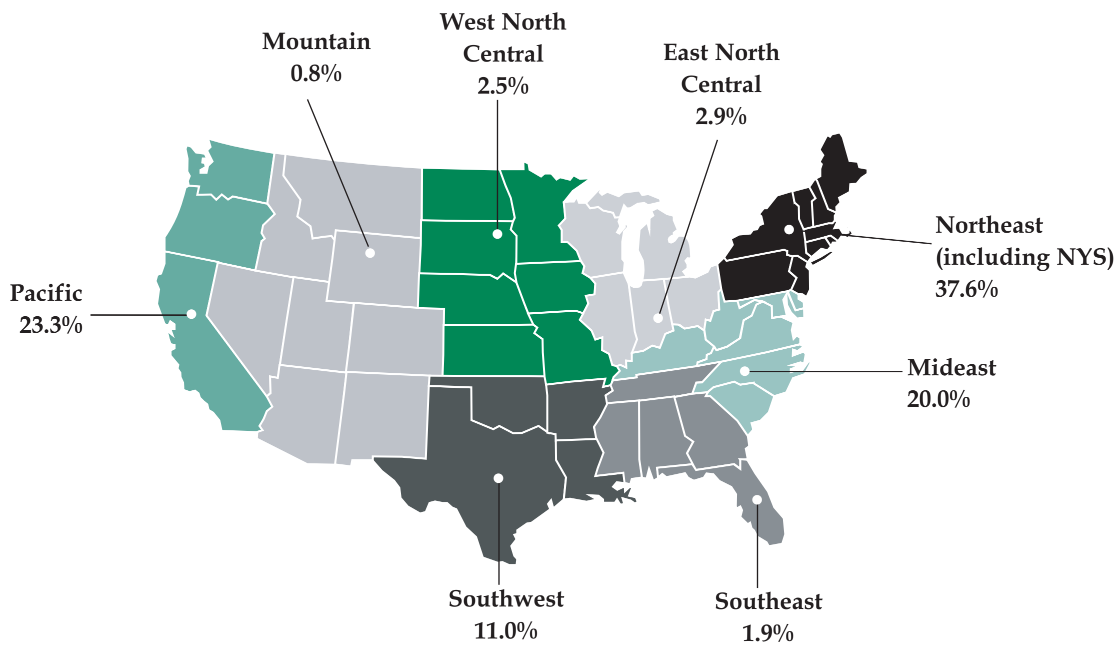


Investments

Geographic Distribution of the Real Estate Equity Portfolio – June 30, 2006



Geographic Distribution of the Mortgage Portfolio – June 30, 2006



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 2005-2006. Over 6,000 proposals were voted, representing more than 1,700 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 (5,448)

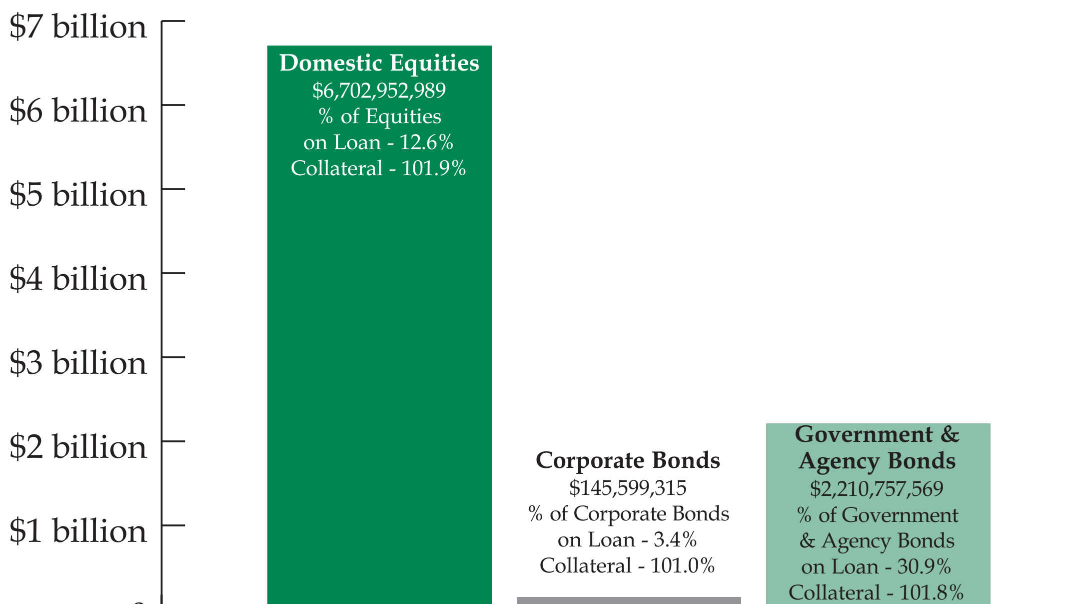
Yes	96.3%
No	3.7%

Shareholder Proposals (564)

Yes	62.9%
No	37.1%

Securities Lending Programs – June 30, 2006

Value on Loan - $9,059,309,873



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

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

DANIEL J. BUKOWSKI
Chief Investment Officer (Retired)
Global Equities
Citigroup Asset Management
Stamford, Connecticut

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

External Investment Managers

DOMESTIC EQUITIES:

Active Large Cap
Iridian Asset Management LLC (Value)

Active Small Cap
Progress Investment Management Co. (Fund of Funds)

INTERNATIONAL EQUITIES:

Active
Arnhold & S. Bleichroeder Advisors, Inc.
Artisan Partners Limited Partnership
Capital Guardian Trust Co.
Causeway Capital Management, LLC
Fidelity Management Trust Company
Gryphon International Investment Corporation
Harris Associates L.P.
JPMorgan Fleming Asset Management
Mercator Asset Management, L.P.
Walter Scott & Partners Limited
Wellington Management Company

Passive/Enhanced
Barclays Global Investors
State Street Global Advisors

CUSTODIAN:

State Street Bank & Trust Co.

SECURITIES LENDING:

State Street Bank & Trust Co.

PRIVATE EQUITY – LIMITED PARTNERSHIPS:

Abbott Select Buyouts
ABRY Mezzanine Partners
ABRY Partners Fund V
ABRY Senior Equity Fund II
Aisling Capital II, L.P.
Alchemy Plan (Empire)
Apex V
Apex VI
Apollo Real Estate Investment Fund IV
Ares Corporate Opportunities Fund II, L.P.
Blackstone Capital Partners IV
Blackstone Capital Partners Fund V
Carlyle Partners IV, L.P.
Carlyle/Riverstone Global Energy & Power Fund III

continued on next page

External Investment Managers (continued)

PRIVATE EQUITY — LIMITED PARTNERSHIPS: (continued)

Charterhouse Capital Partners VII
Charterhouse Capital Partners VIII
Chisholm Partners II
Chisholm Partners III
Chisholm Partners IV
Cinven III
Cinven IV
Clayton Dubilier & Rice VI
Close Brothers Private Equity Fund VII
Co-Investment Partners (NY), L.P.
Compass Partners International
CSFB Seasoned Primaries Fund, L.P.
CSFB Strategic Partners II
CSFB Strategic Partners III
CSFB Strategic Partners III - Venture
DLJ Merchant Banking Partners III
Fairview Ventures Fund II
Fairview Ventures Fund III
GTCR Fund VIII
HarbourVest VII-Mezzanine Fund
HarbourVest VII-Venture Fund
HarbourVest International PEP IV
HarbourVest International PEP V
HarbourVest Partners VI
Hellman & Friedman Capital Ptn.. III, L.P.
Hellman & Friedman Capital Ptn. IV, L.P.
Hellman & Friedman Capital Ptn. V, L.P.
Horsley Bridge Fund VII
Hutton Collins Capital Partners II LP
JLL Partners Fund V, L.P.
JP Morgan Venture Capital II
JP Morgan Venture Capital III
Kelso Investment Associates VII
KRG Capital Fund III
Lexington Capital Partners V
Lexington Capital Partners VI
Lexington Middle Market Investors
Madison Dearborn Capital Partners IV
Madison Dearborn Capital Partners V
Metalmark Capital Partners, L.P.
Nautic V
Olympus Growth Fund IV
Parish Capital Buyout Fund I
Parish Capital Europe I, L.P.
Parish Capital Partners II, L.P.
Permira IV
P123
Silver Lake Partners II
Technology Crossover Ventures TCV IV
Technology Crossover Ventures TCV V
Technology Crossover Ventures TCV VI
Texas Pacific Group TPG III
Texas Pacific Group TPG IV
Texas Pacific Group TPG V
T. H. Lee Equity Partners V
T. H. Lee Equity Partners VI
TSG Consumer Partners - TSG4
VantagePoint NY Venture Partners
VantagePoint Venture Partners IV
Vantage Point Venture Partners 2006
VCFA Private Equity Partners IV
Warburg Pincus Private Equity VIII
WCAS Capital Partners IV
Welsh, Carson, Anderson & Stowe IX
Welsch, Carson, Anderson & Stowe X

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
Capmark Investments
Irvine, California

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

MAUREEN A. EHRENBERG
Executive Vice President
Grubb & Ellis Company
Northbrook, Illinois

THOMAS P. MAHONEY
Managing Director (Retired)
CIGNA Investments
Hartford, Connecticut

BRIAN K. REED
Senior Vice President (Retired)
Bank of America
Dallas, Texas

Investments

Real Estate Advisors

EQUITY:
ING Clarion Partners
Forest Investment Associates
Invesco Realty Advisors
JPMorgan 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.
Guggenheim Structured Real Estate Advisors, LLC
ING Clarion Capital, LLC
Legg Mason Real Estate Capital, Inc.
Lehman Brothers Private Equity Advisors, LLC
MMA Realty Capital, Inc.
Prima Capital Advisors, LLC

COMMINGLED:
Angelo, Gordon & Co.
Blackacre Institutional Capital Management, LLC
BlackRock, Inc.
Blackstone Real Estate Advisors
Brookfield Properties Corporation
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
JPMorgan Asset Management
Landmark Partners, Inc.
Macquarie Global Property Advisors
Morgan Stanley
Lone Star Funds
O'Connor Capital Partners
Penwood Real Estate Investment Management, LLC
Prudential Real Estate Investors
Rockpoint Group, LLC
Rockwood Capital Corporation
Starwood Capital Group LLC
UBS Realty Investors LLC
Westbrook Partners

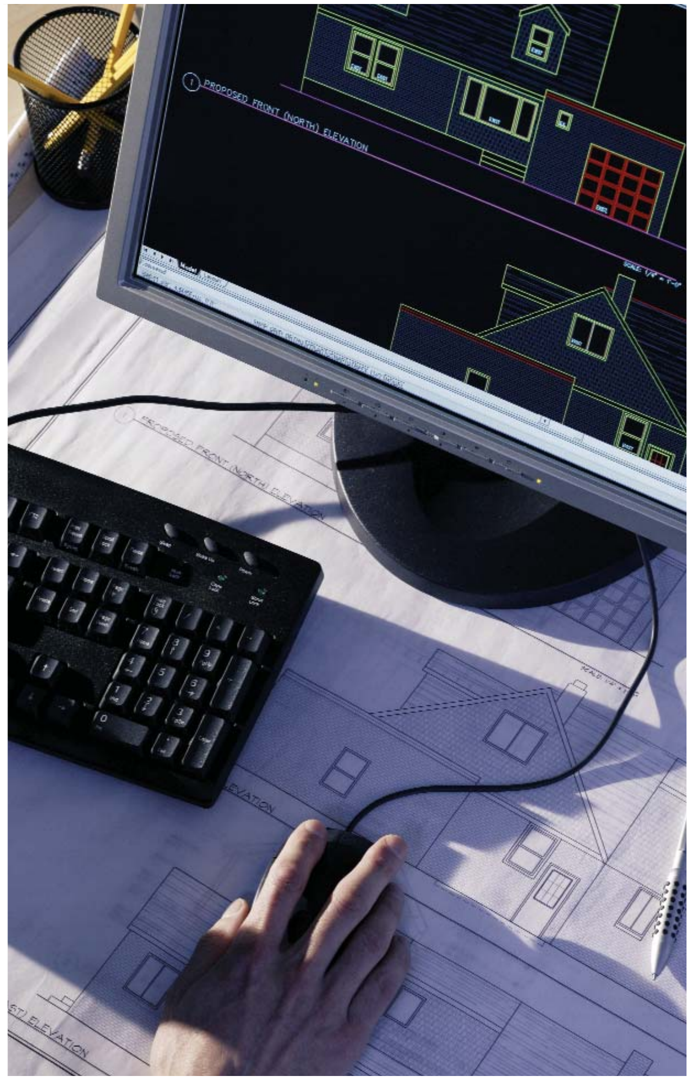
REITS:
Adelante Capital Management LLC
Cohen & Steers Capital Management, Inc.
RREEF America, LLC

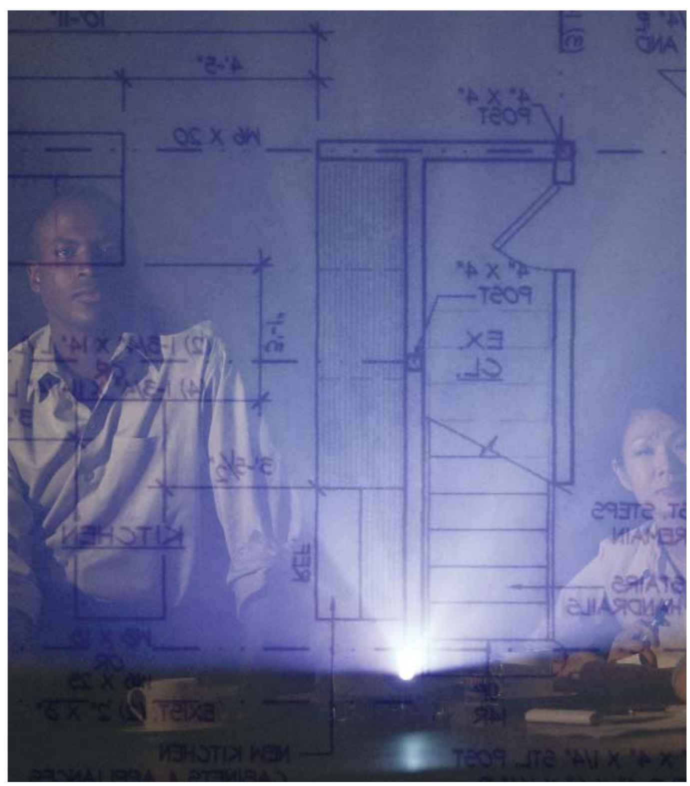
Investment Consultants

Abel/Noser Corporation
New York, New York

Callan Associates
San Francisco, California

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
George M. Philip, Executive Director

Office of the Actuary
(518) 447-2692

September 8, 2006

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

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 being accumulated in order 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 is determined by an actuarial valuation made as of each June 30th.

The most recent actuarial valuation was made as of June 30, 2005. 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. The Retirement System's independent auditors provide reasonable assurances on the data provided by the Finance Department 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 2005 Legislative Session that had a significant impact on plan funding. Our market value rate of return was 10.6% for the fiscal year ending June 30, 2005. The capital markets continued to rebound, although this is just the second year out of the last six that the market value rate of return has exceeded the assumed actuarial valuation rate of return of 8.0%.

ACTUARIAL CERTIFICATION LETTER (CONTINUED)

Retirement Board -2- September 8, 2006

Our five-year market value rate of return was 3.3% as of June 30, 2005. 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, 2005 actuarial valuation produced a required employer contribution rate of 8.60% of payroll, representing an increase of approximately 8% over the prior year's rate of 7.97%.

The plan's funded ratio as of June 30, 2005 was 98.8%. 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 (GASB) Statement No. 25 and generally accepted actuarial principles, procedures, and standards of practice as prescribed by the Actuarial Standards Board. Several new charts were added to the Statistical section this year in order to comply with the newly effective GASB Statement No. 44 - *Economic Condition Reporting: The Statistical Section*. 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,

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, 2005

Methods

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

Assumptions

(Selected sample rates)	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)

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

Demographic:

Mortality: (Deaths per 10,000 lives)

Active Members (10/00)

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

Retired Members and Beneficiaries (10/00)

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

Disabled Members (10/00)

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

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

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

Service Retirement: (10/00)

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

Disability Retirement: (10/00)

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

THE ACTUARY'S VALUATION BALANCE SHEET - JUNE 30, 2005
(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, 2005.

Assets

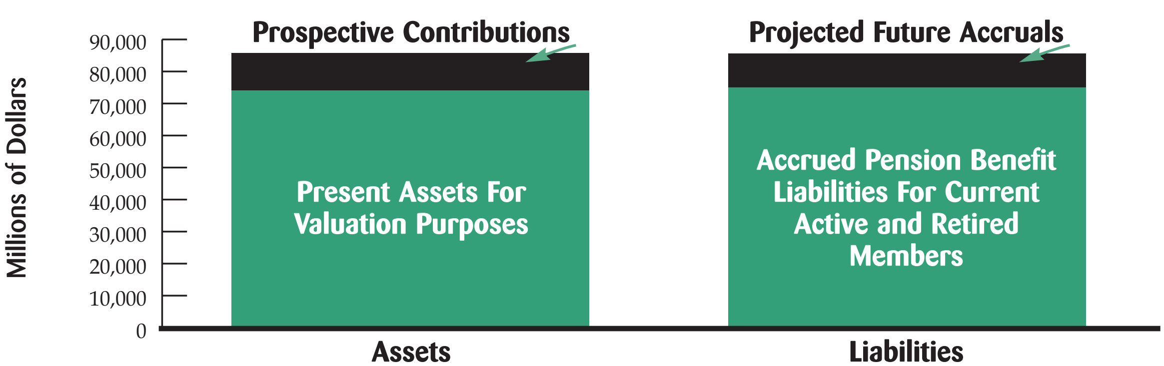
Present Assets of System for Valuation Purposes*	$74,074,314
Present Value of Prospective Contributions to Pension Accumulation Fund:	
From Employer Contributions	10,995,912
From Member Contributions	637,555
Total Assets	$85,707,781

Liabilities

Present Value of Future Benefits to:	
Retired Members and Beneficiaries	$39,391,460
Active Members	46,260,645
Member Contributions Accumulated to Date in the Annuity Savings Fund	46,441
Benefits Due and Unpaid	9,235
Total Liabilities	$85,707,781

*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, 2005



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.

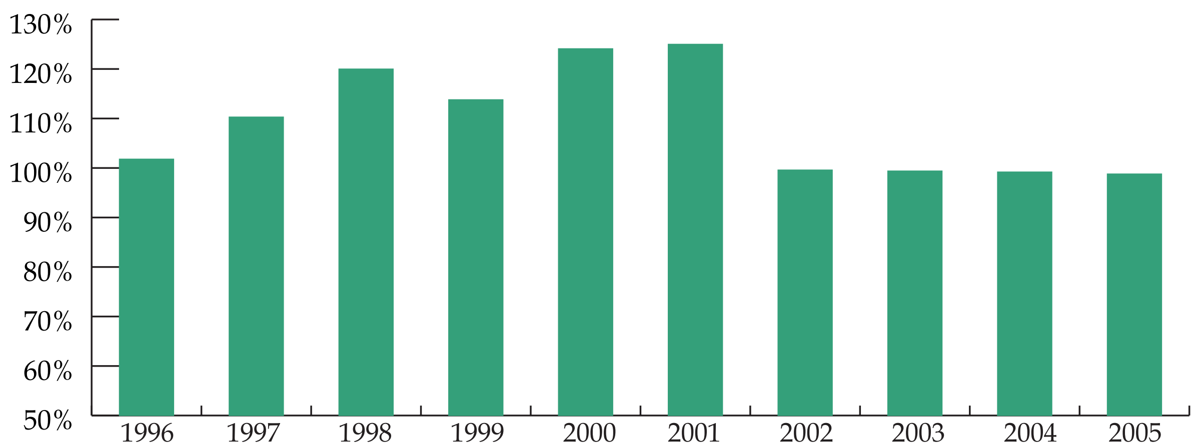
NYSTRS' funding method has allowed the accumulation of assets sufficient for the funding of its liabilities in a systematic and reasonable manner.

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
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
2005	74,074.3	74,961.1	98.8

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



History of Member Payroll and the Employer Contribution Rate

Fiscal Year Ending June 30	Active Members	Annual Member Payroll (in millions)	Percent Increase In Annual Member Payroll	Average Full-Time Member Salary	Employer Contribution Rate (Percent of Payroll)
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	12,163.7	3.4	61,543	5.63
2006	264,410	12,584.9*	3.5*	not available	7.97

*Estimated

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

	Number of Retired Members and Beneficiaries		*Annual Benefit of Retired Members and Beneficiaries*					
Fiscal Year	Added During the Year	Removed During the Year	Added During the Year	Removed During the Year	Total Number of Retired Members and Beneficiaries	Total Annual Benefit	Percentage Increase in Total Annual Benefit	Average Annual Benefit
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
2006	7,682	3,420	347,529,000	74,043,173	129,587	4,510,349,789	6.45	34,806

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

INDEPENDENT ACTUARIAL REVIEW

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154

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September 15, 2006

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 KPMG 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, 2004 and the resultant employer contribution rate of 7.97% applied to the payroll for the fiscal year ended June 30, 2006.

- A review of the methodology used to estimate the payroll as of June 30, 2006, and the employer and employee contributions receivable as of June 30, 2006.

- A review of the System's Experience Studies as of June 30, 2004 and 2005, 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, 2006, with the requirements of Statement No. 25 of the Governmental Accounting Standards Board.

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

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

Very truly yours,

KPMG LLP

Robert L Mishler

Robert L. Mishler ASA, MAAA, EA
Senior Manager

Statistical

Statistical

ACTIVE MEMBERS:

	Men	Women	Total
July 1, 2005	64,403	195,953	**260,356**
Changes During Year:			
Added	3,461	11,398	**14,859**
Withdrawn	857	2,447	**3,304**
Retired	2,205	5,076	**7,281**
Died	55	165	**220**
Total Membership July 1, 2006	64,747	199,663	**264,410**

MEMBERS RETIRED FOR:

	Service*			Disability			Total		
	Men	Women	Total	Men	Women	Total	**Men**	**Women**	**Total**
July 1, 2005	46,143	72,736	118,879	554	1,398	1,952	**46,697**	**74,134**	**120,831**
Changes During Year:									
Retired	2,173	4,958	7,131	32	118	150**	**2,205**	**5,076**	**7,281**
Died	1,001	1,659	2,660	35	59	94	**1,036**	**1,718**	**2,754**
Lump Sum	110	293	403	0	0	0	**110**	**293**	**403**
Restored to Active Membership	0	0	0	0	1	1	**0**	**1**	**1**
July 1, 2006	47,205	75,742	122,947	551	1,456	2,007***	**47,756**	**77,198**	**124,954**

BENEFICIARIES OF DECEASED:

	Service Annuitants			Disability Annuitants			Active Members			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	**Men**	**Women**	**Total**
July 1, 2005	781	3,190	3,971	86	182	268	33	222	255	**900**	**3,594**	**4,494**
Changes During Year:												
Added	107	289	396	0	5	5	0	0	0	**107**	**294**	**401**
Died	55	170	225	8	8	16	0	14	14	**63**	**192**	**255**
Lump Sum	1	2	3	0	0	0	0	4	4	**1**	**6**	**7**
July 1, 2006	832	3,307	4,139	78	179	257	33	204	237	**943**	**3,690**	**4,633**

SUMMARY:

	Men	Women	Total
Active Members	64,747	199,663	**264,410**
Retired Members	47,756	77,198	**124,954**
Beneficiaries	943	3,690	**4,633**
Total	113,446	280,551	**393,997**

*Also includes vested retirees.
**Includes 1 woman retired for disability who receives a service benefit.
***Includes 48 men and 65 women retired for disability who receive a service benefit.

Members and Annuitants 1922 - 2006

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
			2006	264,410	129,587

Number of Active Members by Tier

As of June 30	Tier 1	Tier 2	Tier 3	Tier 4	Total
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
2006	13,621	12,084	18,173	220,532	264,410

Statistical

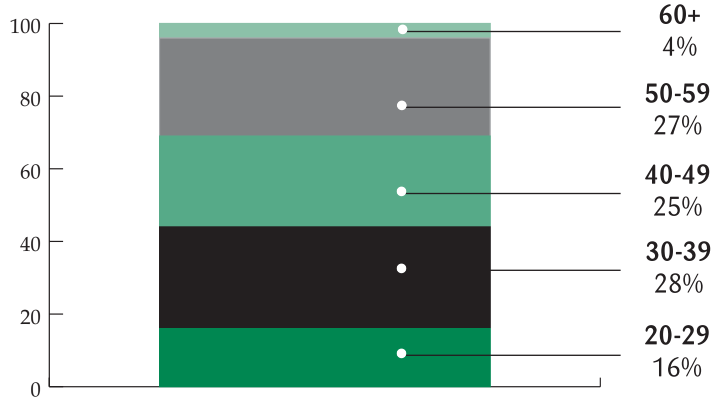
Distribution of Active Members by Age and

Years of Service

AGE		0-5	6-10	11-15	16-20	21-25
20-24	**Number of Members**	**7,683**	**1**	**0**	**0**	**0**
	Average Salary	*$35,757*	*$0*	*$0*	*$0*	*$0*
25-29	**Number of Members**	**31,314**	**2,935**	**2**	**0**	**0**
	Average Salary	*$44,627*	*$52,820*	*$52,372*	*$0*	*$0*
30-34	**Number of Members**	**20,101**	**15,698**	**1,133**	**1**	**0**
	Average Salary	*$48,412*	*$56,627*	*$60,937*	*$12,404*	*$0*
35-39	**Number of Members**	**13,264**	**11,889**	**8,651**	**1,062**	**0**
	Average Salary	*$46,513*	*$57,647*	*$64,134*	*$67,927*	*$0*
40-44	**Number of Members**	**11,097**	**6,594**	**5,820**	**7,257**	**863**
	Average Salary	*$41,938*	*$54,560*	*$65,372*	*$70,933*	*$73,894*
45-49	**Number of Members**	**10,362**	**5,773**	**4,463**	**5,454**	**5,332**
	Average Salary	*$39,436*	*$50,900*	*$62,088*	*$72,035*	*$76,850*
50-54	**Number of Members**	**7,432**	**5,390**	**5,532**	**5,765**	**5,039**
	Average Salary	*$40,871*	*$52,039*	*$61,081*	*$69,491*	*$78,539*
55-59	**Number of Members**	**4,231**	**2,642**	**3,427**	**4,586**	**4,045**
	Average Salary	*$41,199*	*$52,048*	*$59,618*	*$69,116*	*$78,889*
60-64	**Number of Members**	**1,649**	**704**	**854**	**1,373**	**1,401**
	Average Salary	*$41,216*	*$47,710*	*$58,847*	*$67,916*	*$76,030*
65-69	**Number of Members**	**478**	**161**	**147**	**226**	**230**
	Average Salary	*$45,332*	*$50,573*	*$55,943*	*$65,648*	*$75,167*
70+	**Number of Members**	**249**	**64**	**49**	**62**	**57**
	Average Salary	*$33,600*	*$31,622*	*$41,096*	*$55,597*	*$72,129*
Total	**Number of Members**	**107,860**	**51,851**	**30,078**	**25,786**	**16,967**
	Average Salary	*$43,967*	*$54,933*	*$62,749*	*$70,168*	*$77,566*

* Average salary data is for the 188,781 members who earned a full year of service.

Distribution of Active Members by Age - June 30, 2005



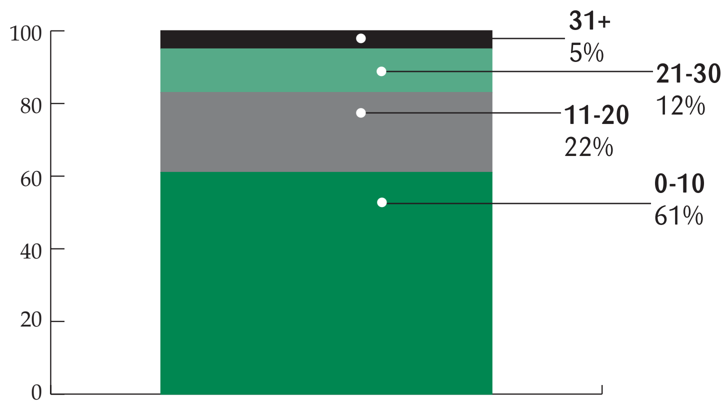
Averages - June 30, 2005

	Age	Years of Service
Female	42	10
Male	42	12

Years of Service* as of June 30, 2005

Years of Service						
26-30	**31-35**	**36-40**	**41-45**	**46-50**	**51-55**	**Total**
0	**0**	**0**	**0**	**0**	**0**	**7,684**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$35,757*
0	**0**	**0**	**0**	**0**	**0**	**34,251**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$45,619*
0	**0**	**0**	**0**	**0**	**0**	**36,933**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$53,377*
0	**0**	**0**	**0**	**0**	**0**	**34,866**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$57,363*
2	**0**	**0**	**0**	**0**	**0**	**31,633**
$79,373	*$0*	*$0*	*$0*	*$0*	*$0*	*$59,671*
937	**2**	**0**	**0**	**0**	**0**	**32,323**
$80,757	*$105,875*	*$0*	*$0*	*$0*	*$0*	*$61,525*
7,784	**2,837**	**4**	**0**	**0**	**0**	**39,783**
$82,796	*$87,962*	*$103,152*	*$0*	*$0*	*$0*	*$69,529*
4,122	**7,437**	**984**	**3**	**0**	**0**	**31,477**
$85,160	*$92,973*	*$104,201*	*$130,285*	*$0*	*$0*	*$77,469*
1,180	**839**	**933**	**71**	**0**	**0**	**9,004**
$85,068	*$92,475*	*$103,259*	*$104,159*	*$0*	*$0*	*$76,401*
175	**130**	**93**	**91**	**9**	**0**	**1,740**
$80,183	*$93,201*	*$99,182*	*$103,123*	*$116,497*	*$0*	*$75,037*
48	**35**	**29**	**28**	**29**	**12**	**662**
$72,543	*$90,108*	*$83,791*	*$93,999*	*$96,735*	*$96,748*	*$67,811*
14,248	**11,280**	**2,043**	**193**	**38**	**12**	**260,356**
$83,471	*$91,666*	*$103,271*	*$102,603*	*$101,542*	*$96,748*	*$61,543*

Distribution of Active Members by Service - June 30, 2005



Statistical

MEMBERS RETIRED IN 2005-2006 FOR:

	Service*	Disability
Number Retired	**7,132**	**149**
Age at Retirement:		
Average	58 yrs., 4 mos.	52 yrs., 8 mos.
Median	57 yrs., 1 mo.	53 yrs., 5 mos.
Years of Service:		
Average	28 yrs., 2 mos.	20 yrs., 3 mos.
Median	32 yrs., 0 mos.	19 yrs., 0 mos.
**Benefit:		
Average	$43,914.18	$25,711.27
Median	$47,040.48	$23,842.80
Final Average Salary:		
Average	$71,840.12	$64,066.65
Median	$73,513.32	$64,722.67
***Benefit as % of FAS:		
Average	55.11%	37.80%
Median	64.67%	33.33%

MEMBERS RETIRED IN 2005-2006 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	**1,394**	**3,580**	**2,158**
Age at Retirement:			
Average	59 yrs., 1 mo.	58 yrs., 2 mos.	58 yrs., 1 mo.
Median	57 yrs., 7 mos.	56 yrs., 7 mos.	57 yrs., 5 mos.
Years of Service:			
Average	11 yrs., 8 mos.	29 yrs., 3 mos.	37 yrs., 0 mos.
Median	11 yrs., 6 mos.	30 yrs., 6 mos.	36 yrs., 2 mos.
**Benefit:			
Average	$6,470.92	$45,112.69	$66,113.10
Median	$4,157.16	$45,536.04	$62,331.84
Final Average Salary:			
Average	$34,853.07	$75,929.69	$88,948.21
Median	$27,293.40	$74,543.87	$84,536.11
***Benefit as % of FAS:			
Average	16.60%	58.58%	74.22%
Median	14.70%	62.22%	73.45%

*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.

All Retirees as of June 30, 2006 Retired for:

	Service*	Disability
Number Retired	**123,060**	**1,894**
Age at Retirement:		
Average	58 yrs., 2 mos.	49 yrs., 0 mos.
Median	56 yrs., 10 mos.	49 yrs., 10 mos.
Years of Service:		
Average	28 yrs., 2 mos.	19 yrs., 1 mo.
Median	30 yrs., 2 mos.	18 yrs., 5 mos.
**Benefit:		
Average	$33,365.99	$16,214.03
Median	$31,983.84	$14,225.88
Final Average Salary:		
Average	$55,728.22	$43,082.04
Median	$56,091.04	$42,519.17
***Benefit as % of FAS:		
Average	55.01%	36.41%
Median	60.12%	33.60%

All Retirees as of June 30, 2006 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	**20,960**	**74,357**	**27,743**
Age at Retirement:			
Average	58 yrs., 5 mos.	57 yrs., 11 mos.	58 yrs., 8 mos.
Median	56 yrs., 6 mos.	56 yrs., 4 mos.	57 yrs., 11 mos.
Years of Service:			
Average	14 yrs., 5 mos.	28 yrs., 7 mos.	37 yrs., 1 mo.
Median	14 yrs., 7 mos.	29 yrs., 7 mos.	36 yrs., 5 mos.
**Benefit:			
Average	$6,880.63	$33,049.64	$54,223.71
Median	$5,266.68	$31,714.32	$53,373.96
Final Average Salary:			
Average	$29,234.28	$56,564.59	$73,502.90
Median	$23,832.45	$56,366.28	$72,730.50
***Benefit as % of FAS:			
Average	22.89%	57.08%	73.73%
Median	21.70%	58.98%	72.93%

*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

Average Benefit Payments – July 1, 1996 - June 30, 2006

Retirement Effective Dates	Years Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30-35	35+
Period 7/1/1996 to 6/30/1997								
Average monthly benefit	$71	$224	$382	$883	$1,896	$2,903	$3,752	$4,461
Average final average salary	$14,030	$20,995	$25,247	$37,455	$54,018	$63,906	$69,707	$71,582
Number of retired members	33	81	539	439	689	1,239	2,215	1,217
Period 7/1/1997 to 6/30/1998								
Average monthly benefit	$46	$276	$433	$938	$1,817	$2,998	$3,842	$4,599
Average final average salary	$9,578	$21,013	$28,669	$39,795	$52,718	$65,930	$71,162	$74,108
Number of retired members	24	74	463	376	622	980	1,906	858
Period 7/1/1998 to 6/30/1999								
Average monthly benefit	$85	$253	$403	$949	$1,941	$3,004	$3,966	$4,633
Average final average salary	$13,399	$26,106	$26,850	$40,178	$55,608	$66,258	$73,374	$75,027
Number of retired members	52	225	595	464	606	1,075	2,187	907
Period 7/1/1999 to 6/30/2000								
Average monthly benefit	$63	$220	$445	$1,049	$2,096	$3,185	$4,146	$4,883
Average final average salary	$13,587	$23,776	$29,057	$41,984	$57,788	$69,629	$76,548	$79,416
Number of retired members	37	270	656	459	789	1,216	2,419	812
Period 7/1/2000 to 6/30/2001								
Average monthly benefit	$96	$223	$478	$1,140	$2,059	$3,026	$4,209	$4,934
Average final average salary	$17,754	$24,759	$30,352	$44,904	$56,437	$66,528	$76,231	$78,955
Number of retired members	43	239	659	477	616	935	2,501	2,476
Period 7/1/2001 to 6/30/2002								
Average monthly benefit	$72	$216	$436	$1,134	$2,105	$3,182	$4,375	$5,212
Average final average salary	$12,590	$24,126	$29,195	$45,001	$58,520	$69,879	$78,648	$84,343
Number of retired members	33	248	714	462	706	860	2,700	1,621
Period 7/1/2002 to 6/30/2003								
Average monthly benefit	$127	$196	$457	$1,163	$2,181	$3,211	$4,422	$5,138
Average final average salary	$26,834	$23,297	$30,975	$47,047	$60,152	$69,988	$79,549	$82,324
Number of retired members	39	391	747	540	777	1,004	3,288	3,387
Period 7/1/2003 to 6/30/2004								
Average monthly benefit	$108	$202	$490	$1,230	$2,315	$3,362	$4,571	$5,593
Average final average salary	$20,675	$24,200	$31,828	$49,231	$64,041	$73,613	$82,002	$90,463
Number of retired members	28	318	569	475	675	788	2,744	1,690
Period 7/1/2004 to 6/30/2005								
Average monthly benefit	$235	$296	$482	$1,153	$2,432	$3,477	$4,646	$5,793
Average final average salary	$37,120	$25,825	$30,400	$47,128	$65,314	$74,902	$81,145	$91,010
Number of retired members	33	270	626	513	746	790	2,574	1,630
Period 7/1/2005 to 6/30/2006								
Average monthly benefit	$131	$227	$503	$1,245	$2,414	$3,359	$4,569	$5,657
Average final average salary	$21,859	$27,506	$34,427	$50,742	$64,892	$74,120	$81,845	$90,272
Number of retired members	60	451	547	486	756	865	2,377	1,739

Distribution of Retired Members and Beneficiaries by Tier

as of June 30, 2006

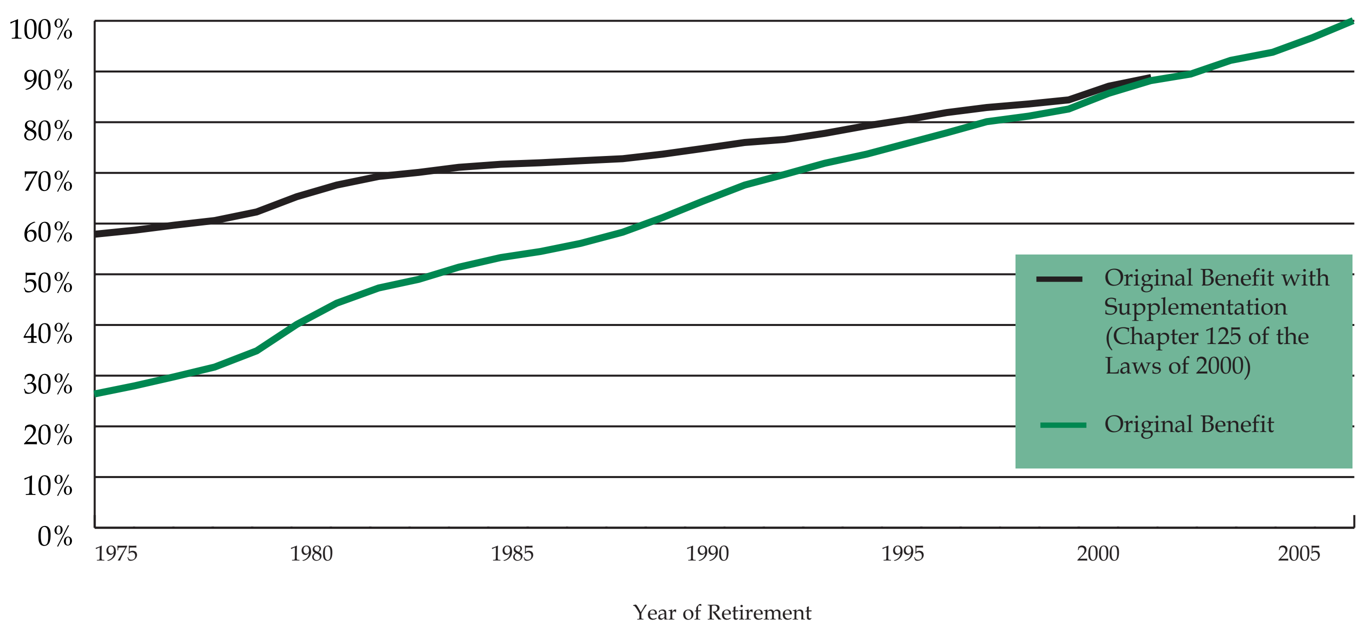
	Tier 1	Tier 2	Tier 3	Tier 4	Total
Members Retired for:					
Service*	107,876	6,545	4,177 (273)**	4,349	122,947
Disability	1,148	214	255 (35)**	390	2,007
Beneficiaries of Deceased:					
Service Annuitants	3,943	98	59 (3)**	39	4,139
Disability Annuitants	197	23	25 (7)**	12	257
Active Members	234	2	1 (0)**	0	237
Total	113,398	6,882	4,517 (318)**	4,790	129,587

*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 2006

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 2006, in accordance with Chapter 125 of the Laws of 2000.



Retired Members by Type of Benefit
As of June 30, 2006

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6	Option Selected 1	2	3	4	5	6
$1 - $500	13,545	10,295	2,452	264	318	30	186	9,585	728	899	674	1,527	132
$501 - $1,000	14,126	10,731	1,886	550	840	93	26	8,554	1,316	1,697	725	1,745	89
$1,001 - $1,500	12,866	10,373	1,100	451	864	67	11	8,069	1,254	1,752	685	1,006	100
$1,501 - $2,000	11,620	9,809	890	307	580	29	5	8,006	1,030	1,409	525	543	107
$2,001 - $2,500	11,098	9,847	612	220	397	19	3	7,914	893	1,387	411	377	116
$2,501 - $3,000	10,756	9,954	358	109	324	7	4	7,599	926	1,463	361	276	131
$3,001 - $3,500	11,460	10,966	208	55	225	5	1	8,139	979	1,677	320	160	185
$3,501 - $4,000	11,828	11,504	93	27	201	2	1	8,288	948	1,956	318	155	163
$4,001 - $4,500	10,274	10,051	45	15	159	4	0	7,075	864	1,783	250	129	173
$4,501 - $5,000	7,638	7,530	24	2	81	1	0	5,143	709	1,376	166	77	167
over $5,000	14,376	14,203	16	7	150	0	0	9,269	1,481	2,736	310	125	455
Total	129,587	115,263	7,684	2,007	4,139	257	237	87,641	11,128	18,135	4,745	6,120	1,818

Type of retirement:

1 - Normal retirement for age and service
2 - Early retirement*
3 - Disability retirement
4 - Beneficiary payment, normal or early retirement
5 - Beneficiary payment, disability retirement
6 - Beneficiary payment, death in service

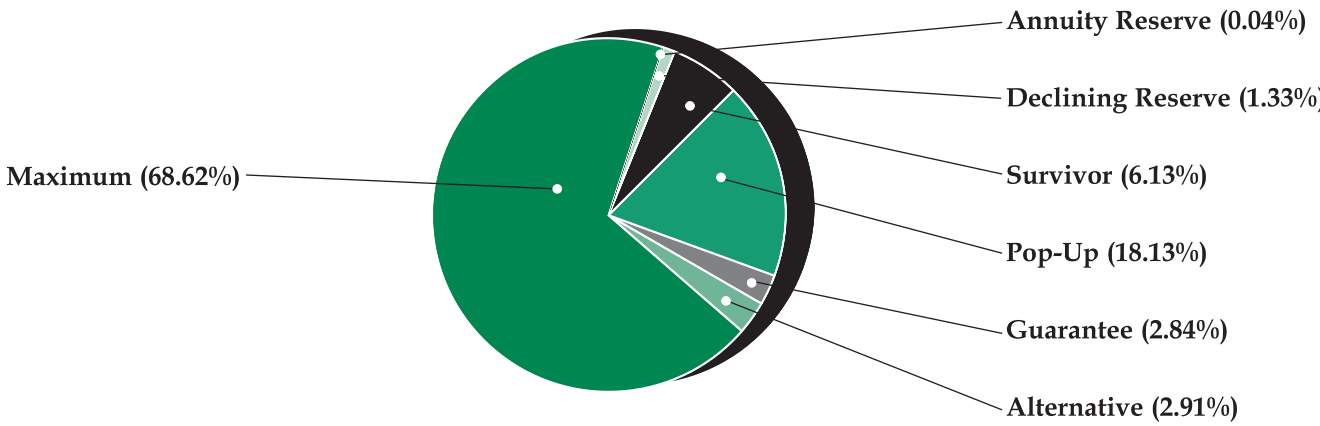
* Tiers 2-4; retirement at age < 62 and service < 30 years

Option selected:

1 - Unmodified; Single life annuity (Maximum)
2 - Joint and survivor
3 - Joint and survivor with pop-up
4 - Guarantee period
5 - Declining reserve/Annuity reserve
6 - Alternative

Retirement Benefit Options and Percent of Election

2002-2006 Retirees



Retired Members' Characteristics* by Year of Retirement

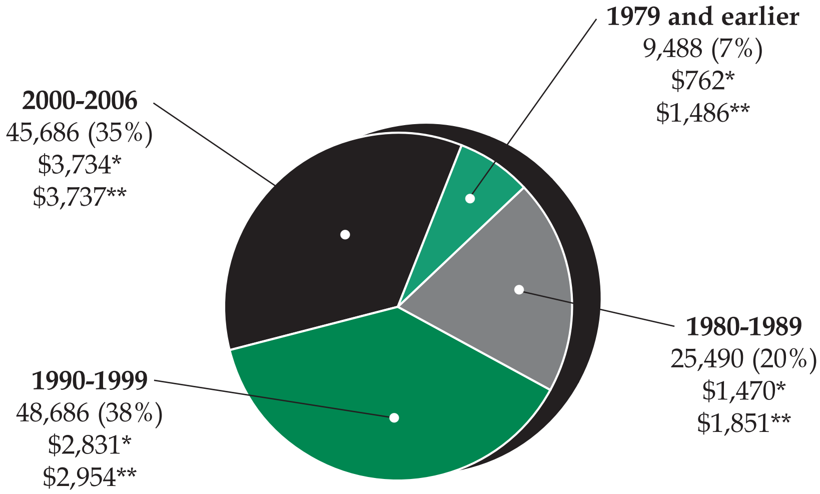
Retired in Fiscal Year Ending	Number of Retired Members	Average Age at Retirement (yrs. - mos.)	Average Service at Retirement (yrs. - mos.)	Average Final Average Salary	Average Maximum Annual Benefit
1997	6,452	58-3	28-6	$60,512	$36,061
1998	5,303	57-10	28-3	61,726	36,381
1999	6,111	57-9	27-4	61,442	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
2006	7,281	58-4	28-2	71,840	43,914

*Averages are for service and vested retirees.

Statistical

Number of Retired Members and Monthly Benefits by Decade of Retirement

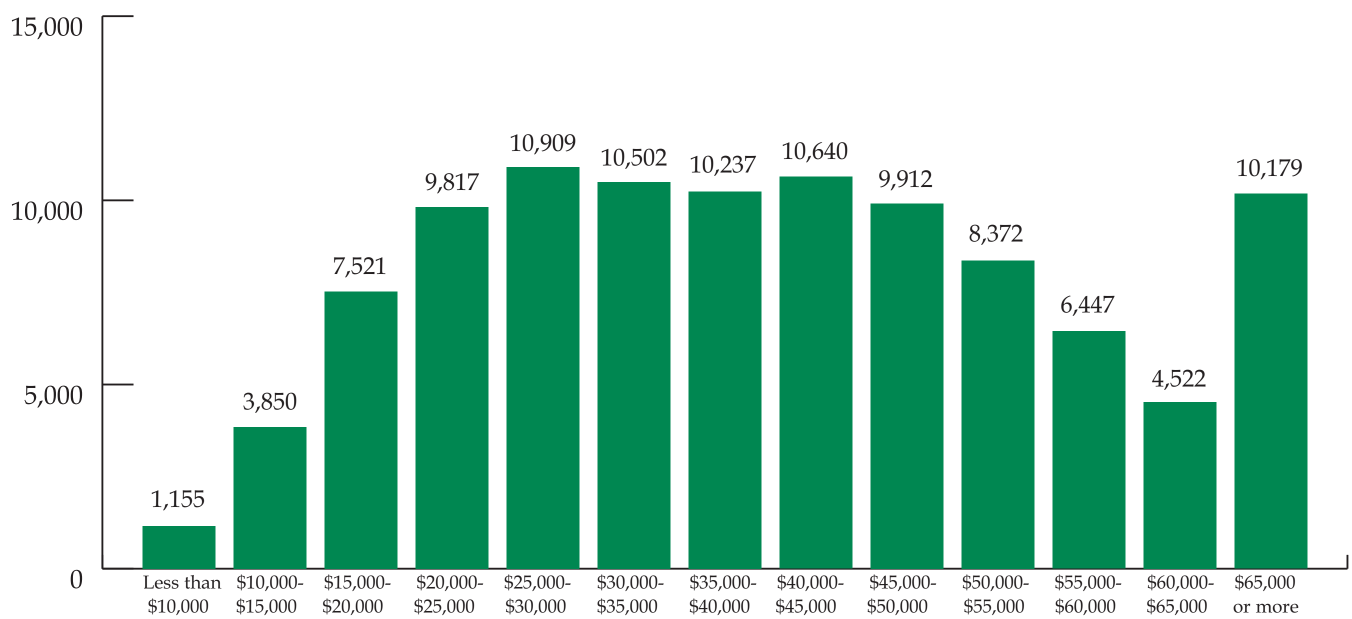
As of June 30, 2006



*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

As of June 30, 2006



*Maximum annual retirement benefit including supplementation and COLA.

Distribution of Monthly COLA Increase Commencing September 2006

Monthly COLA Increase	Number of Retired Members and Beneficiaries
$25.50	63,776
$20.50 - $25.49	5,417
$15.50 - $20.49	4,454
$10.50 - $15.49	6,925
$5.50 - $10.49	4,507
$0.01 - $5.49	4,155
$0 (currently ineligible)	40,353
Total	**129,587**

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
2006	3.36%	1.7%	$18,000	$25.50	$126.00	$22.09	$107.38

Distribution of Cumulative Monthly COLA Commencing September 2006

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
$126.00	42,661
$106.00 - $125.99	5,079
$86.00 - $105.99	11,775
$66.00 - $85.99	3,018
$46.00 - $65.99	17,077
$26.00 - $45.99	4,112
$0.01 - $25.99	5,512
$0 (currently ineligible)	40,353
Total	**129,587**

Statistical

Changes in Net Assets

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year

	1997	1998	1999	2000
Additions:				
Net investment income	$11,955,970	$13,534,138	$10,437,150	$5,840,710
Employer contributions	438,829	209,192	230,926	211,499
Member contributions	146,518	162,265	171,886	186,751
Transfers in/out (net)	4,105	25,446	8,382	43,247
Total additions to plan net assets	12,545,422	13,931,041	10,848,344	6,282,207
Deductions (See *Benefits and Return of Contributions by Type* below)**:**				
Benefit payments	1,895,257	2,046,952	2,258,135	2,479,932
Return of contributions	40,541	31,853	30,206	40,529
Administrative expenses	24,720	24,135	26,094	28,878
Total deductions from plan net assets	1,960,518	2,102,940	2,314,435	2,549,339
Change in net assets	$10,584,904	$11,828,101	$ 8,533,909	$3,732,868

Benefits And Return of Contributions by Type

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year

	1997	1998	1999	2000
Type of Benefit				
Age and service benefits:				
Retirees	$1,825,940	$1,973,569	$2,190,786	$2,388,009
Survivors	28,764	31,532	28,037	44,381
Death in service benefits	22,404	22,277	17,859	24,923
Disability benefits:				
Ordinary	18,035	19,443	21,271	22,429
Accidental	114	131	182	190
Total benefits	1,895,257	2,046,952	2,258,135	2,479,932
Type of refund				
Death	984	1,395	1,337	1,171
Separation from service	39,557	30,458	28,869	39,358
Total refunds	$ 40,541	$ 31,853	$ 30,206	$ 40,529

Changes in Net Assets (continued)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year

2001	2002	2003	2004	2005	2006
$(4,946,207)	$(5,570,925)	$2,640,564	$11,360,077	$7,951,926	$9,893,833
152,718	51,861	220,081	306,782	695,735	997,032
128,019	137,921	147,047	155,916	158,354	161,738
29,023	14,271	12,716	38,277	17,155	15,807
(4,636,447)	(5,366,872)	3,020,408	11,861,052	8,823,170	11,068,410
2,887,696	3,201,645	3,611,592	3,920,645	4,138,122	4,426,416
28,407	21,986	23,541	16,744	12,466	15,600
30,581	32,461	34,943	38,937	40,309	42,668
2,946,684	3,256,092	3,670,076	3,976,326	4,190,897	4,484,684
$(7,583,131)	$(8,622,964)	$ (649,668)	$ 7,884,726	$4,632,273	$6,583,726

Benefits And Return of Contributions by Type (continued)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year

2001	2002	2003	2004	2005	2006
$2,808,744	$3,117,002	$3,511,562	$3,836,904	$4,054,051	$4,335,475
31,171	25,961	51,242	33,046	31,787	37,232
22,389	31,703	20,894	21,491	21,039	17,321
25,194	26,775	27,665	28,956	31,015	36,079
198	204	229	248	230	309
2,887,696	3,201,645	3,611,592	3,920,645	4,138,122	4,426,416
1,257	1,455	1,123	1,447	1,742	1,394
27,150	20,531	22,418	15,297	10,724	14,206
$ 28,407	$ 21,986	$ 23,541	$ 16,744	$ 12,466	$ 15,600

Statistical

Principal Participating Employers

2006

Participating Employer	Covered Employees	Rank	Percentage of Total System
Buffalo Public Schools	4,338	1	1.64%
Rochester City School District	4,328	2	1.64%
Syracuse City School District	3,462	3	1.31%
Suffolk 1 BOCES	2,393	4	0.91%
Yonkers Public Schools	2,329	5	0.88%
Brentwood Union Free Schools	2,069	6	0.78%
Sachem Central Schools	1,745	7	0.66%
Greece Central Schools	1,739	8	0.66%
Newburgh City School District	1,433	9	0.54%
Clarkstown Central Schools	1,306	10	0.49%
All Other*	239,268		90.49%
Total	264,410		100.00%

1997

Participating Employer	Covered Employees	Rank	Percentage of Total System
Buffalo Public Schools	4,549	1	2.23%
Rochester City School District	3,806	2	1.87%
Syracuse City School District	3,279	3	1.61%
Yonkers Public Schools	2,108	4	1.03%
Brentwood Union Free Schools	1,407	5	0.69%
Sachem Central Schools	1,405	6	0.69%
Suffolk 1 BOCES	1,374	7	0.67%
Greece Central Schools	1,294	8	0.64%
Newburgh City School District	1,099	9	0.54%
Clarkstown Central Schools	1,092	10	0.54%
All Other	182,303		89.49%
Total	203,716		100.00%

*In 2006, "all other" consisted of:

Type	Number	Employees
Public School Districts	688	204,748
B.O.C.E.S.	37	23,283
S.U.N.Y.	31	3,801
Community Colleges	31	5,822
Charter Schools	21	959
Other	9	655
Total	817	239,268

Participating Employers

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

Participating Employers (continued)

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

Participating Employers (continued)

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

Participating Employers (continued)

Newark CS
Newark Valley CS
Newburgh City SD
Newcomb CS
Newfane CS
Newfield CS
Niagara County Com Col
Niagara Falls City SD
Niagara Wheatfield CS
Niskayuna CS
North Babylon UFS
North Bellmore UFS
North Collins CS
North Colonie CS
North Country Com Col
North Greenbush Common Sch
North Merrick UFS
North Rose Wolcott CS
North Salem CS
North Shore CS
North Syracuse CS
North Tonawanda City SD
North Warren CS
Northeastern Clinton CS
Northern Adirondack CS
Northport-East Northport UFSD
Northville CS
Norwich City SD
Norwood Norfolk CS
Nyack UFS
NYS School for the Blind
NYS School for the Deaf
NYS Teachers' Retirement System
Oakfield Alabama CS
Oceanside UFS
Odessa Montour CS
Ogdensburg City SD
Olean City SD
Oneida City SD
Oneida-Madison-Herkimer BOCES
Oneonta City SD
Onondaga CS
Onondaga Com Col
Onondaga-Cortland-Madison BOCES
Ontario-Seneca-Yates-Cayuga-Wayne BOCES
Onteora CS
Oppenheim Ephratah CS
Orange County Com Col
Orange-Ulster BOCES
Orchard Park CS
Oriskany CS
Orleans-Niagara BOCES
Ossining UFS
Oswego BOCES
Oswego City SD
Otego-Unadilla CS
Otsego-Delaware Schoharie-Greene BOCES
Owego Apalachin CS
Owen D Young CS
Oxford Academy and CS
Oyster Bay-East Norwich CS
Oysterponds UFS
Palmyra-Macedon CS
Panama CS
Parishville Hopkinton CS
Patchogue-Medford UFS
Pavilion CS
Pawling CS
Pearl River UFS
Peekskill City SD
Pelham UFS
Pembroke CS
Penfield CS
Penn Yan CS
Perry CS
Peru CS
Phelps-Clifton Springs CS
Phoenix CS
Pine Bush CS
Pine Plains CS
Pinevalley CS
South Dayton Pinnacle Charter School
Pioneer CS
Piseco Common Schools
Pittsford CS
Plainedge UFS
Plainview-Old Bethpage CS
Plattsburgh City SD
Pleasantville UFS
Pocantico Hills CS
Poland CS
Port Byron CS
Port Chester Rye
Port Jefferson UFS
Port Jervis City SD
Port Washington UFS
Portville CS
Potsdam CS
Poughkeepsie City SD
Prattsburg CS
Pulaski Academy and CS
Putnam CS
Putnam Valley CS
Putnam-Westchester BOCES
Queensbury UFS
Quogue UFS
Ramapo CS
Randolph CS
Randolph Academy UFS
Raquette Lake UFS
Ravena-Coeymans-Selkirk CS
Red Creek CS
Red Hook CS
Remsen CS
Remsenburg-Speonk UFSD
Rensselaer City SD
Rensselaer-Columbia-Greene BOCES
Rhinebeck CS
Richfield Springs CS
Ripley CS
Riverhead CS
Riverhead Charter School
Rochester City SD
Rockland BOCES
Rockland Com Col
Rockville Centre UFSD
Rocky Point UFS
Rome City SD
Romulus CS
Rondout Valley CS
Roosevelt UFS
Roscoe CS
Roslyn PS
Rotterdam-Mohonasen CS
Roxbury CS
Royalton-Hartland CS
Rush Henrietta CS
Rye City SD
Rye Neck UFS
Sachem CS
Sackets Harbor CS
Sag Harbor UFS
Sagaponack Common Schools
Salamanca City SD
Salem CS
Salmon River CS
Sandy Creek CS
Saranac CS
Saranac Lake CS
Saratoga Springs City Schools
Saugerties CS
Sauquoit Valley CS
Sayville PS
Scarsdale UFS
Schalmont CS
Schenectady City SD
Schenectady County Com Col
Schenevus CS
Schodack CS
Schoharie CS

Participating Employers (continued)

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

Participating Employers (continued)

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

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