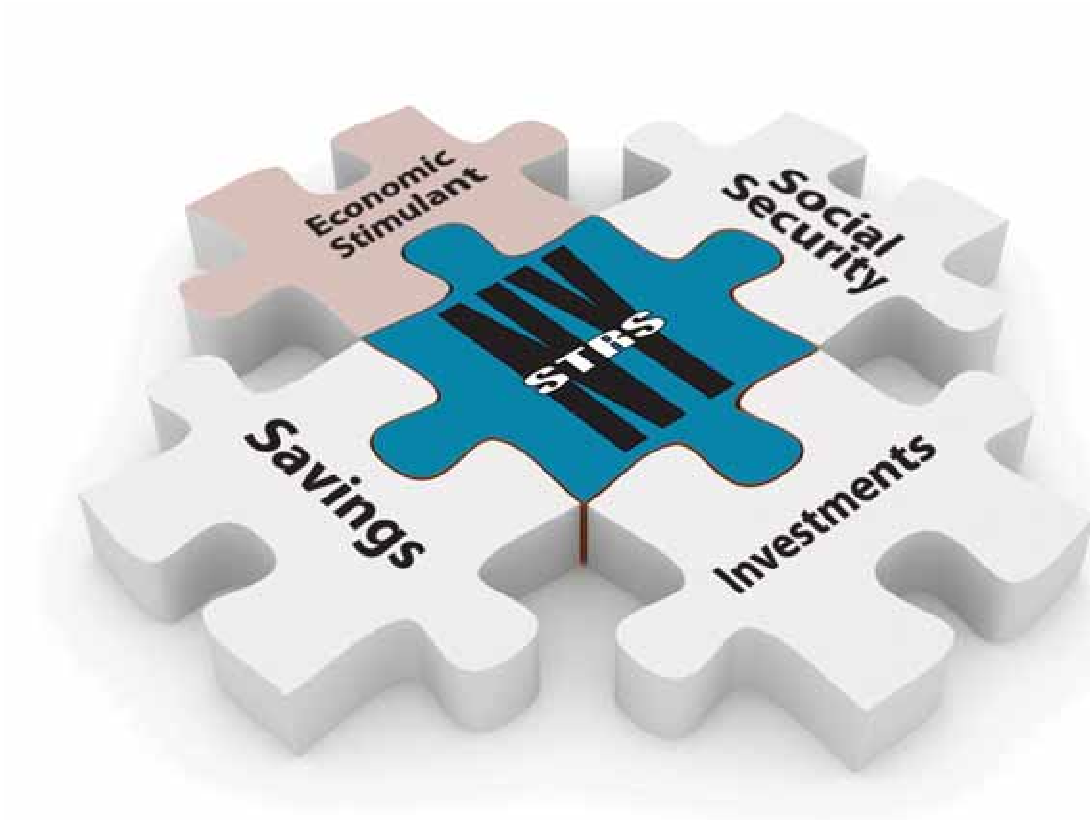
NYSTRS



A Key Piece of Retirement Security For Members and the Economy

New York State Teachers' Retirement System

Comprehensive Annual Financial Report ◆ Fiscal Year Ended June 30, 2012

NYS Teachers' Retirement System

10 Corporate Woods Drive
Albany, NY 12211-2395
(800) 348-7298
www.nystrs.org

New York State Teachers' Retirement System

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Vision:

To be the model for
pension fund excellence and
exceptional customer service

Mission:

To provide our members
with a secure pension

Values:

Integrity
Excellence
Respect
Resourcefulness
Diversity
Diligence
Balance

Table of Contents

Introduction

Financial

Investments

Actuarial

Statistical

2012 Demographic & Economic Information

2012 Financial Trends Information

2012 Operating Information

GFOA Award

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, 2011

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

PPCC Award

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2011

Presented to

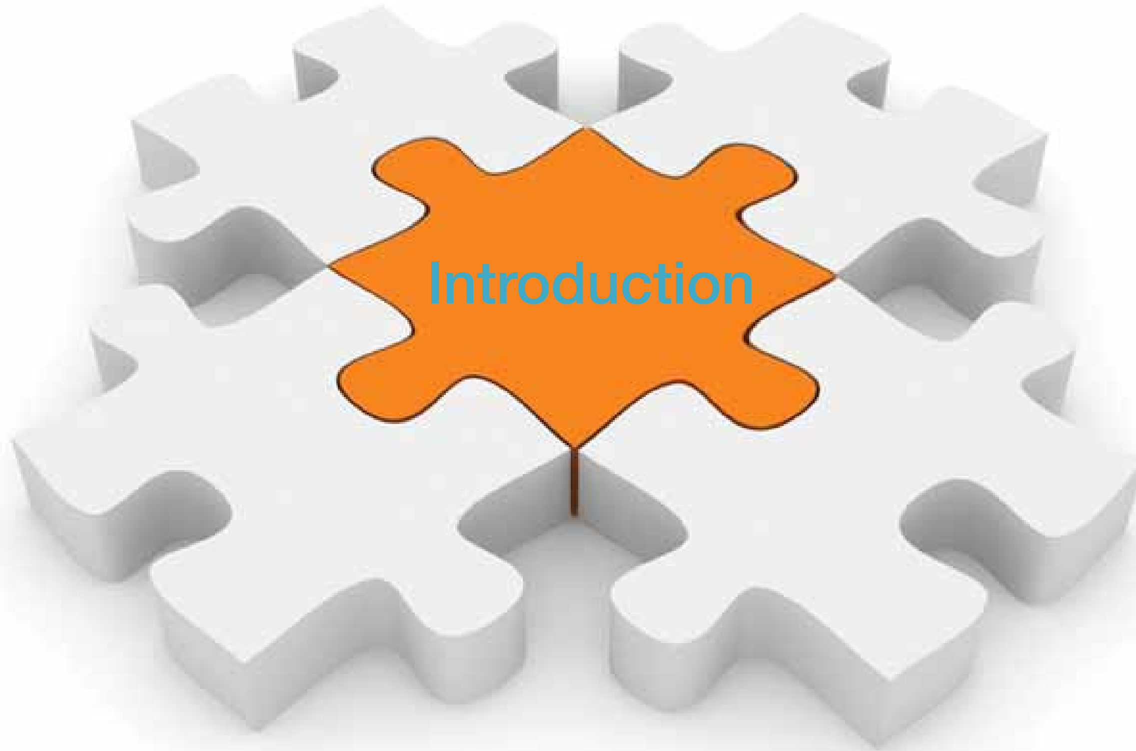
New York State Teachers' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Progra... .dministrator


Introduction

Introduction

Page

Board of Trustees

Executive Staff

Standing (left to right):

John W. Virtanen, Managing Director of Real Estate; Frederick W. Herrmann, Managing Director of Public Equities; Kevin J. Schaefer, Managing Director of Operations; and Michael A. Wolfe Jr., Managing Director of Fixed Income.

Seated (left to right):

Wayne Schneider, General Counsel; Thomas K. Lee, Executive Director & Chief Investment Officer; Sheila O. Gardella, Director of Member Relations; and Richard A. Young, Actuary.

Vacant: Managing Director of Private Equity

Organizational Structure

Retirement Board
R. Michael Kraus, President

Legal
- Contract Review
- Legislation
- Litigation
- Domestic Relations Orders
- Corporate Governance

Internal Audit
- Assurance Services
- Consulting Services

Executive Director & Chief Investment Officer
Thomas K. Lee

Actuarial/ Research & Valuation
- Actuarial Valuations
- Fiscal Notes
- Performance Reporting

Fixed Income
- Long/Short-Term Fixed Income Securities

Human Resources
- Contract Negotiations
- Labor Relations
- Personnel Classification and Recruitment
- Staff Training

Member Relations
- Customer Service
- Info. & Communication Center
- Member & Employer Services
- Member Benefits
- Public Information

Operations
- Facility Services
- Finance
- Information Services
- Investment Information

Private Equity
- Private Equity Investments

Public Equity
- Domestic & International Equity Management

Real Estate
- Equity Acquisition
- Mortgage Origination & Servicing
- Property Management

Letter of Transmittal

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395
(800) 356-3128 or (518) 447-2666 (Albany calls)
Website: www.nystrs.org

Thomas K. Lee, Executive Director & Chief Investment Officer

October 22, 2012

Trustees of the Retirement Board:

On behalf of System staff, I present you with the Comprehensive Annual Financial Report (CAFR) of the New York State Teachers' Retirement System (NYSTRS or the System) for the fiscal year ended June 30, 2012. This report complies with all requirements governing the preparation and contents of annual reports.

History and Overview

Created in 1921 by an act of the state Legislature, NYSTRS administers the fund from which most New York State public school teachers and administrators receive retirement and ancillary benefits. Retirement benefits are provided in accordance with New York State law and may not under the New York Constitution be diminished or impaired. A summary of NYSTRS benefits is provided on pages 16-20 of this report.

The System is governed by a 10-member Board of Trustees, which sets policy and oversees operations consistent with applicable law. A staff of approximately 400 is responsible for the day-to-day administration. NYSTRS serves 825 employers – including public school districts, BOCES, institutions of higher education and charter schools that elect to participate. NYSTRS has more than 427,000 active and retired members, including beneficiaries (see accompanying chart).

Membership Figures — *as of June 30, 2012*

Total Membership:	427,085
Active Members:	277,273
Retired Members:	144,438
Beneficiaries:	5,374
Members Added:	9,121
Members Retired:	6,033

See page 89 for additional membership information.

The retirement fund is one of the 10 largest public funds in the U.S., based on portfolio size and total membership. NYSTRS is also consistently among the top performing public pension funds, particularly within the teacher retirement system universe. Consistent, uninterrupted employee and employer contributions throughout the System's history are major contributing factors to this stability. The unwavering focus of both Board and staff members on the long-term solidity of the System has also been a key to success. Instead of investing for short-term gains, our attention is devoted to protecting the long-term security of the fund while modeling organizational excellence in every aspect of operation.

Letter of Transmittal *(continued)*

Awards

The System's commitment to excellence is evidenced by the consistent recognition we receive. Within the past year, honors received include:

Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA) of the United States and Canada. Given in recognition of the System's 2011 Comprehensive Annual Financial Report, the award certifies the report was prepared in conformity with the highest standards in government accounting and financial reporting.

Distinguished Budget Presentation Award for the fiscal year July 1, 2011 through June 30, 2012, 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.

Public Pension Principles Achievement Award, presented by the Public Pension Coordinating Council. The criterion to qualify for this award includes compliance with specific principles in the areas of benefits, actuarial valuation, financial reporting, investment and disclosure.

Legislation

Chapter 18 of the Laws of 2012 (a.k.a. "Tier 6"), signed into law March 16, 2012, amended portions of the Retirement and Social Security Law, Education Law and the Administrative Code of the City of New York that affect the contributions and benefits of members who join a New York State public retirement system on or after April 1, 2012. As it relates to these NYSTRS members, the bill generally:

- Requires 3.5% member contributions regardless of salary prior to April 1, 2013; thereafter, the contribution rate in a given school year is based upon regular compensation earned in the school year two years previously, as follows:
  - Wages of $45,000 or less..................... 3.0%
  - More than $45,000 to $55,000........... 3.5%
  - More than $55,000 to $75,000........... 4.5%
  - More than $75,000 to $100,000......... 5.75%
  - More than $100,000 to $179,000....... 6.0%
- Increases the retirement age to 63 in order to retire with an unreduced benefit; members retiring between age 55 and age 63 are subject to a reduction of 6.5% for each year retirement precedes age 63.
- Mandates a 5-year final average salary (FAS) calculation using regular compensation for determining retirement benefits.
- Excludes from the FAS calculation wages exceeding the average of the previous four years by more than 10.0%.
- Caps salary allowable in a FAS calculation at the New York State governor's salary (currently $179,000). Also, limits pensionable salaries to regular compensation from only two employers during a school year.
- Defines the pension multiplier for years of service as follows:
  - Less than 20 years of service......... 1.67% for each year of service.
  - 20 years of service........................ 35% (1.75% for each year of service).
  - More than 20 years of service...... 35%, plus 2.0% for each year of service over 20.
- Requires 10 years of service credit to vest.
- Requires a 6.0% contribution to purchase military and prior service.
- Allows non-unionized employees earning $75,000 or more hired after June 30, 2013 the option of joining the SUNY Optional Retirement Plan (a defined contribution plan) rather than the NYSTRS defined benefit plan. For these employees, employers will contribute 8.0% of salary to the SUNY ORP. Employees will contribute at the same sliding-scale rates noted in the first bullet.

Letter of Transmittal *(continued)*

Noteworthy Actions

Teacher Board Member Elections

Paul J. Farfaglia of Liverpool was re-elected, and Timothy M. Southerton of Sayville and Karen E. Magee of West Harrison were elected by System delegates to their positions on the NYSTRS Retirement Board. Mr. Farfaglia was elected to his second three-year term, while Mr. Southerton and Ms. Magee are finishing the unexpired terms of former teacher board members.

Recognized for Well-Funded Pension Plan Excellence

NYSTRS was featured in an independent study titled *Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm*. The ensuing report was authored by Dr. Jun Peng, an associate professor at the University of Arizona's School of Government and Public Policy, and Ilana Boivie, an economist and director of programs at the National Institute on Retirement Security (NIRS). The study identified six features that enabled the plans studied to remain sustainable even during significant economic downturns. The findings supported previously issued reports from the Pew Center on the States (which gave New York a top grade in pension fund performance) and several other research organizations, each of which note that well-funded plans share a common denominator: uninterrupted employee and employer contributions.

Enhanced Member Services

In line with our vision of providing exceptional customer service, several additions and enhancements were made to member services. These included launching an improved version of our online pension estimator using real-time data; offering both active and retired members the ability to receive their annual profile of benefits electronically; offering member consultations at several offsite locations over the summer; and, adding educational videos to the System's website.

60 Years of Service

The System's longest-tenured employee retired with 60 years of service to NYSTRS. Morrea Foote joined NYSTRS in 1951, opening mail and sorting correspondence. She was the voice of the System for over 40 years, serving as switchboard operator and receptionist.

Significant Litigation

Empire Center for New York State Policy v. NYSTRS: Petitioner, a non-profit corporation, challenged the System's denial of its request pursuant to the Freedom of Information Law for the names of retirees currently receiving a retirement benefit from the System. The System based its denial on a recent decision of the Appellate Division, First Department, which held that a New York public retirement system is not required to disclose the names of retirees. The State Supreme Court dismissed the petition. Petitioner's appeal of that decision is pending in the Appellate Division, Third Department.

Financial Information

Members of the NYSTRS Board, who serve without pay, have a fiduciary responsibility to safeguard the fund used to pay guaranteed retirement and ancillary benefits to the System's more than 427,000 members and beneficiaries. The System's pension obligations for this population are well funded. Strict governmental requirements for transparency and public accountability as established by the Governmental Accounting Standards Board (GASB), as well as state and federal laws, are rigorously followed. Consistently favorable audits of System finances from a variety of independent sources affirm this.

The design, implementation and administration of appropriate internal controls protecting the security of assets are the responsibility of System management. The internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgments by management. 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

Letter of Transmittal *(continued)*

State Department of Financial Services and the Retirement System's Internal Audit Department. In addition, KPMG LLP, an independent certified public accountant, whose unqualified opinion appears on page 23 of this report, audits the financial statements. An audit of our actuarial methods, assumptions and valuations was completed in 2010 by Buck Consultants, who concluded the actuarial valuation of the System fairly represented the actuarial position and funding requirements of the System. These oversight mechanisms provide scrupulous and transparent adherence to applicable regulations.

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 2011 to 2012 is attributable to a net increase of 2,969 retirees and beneficiaries (details are found on page 31 in the *Notes to Financial Statement-Plan Description*). Also see the *Benefits and Return of Contributions by Type* chart on pages 104-105 for more information.

For an overview of NYSTRS' financial activities for the fiscal year ended June 30, 2012, see *Management's Discussion and Analysis* beginning on page 24. This section provides explanations and further details of the information provided in the financial statements, its notes and required supplementary information.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

Funding

Funds used to pay promised benefits come from employer contributions, member contributions and investment income. Assets are professionally managed and invested on a long-term basis using sound investment policies. See *Statements of Changes in Plan Net Assets* on page 30 for more information.

The employer contribution rate (ECR) — expressed as a uniform percentage of member payroll — is set annually at the level necessary to properly fund benefits. The rate is established in accordance with an actuarial valuation of System assets and liabilities. The most recently adopted ECR of 11.84% will apply to 2012-13 member salaries and will be paid by employers in fall 2013. The rates are set well in advance so school districts can budget for this expense.

The System's year-end net assets totaled $88.1 billion. During the same period, benefits paid to retirees and beneficiaries rose to approximately $5.9 billion.

The plan's funded ratio as of June 30, 2011, the date of the most-recent annual actuarial valuation and calculated in accordance with GASB Statement No. 50, was 96.7%. Details of our funding progress may be obtained by turning to page 83.

Investments

The System's assets are invested in the most prudent manner possible in order to achieve optimum long-term total returns with an appropriate level of risk. The System is committed to a disciplined, risk-controlled investment approach that focuses on thoughtful diversification of assets across a broad spectrum of capital market segments. The allocation of assets within the portfolio, as well as the fund's overall structure, are continuously reviewed and adjusted as appropriate to achieve these goals.

Following two consecutive years of strong returns — including a 2010-11 fiscal year return of 23.2%, a 25-year high — the total portfolio returned 2.8% for the fiscal year ended June 30, 2012. This return was in line with our public pension peers and was a reflection of ongoing market concerns with the European debt crisis.

Letter of Transmittal *(continued)*

Asset allocation and portfolio construction are reviewed annually and adjusted accordingly in order to take advantage of existing market conditions. Refer to pages 51-76 for further information on NYSTRS' investments. A listing of our equity and fixed income holdings can be viewed on our website at www.nystrs.org.

Acknowledgements

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

The full report is available on the System's website at www.nystrs.org. A summary of the report is printed each year in the newsletters NYSTRS distributes to both its active and retired members. Printed copies are available upon request.

Although our 2011-12 investment return fell short of our actuarial assumption, it is important to keep perspective. As a long-term investor we are running a marathon, not a sprint. The reality is our previous two years of returns far exceeded our 8.0% assumed return. Our long-term average return remains strong: 8.5% over the past 25 years.

Our financial strength is a reflection of the quality of our Board and staff. From bottom to top, they are extremely knowledgeable, hard working and dedicated to providing the best service within every facet of our business. I am honored to be associated with such an excellent team.

With the assistance and commitment of our many stakeholders, we eagerly continue to fulfill our mission of providing our members with a secure pension.

Respectfully submitted,

Thomas K. Lee
Executive Director & Chief Investment Officer

President's Message

R. Michael Kraus

Dear NYSTRS Members, Administrators and Teachers:

If the house you raised your family in suddenly developed a leaky roof during an atypical torrential rainstorm, you would not immediately put a "For Sale" sign on your front lawn. Similarly, if you were in the midst of a solar eclipse, you would not conclude the sun has vanished forever.

Rash actions or assumptions about the future can lead to misleading and costly conclusions.

The same is true with the defined benefit plan administered by NYSTRS. While our fiscal year return fell short of our actuarially assumed 8.0%, it would be ludicrous to assume this one-year snapshot in time is evidence of a flawed plan.

In fact, NYSTRS' investment returns in the two previous years were 23.2% and 12.1%, respectively. Our 25-year return is 8.5% — or 50 basis points higher than the assumed rate.

The point is NYSTRS, like all public pension systems, is a long-term investor with liabilities not due for 30 years or more. We are prudent investors focused on strategies that produce stable returns over an extended time horizon. Essentially, we are managing money for future generations, not the next quarter.

This long-term view allows us to build a strong and well-diversified growth portfolio that will supply the funds for member pensions both now and in the future. Additionally, because of the broad diversification of assets, we are able to withstand short-term market fluctuations without impacting the plan's long-term health.

We are among the best-funded public plans in the nation and one of the top teachers' plans. New York's public pension funding framework is a key reason why. We receive annual employer and employee contributions on-time and in-full.

Credit for our stability also belongs to Board and staff, both past and present, who put their fiduciary responsibility to members above all else. This dedication has paid dividends throughout our near century of existence, with New York's educators receiving the financial peace of mind they deserve.

My fellow Board members, Tom Lee and the entire NYSTRS staff are guided by our vision to be the model for pension fund excellence and exceptional customer service. Unlike the rarity of a solar eclipse, this commitment to excellence is emblematic of our culture.

R. Michael Kraus
Board President

Summary of Benefits

Types of Benefits

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

Membership Tiers

System members are organized using a tier structure based on date of membership. There are six tiers, each with different benefit structures and eligibility rules.

Tier 1:	Membership prior to 7/1/73	Tier 4:	Membership 9/1/83 — 12/31/09
Tier 2:	Membership 7/1/73 — 7/26/76	Tier 5:	Membership 1/1/10 — 3/31/12
Tier 3:	Membership 7/27/76 — 8/31/83	Tier 6:	Membership on or after 4/1/12

Eligibility for Service Retirement

Under Tiers 1-4, 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 5 and 6 members may retire at age 55 with 10 years of state service credit.

Tier 1 members may retire at any age with 35 years of service. The creditable service under Benefit Enhancement legislation, described 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 rendered after July 1, 1959, is 40% of final average salary. With few exceptions, 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, including two years of service added under the Benefit Enhancement legislation.

A Tier 4 member, and a Tier 3 member retiring under Tier 4, may retire at age 55 without a reduction in benefits if credited with at least 30 years of service. The pension for 30 years of service is 60% of final average salary. Each year beyond 30 years increases the pension 1½% of final average salary.

A Tier 5 member may retire at age 57 without a reduction in benefits if credited with at least 30 years of service. A Tier 6 member may retire at age 63 without a reduction in benefits.

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. Tier 5 and 6 members are not entitled to any Benefit Enhancement.

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 below.

Pension Formulas for Service Retirement

Tier 1

- 2% x years of NYS service since July 1, 1959, including any applicable benefit enhancement credit.
- 1.8% x years of NYS service before July 1, 1959.
- 1% x years of out-of-state service prior to NYSTRS membership (10-year maximum).*
- 5% reduction in pension for each full year of NYS service under 20 years (prorated for partial years with a maximum reduction of 50%).

Tier 2

- Computed under the Tier 1 formula, including applicable benefit enhancement credit and/or the 5% reduction for each year of NYS service under 20 years. (Note: Tier 2 members cannot claim out-of-state service unless it was credited under a previous Tier 1 membership.)
- A prorated reduction of up to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62 with at least 20 years of service, or if credit totals 30 years or more.

Tier 3**

- 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.
- 60% maximum for 30 years or more.
- A prorated reduction of up to 30% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62, or if credit totals 30 years or more.
- At age 62 (or at retirement, if older), benefit reduced by 50% of primary Social Security benefit accrued while in NYS public employment.

Tier 4

- 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.
- 60% plus 1½% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62, or if credit totals 30 years or more.

Tier 5

- 1⅔% x years of NYS service if credited with less than 25 years, or 2% x years of NYS service if credited with 25 to 30 years.
- 60% plus 1½% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 38% when retirement occurs before age 62 with credit for less than 30 years of service.
- No reduction if the member is age 62, or if credit totals 30 years or more of service and the member is at least age 57.

Tier 6

- 1.67% x years of NYS service if credited with less than 20 years, or 1.75% x years of NYS service if credited with 20 years.
- 35% plus 2% per year beyond 20 years of service.
- A prorated reduction of up to 48% when retirement occurs before age 63 regardless of your total service.

**Any portion of this credit that brings the total service credit beyond 35 years is excluded from the pension calculation. Benefit Enhancement credit is not used to establish the 35-year threshold.*
***Tier 3 members are entitled to receive either the benefits under Tier 3 or 4, whichever are greater.*

Summary of Benefits *(continued)*

Final Average Salary

Final average salary is generally defined as the average of the member's three highest consecutive school 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. A more restrictive five-year calculation is mandated for Tier 6 members.

Vested Retirement

NYSTRS members who cease employment with five or more years of credited service are eligible for a vested retirement. Ten years are required for Tier 5 and 6. 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 3-6 members with 10 or more years of service can only withdraw under the specific provisions of Chapter 553 of the Laws of 2011. (See Legislation, page 11.)

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 one-third of final average salary. For Tier 3-6 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.

The members of the Medical Board are:

RICHARD T. MacDOWELL, M.D.

Attending Surgeon at
Albany Medical College

Member of the American
College of Surgeons

Member of the American
Board of Surgery

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 and Admissions
Committee Member
at Albany Medical College

Medical Director (Ret.),
Patient Safety Center,
New York State
Department of Health

MELVIN J. STEINHART, M.D.

Chief of Psychiatric
Consultation-Liaison Service

Professor Emeritus of
Clinical Psychiatry

Professor Emeritus of
Clinical Medicine
at Albany Medical College

Member Contributions

Tier 3 and 4 members are mandated to contribute 3% of their salary to the Retirement System until they have been a member for 10 years or have 10 years of service credit, whichever occurs first. Tier 5 members are required to contribute 3.5% of their salary throughout their active membership. Tier 6 members are required to contribute based on earnings

Summary of Benefits *(continued)*

throughout their active membership. 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 2 members who have made contributions to the annuity savings fund (ASF) can withdraw them with interest upon retirement, or receive an annuity throughout retirement in addition to the employer-funded pension described earlier. The annuity is based on total member contributions, life expectancy, date of membership and choice of benefit.

Transfer and Prior Service

Under certain circumstances, members are eligible to transfer membership to or from another New York State public retirement system, or request reinstatement of a former membership in another NYS public retirement system. Credit for NYS public employment prior to joining NYSTRS and active duty military service is also creditable in certain situations.

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.

Tiers 2-6 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. Tier 4 members joining on or after January 1, 2001, and all Tier 5 and 6 members 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 2-6 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 3-6 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 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 (i.e., 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

Financial

Page

Independent Auditors' Report

KPMG
515 Broadway
Albany, NY 12207-2974

Retirement Board
New York State Teachers' Retirement System:

We have audited the accompanying statements of plan net assets of the New York State Teachers' Retirement System (the System) as of June 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2012 and 2011 and changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the System. The accompanying Supplemental Schedules of Administrative Expenses and Schedule of Investment Expenses (other supplemental schedules) as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements 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 audits of the basic financial statements and, accordingly, we express no opinion on them.

October 15, 2012

KPMG LLP

Management's Discussion and Analysis

June 30, 2012 and 2011

(Unaudited)

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 years ended June 30, 2012, 2011, and 2010. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements, and required supplementary information.

Financial Highlights

- The System's investments experienced appreciation of $660 million in 2012 and $15.5 billion and $6.8 billion in 2011 and 2010, respectively.
- The net assets of the System represent funds available to pay current and future benefits. Net assets were $88.1 billion at June 30, 2012 and $89.9 billion and $76.8 billion at June 30, 2011 and 2010, respectively.
- Net assets decreased from 2011 by $1.8 billion, or (2.0)%, and 2011 net assets increased from 2010 by $13 billion, or 17.0%.
- Contributions from employers were $1.6 billion in 2012, $1.4 billion in 2011, and $926 million in 2010, consistent with the change in the employer contribution rate. Employer contributions in 2011 also include $112 million in retirement incentives under Chapter 105 of the Laws of 2010.
- The size of the System's active membership has declined over the past two years. However, the number of retired members and beneficiaries receiving benefits has increased, leading to an increase in the retirement benefits paid, rising from $5.3 billion in 2010 to $5.7 billion in 2011 and $5.9 billion in 2012.
- The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, was 96.7% as of the June 30, 2011 valuation. Valuations in 2010 and 2009 were 100.3% and 103.2%, respectively.

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 comprise 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 year, which offers the reader the opportunity to note changes in each class of asset and liability from year to year. 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 year. The majority of income, or loss, are 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 comparison purpose, 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 detailed 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 and investment expenses.

Financial Analysis

Tables 1 and 2 summarize and compare the System's financial results for the years 2012, 2011, and 2010. 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.

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

	June 30			Amount increase (decrease)	Percentage change of total
	2012	2011	2010	2011 to 2012	2011 to 2012
Investments at fair value:					
Short-term	$ 2,884,700	$ 3,091,684	$ 1,090,113	$ (206,984)	(0.23)%
Domestic fixed income securities	12,477,400	13,228,828	14,319,299	(751,428)	(0.84)
Domestic equities	38,166,792	41,443,343	34,611,666	(3,276,551)	(3.65)
International equities	13,079,681	12,009,539	9,175,382	1,070,142	1.19
Mortgages	4,207,077	4,129,106	4,308,620	77,971	0.09
Real estate	6,666,178	5,867,230	4,930,657	798,948	0.89
Alternative investments	8,537,699	8,379,520	7,022,117	158,179	0.18
Total investments	86,019,527	88,149,250	75,457,854	(2,129,723)	(2.37)
Net other assets/liabilities	2,036,737	1,740,474	1,387,083	296,263	0.33
Net assets	**$88,056,264**	**$89,889,724**	**$76,844,937**	**$(1,833,460)**	**(2.04)%**

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

	Years Ended June 30			Amount increase (decrease)	Percentage change of total
	2012	2011	2010	2011 to 2012	2011 to 2012
Net appreciation in fair value of investments	$ 659,957	$ 15,493,316	$ 6,776,648	$ (14,833,359)	(113.71)%
Other investment income	1,715,305	1,757,099	1,925,567	(41,794)	(0.32)
Contributions	1,771,262	1,545,886	1,070,912	225,376	1.73
Retirement benefits	(5,907,795)	(5,681,007)	(5,333,788)	(226,788)	(1.74)
Other deductions	(72,189)	(70,507)	(66,159)	(1,682)	(0.01)
Net (decrease) increase	**$(1,833,460)**	**$13,044,787**	**$4,373,180**	**$(14,878,247)**	**(114.05)%**

Fiscal Year 2012

In 2012, the internally managed domestic fixed income portfolio balance decreased. Although there was a decrease, the June 30, 2012 balance was approximately 15% of invested System assets, which remains within the allowable range of 13% to 23%. During the year, bond maturities, sales, tenders, calls, and agency mortgage principal prepayments exceeded purchases of approximately $1.4 billion, by $1.0 billion.

Historically low interest rates, and a continued steep interest rate curve during the year, helped preserve the capital appreciation within the bond portfolio that somewhat offset the smaller bond positions. The net reduction in the face value of bonds held, along with the maturity of higher coupon bonds, and reinvestment into lower coupon securities, resulted in a decrease in the weighted average coupon of the domestic fixed income portfolio and lowered interest income during 2012.

The market value of domestic equities decreased during 2012 as a result of $4.3 billion in sales made in an effort to rebalance the portfolio toward the target allocation of 37%, which falls within the allowable range of 32% to 42%. The impact of the sales was partially offset by positive investment returns resulting in an overall decrease in market value of $3.3 billion, and net appreciation of $980 million. The domestic equities portfolio returned 4.5% for 2012 compared to 31.7% for 2011 resulting in a $9.1 billion decrease in net appreciation.

The market value of international equities increased by $1.07 billion during 2012 as a result of rebalancing the portfolio toward the target allocation of 18%, which falls within the allowable range of 14% to 22%. Purchases of $2.7 billion were offset by negative investment returns for 2012 resulting in net depreciation of $1.7 billion. The international equities portfolio returned (13.6)% for 2012 compared to 30.8% for 2011 resulting in a $4.5 billion decrease in net appreciation.

Real estate value, as measured by National Council of Real Estate Investments Fiduciaries (NCREIF), continued to recover at a moderate pace of 1.2% to 1.8% per quarter for a total increase of 5.9% for the year.

The 2012 increase in private equity market values during the past year was the result of unrealized gains in the portfolio of $319.8 million, after $1.2 billion in capital contributions to new and existing private equity funds and $1.3 billion in distributions from existing private equity investments. The private equity program has a target allocation of 7%, which falls within the allowable range of 4% to 12%. Thirteen new private equity commitments were made during the year.

Fiscal and monetary initiatives implemented by policymakers, such as lower interest rates and central bank funding operations, helped the financial markets stabilize during 2012. With this stability came a securities lending environment with inferior collateral investment opportunities, leading to a decline in average on loan balances. While gross earnings decreased from the prior year on lower loan balances, net earnings increased as a result of higher demand spreads for securities on loan. The unrealized loss on a small number of securities decreased year over year as principal payments were received at par although the securities are valued at distressed indicative market prices.

Investment expenses are primarily comprised of investment management fees that are based on the market value of assets managed and in some cases the returns achieved. The investment expense increase in 2012 from 2011 is primarily the result of activity within the System's real estate and alternative investment assets under management.

The change in employer contributions was a function of an increase in the employer contribution rate from 8.62% in 2011 to 11.11% in 2012.

Fiscal Year 2011

In 2011, the internally managed domestic fixed income portfolio balance decreased, however, as of June 30, 2011 was still within its allowable range at approximately 15% of invested System assets. During the year, bond maturities, sales, tenders, calls, and agency mortgage principal prepayments exceeded purchases of approximately $1.7 billion, by $1.0 billion.

Persistently low market interest rates, a steep interest rate curve and further spread compression in corporate bonds during the year helped preserve the capital appreciation within the bond portfolio that somewhat offset the smaller bond positions. The net reduction in the face value of bonds held, along with the replacement of higher coupon bonds with lower coupon securities, resulted in a decrease in the weighted average coupon of the domestic fixed income portfolio, and lowered interest income during 2011.

The value of domestic equities increased as a result of a market value increase of 32.4%. The increase was offset by net sales during 2011 of approximately $4.4 billion as a result of rebalancing the portfolio toward the target allocation of 42%.

The international equities portfolio returned 30.89% for the 2011 fiscal year, slightly ahead of the Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE). The increase is primarily due to the increase in international equity markets.

Real estate value, as measured by National Council of Real Estate Investments Fiduciaries (NCREIF), continued to recover at a moderate pace of 2% to 3% per quarter for a total increase of 9.8% for the year.

The increase in private equity market values during 2011 was the result of unrealized gains in the portfolio of $1.4 billion, after $1.1 billion in capital contributions to new and existing private equity funds and $1.3 billion in distributions from existing private equity investments. The private equity program has a target allocation of 7%, which falls within the allowable range of 4% to 12%. Eight new private equity commitments were made during the year.

Fiscal and monetary initiatives implemented by policymakers, such as lower interest rates, helped the financial markets stabilize during 2011. With this stability came a securities lending environment with inferior collateral investment opportunities from the previous year and one that provided less demand spread. These factors were the basis for a decrease in overall loan balances and resulted in a drop in securities lending gross and net earnings from 2010. The unrealized loss on a small number of securities decreased year over year and continues to reflect their mark to market valuations.

Investment expenses are primarily comprised of investment management fees that are based on the market value of assets managed and in some cases the returns achieved. The investment expense increase in 2011 from 2010 is primarily the result of activity within the System's real estate and alternative investment assets under management.

The change in employer contributions was a function of an increase in the employer contribution rate from 6.19% in 2010 to 8.62% in 2011.

Net Appreciation (Depreciation)

For the year ended June 30, 2012, NYSTRS reported net investment income of $2.4 billion compared to $17.3 billion in 2011 and $8.7 billion in 2010. The most significant change was in appreciation (depreciation) on investments as follows:

Table 3 - Net Appreciation (Depreciation) on Investments
(dollars in thousands)

	Years Ended June 30			Amount increase (decrease)
	2012	**2011**	**2010**	**2011 to 2012**
Short-term	$ (469)	$ 46	$ 51	$ (515)
Domestic fixed income securities	218,627	3,116	683,909	215,511
Domestic equities	980,504	10,104,814	4,704,379	(9,124,310)
International equities	(1,712,051)	2,826,183	597,977	(4,538,234)
Mortgages	48,675	14,039	312,392	34,636
Real estate	656,430	895,107	(269,894)	(238,677)
Alternative investments	468,241	1,650,011	747,834	(1,181,770)
Totals	**$ 659,957**	**$15,493,316**	**$6,776,648**	**$(14,833,359)**

Economic Factors

The economic factor that is of primary significance to NYSTRS is the investment rate of 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 are incorporated into the annual actuarial valuation, which determines the rate at which participating employers must contribute, in full and on time, to appropriately fund member benefits. Significant legislation for the 2012 fiscal year included the creation of Tier 6, with the passing of Chapter 18 of the Laws of 2012 on March 16, 2012. There is no significant impact to the System's June 30, 2012 financial statements with the implementation of this tier. Over time, however, as Tier 6 members begin to make up a larger percentage of the membership, the new more modest benefit structure and higher employee contribution requirement will work to lower future required employer contribution rates. 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, the System had only slight appreciation in investments, due in part to the negative performance of international equities. Equity returns are smoothed (averaged) by NYSTRS over a five-year period for purposes of computing the actuarial value of assets. The substantial loss on investments during 2008-2009, again, contributed to an increase in the employer contribution rate from 8.62% on 2010-2011 member salaries to 11.11% on 2011-2012 salaries. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased to 96.7% as of the most recent actuarial valuation as of June 30, 2011, down from 100.3% in 2010.

Requests for Information

This financial report is designed to provide active members, retirees, employers and anyone else who is interested, with a general overview of the financial activities of NYSTRS. Questions about this report or requests for additional financial information should be addressed to the Public Information Office, New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211 or by email at communit@nystrs.org

Statements of Plan Net Assets
June 30, 2012 and 2011
(dollars in thousands)

Assets:	2012	2011
Investments — at fair value (Note 5):		
Short-term	**$ 2,884,700**	$ 3,091,684
Domestic fixed income securities	**12,477,400**	13,228,828
Domestic equities	**38,166,792**	41,443,343
International equities	**13,079,681**	12,009,539
Mortgages	**4,207,077**	4,129,106
Real estate	**6,666,178**	5,867,230
Alternative investments	**8,537,699**	8,379,520
Total investments	**86,019,527**	88,149,250
Receivables:		
Employer	**1,589,008**	1,229,600
Employer incentives	**44,681**	111,324
Member	**118,587**	134,750
Investment income	**158,595**	169,935
Investment sales	**80,782**	119,252
Total receivables	**1,991,653**	1,764,861
Other Assets:		
Securities lending cash collateral — invested (Note 5)	**2,928,171**	2,640,559
Member loans	**188,960**	181,801
Capital assets, net of depreciation	**26,254**	23,272
Miscellaneous assets	**36,895**	8,308
Total other assets	**3,180,280**	2,853,940
Total assets	**91,191,460**	92,768,051
Liabilities and Net Assets:		
Securities lending collateral — due to borrowers (Note 5)	**2,952,117**	2,667,281
Investment purchases payable	**70,324**	111,262
Mortgage escrows and deposits — net of investments	**1,618**	1,743
Other liabilities (Notes 5 and 7)	**111,137**	98,041
Total liabilities	**3,135,196**	2,878,327
Net assets held in trust for pension benefits (Note 3)	**$88,056,264**	$89,889,724

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets
Years Ended June 30, 2012 and 2011
(dollars in thousands)

Additions:	2012	2011
Investment income:		
Net appreciation in fair value of investments	**$ 659,957**	$ 15,493,316
Interest income	**744,984**	822,340
Dividend income	**898,813**	837,642
Real estate — net operating income	**251,832**	272,202
Securities lending — gross earnings	**12,335**	12,669
Other — net	**8,713**	7,669
	2,576,634	17,445,838
Less:		
Investment expenses	**205,827**	195,816
Securities lending:		
Broker rebates	**(3,355)**	(1,266)
Management fees	**1,676**	1,792
(Appreciation) of collateral	**(2,776)**	(919)
Net investment income	**2,375,262**	17,250,415
Contributions:		
Employer	**1,627,593**	1,277,040
Employer incentives	**898**	112,375
Member	**138,583**	154,327
Transfers in/out — net	**4,188**	2,144
Total contributions	**1,771,262**	1,545,886
Net addition	**4,146,524**	18,796,301
Deductions:		
Retirement benefit payments — periodic	**5,849,376**	5,629,918
Beneficiary payments	**58,419**	51,089
Return of contributions	**19,732**	20,348
Administrative expenses	**52,457**	50,159
Total deductions	**5,979,984**	5,751,514
Net (decrease) increase	**(1,833,460)**	13,044,787
Net assets held in trust for pension benefits:		
Beginning of year	**89,889,724**	76,844,937
End of year	**$88,056,264**	$89,889,724

See accompanying notes to financial statements.

Notes to Financial Statements
June 30, 2012 and 2011
(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:

	2012	2011
Public school districts	682	682
B.O.C.E.S.	37	37
S.U.N.Y.	31	31
Community colleges	30	30
Charter schools	24	23
Special act districts	12	13
Other	9	10
Total	825	826

As of June 30, the System's membership consisted of:

	2012	2011
Retired members and beneficiaries currently receiving benefits	149,812	146,843
Members:		
Active members	270,470	274,158
Terminated members entitled to but not yet receiving benefits	6,803	6,277
Subtotal	277,273	280,435
Total	427,085	427,278

(a) 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 six 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 last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

(b) Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 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. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55-56 regardless of service credit, or 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

(c) Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service retirements above.

(d) 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.

(e) 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.

(f) 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 Tiers 1 and 2 members may, under certain conditions, claim out-of-state service.

(g) 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.

(h) Employer Contributions

Employers are required to contribute at an actuarially determined rate.

(i) 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. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. 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 dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, 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.

(j) Article 19 Benefit Enhancement

Article 19 of the Retirement and Social Security Law allows eligible Tiers 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, Tiers 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.

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

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2012 is 1.4%, remaining unchanged from the 1.4% paid beginning September 2011.

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.

(b) Method Used to Value Investments

Plan investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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. 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. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, discounted cash flow analysis, recent sales prices of comparable investments, and other pertinent information.

(c) Capital Assets

Capital assets of twenty-five thousand dollars or more are recorded at historical cost and capitalized over their useful life. 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	5 - 7
Computer equipment and software	3 - 5
Automobiles	5

(d) Federal Tax Status

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

(e) Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the 2012 presentation, which include reclassifying private equity asset management fees from net appreciation in the fair value of investments to investment expenses.

(f) Use of Estimates

Management of the System has made a number of estimates and assumptions relating to the reporting of assets and liabilities and in the disclosure of contingencies to prepare these financial statements in conformity with U.S. generally accepted accounting principles. The System's most significant estimates relate to assumptions made about future events as part of the annual actuarial valuation process, and the valuation of alternative investments. Due to the inherent nature of these estimates, 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.

(a) Annuity Savings Fund

The fund in which contributions of Tiers 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.

(dollars in thousands)

(b) 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.

(c) 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 Tiers 1 and 2 members, supplemental retirement allowances, and group term life insurance.

(d) Pension Reserve Fund

The fund that pays pensions with the reserves transferred from the Pension Accumulation Fund.

(e) 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 years ended June 30, 2012 and 2011 were $6,588 and $7,496, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

(f) 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 Tiers 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Contributions to this fund were $141,313 and $153,549 for the years ended June 30, 2012 and 2011, respectively. For reporting purposes below, this fund is combined with the Pension Accumulation Fund.

(g) 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.

(h) Summary of Fund Balances

Net assets held in trust for pension benefits at June 30, consist of the following:

	2012	2011
Administrative Fund	$ 52,478	$ 47,980
Annuity Savings Fund	8,645	11,849
Annuity Reserve Fund	157,702	163,785
Pension Accumulation Fund	33,256,336	38,300,760
Pension Reserve Fund	54,581,103	51,365,350
Total	$88,056,264	$89,889,724

(4) Funded Status and Funding Progress

The funded status of the System as of June 30, 2011, the most recent actuarial valuation date, is as follows: (dollar amounts in millions):

Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) – entry age normal (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
$86,892.2	$89,824.9	$2,932.7	96.7%	$14,732.9	19.9%

The schedule of funding progress, presented as required supplementary information following the *Notes to the Financial Statements*, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. In accordance with GASB Standard No. 50, *Pension Disclosures* (GASB 50), the AAL above has been calculated using the Entry Age Normal Cost Method for purposes of calculating and disclosing the funded ratio. The information presented here is intended to serve as a surrogate for the funded status of the plan.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2011
Actuarial cost method	Aggregate (level percent of payroll)
Amortization method	n/a
Asset valuation method	Five-year phased in deferred recognition of each year's actual gain or loss, above (or below) an assumed inflationary gain of 3.0%.
Actuarial assumptions:	
Investment rate of return*	8.0% compounded annually
Projected salary increases*	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

Age	Female	Male
25	10.35%	10.91%
35	6.26	6.27
45	5.39	5.04
55	4.42	4.01

Projected COLAs	1.625% compounded annually

* Includes an inflation assumption of 3.0%

(dollars in thousands)

(5) Deposit and Investment Risk Disclosure

The System has been authorized by the New York State Legislature pursuant to the Banking Law, Section 235, the Education Law, Article 11, Section 508, the Retirement and Social Security Law (RSSL), Article 4-A, Sections 176-177, 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 25% 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 Financial Services, 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.

(a) Credit Risk

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2012 and 2011 are as follows:

	2012		2011	
Quality rating	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
Aaa	$ 3,479,378	27.90%	$ 4,141,339	31.31%
Aa	780,023	6.25	1,035,564	7.83
A	2,636,753	21.13	2,604,382	19.69
Baa	1,291,541	10.35	946,508	7.15
Other	51,878	0.42	65,754	0.50
Total credit risk debt securities	8,239,573	66.05	8,793,547	66.48
U.S. government fixed income securities *	4,237,827	33.95	4,435,281	33.52
Total fixed income securities	$12,477,400	100.00%	$13,228,828	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.

(b) 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 (the Treasurer) 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, 2012 and 2011, the System's bank balance was $(11,597) and $(11,024), respectively, representing a managed overdraft.

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.

Consistent with the System's investment policy, all of the System's securities are held by the System's custodial bank in the System's name.

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer.

As of June 30, 2012, the System did not hold fixed income investments in any one issuer that would represent 2% or more of total plan investments. Obligations issued or explicitly guaranteed by the U.S. government and pooled investments are permissible investments and are excluded from this regulation.

Issuer limits for investments held by the System are established for each investment area by the RSSL Article 4A, Sections 176-179.

Short-term fixed income investments are generally limited to the following investment types maturing in one year or less:

- Obligations issued by any Federal Home Loan Bank or obligations fully guaranteed as to principal and interest by Fannie Mae or Freddie Mac.

Commercial paper that has the highest rating by two nationally recognized rating services. Fixed income securities are generally limited to the following investment types with maturities longer than one year:

- Obligations payable in U.S. dollars issued by any department, agency, or political subdivision of the U.S. government or issued by any corporation, company, or other issuer of any kind or description created or existing under the laws of the U.S., any state of the U.S., District of Columbia or Commonwealth of Puerto Rico, and obligations of Canada or any province or city of Canada provided each obligation shall be rated investment grade by two nationally recognized rating services. The aggregate investment by the System in the obligations of any one issuer shall not exceed 2% of the assets of the System or 5% of the direct liabilities of the issuer.
- 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.
- Obligations issued or guaranteed by the Inter American Development Bank, Asian Development Bank, the African Development Bank, or the Youth Facilities Project Guarantee Fund and participations therein.
- 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.
- 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 Freddie Mac, Federal Home Loan Banks, Tennessee Valley Authority, 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.

(dollars in thousands)

- 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 meet all applicable statutes, 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, which meet all applicable statutes. 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 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 the 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 to the Investment Company Act of 1940, as amended, subject to certain limitations.

The System's international equity investments may not exceed 10% of the System's assets including emerging market equity securities. To the extent the 10% limitation is exceeded, the System's international equity securities may be invested in Leeway investments (which amount shall not exceed 25% of System assets).

The maximum amount invested within the System's equities, including domestic and international, may not exceed 15% per year or 70% in aggregate. The System may not own more than 5% of the total issued and outstanding equity securities of any one corporation.

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 certain conventional mortgages constituting a first lien upon real property located in the U.S. pursuant to statute subject to certain provisions.

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.

(d) 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, 2012 and 2011 as follows:

	2012		2011	
Investment type	Fair value	Duration	Fair value	Duration
Short-term	$ 2,884,700	0.036	$ 3,091,684	0.093
Domestic fixed income	12,477,400	3.437	13,228,828	3.771
Total fair value	$15,362,100		$16,320,512	
Portfolio modified duration		2.798		3.074

(dollars in thousands)

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. 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%.

(e) 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. The System has exposure through international holdings in commingled investment trust funds and separate accounts, international real estate investment trusts (REITs), and alternatives. The "Alternatives" represent private equity and real estate investments denominated in foreign currency. The System has an exposure to foreign currency fluctuation at June 30, 2012 and 2011 as follows (holdings valued in U.S. dollars):

	2012		2011	
	International equities	Alternatives	International equities	Alternatives
Currency:				
Euro	$ 2,822,726	$1,203,636	$ 3,636,922	$1,137,968
British Pound Sterling	2,590,138	74,506	2,499,635	67,624
Japanese Yen	2,298,826	—	2,339,781	—
Swiss Franc	897,687	—	980,321	—
Australian Dollar	906,799	—	1,012,665	—
Hong Kong Dollar	641,241	—	391,954	—
Canadian Dollar	571,932	—	32,347	—
Swedish Krona	377,211	—	371,525	—
Korean Won	233,978	—	14,303	—
Singapore Dollar	238,218	—	235,016	—
Other	1,313,486	—	408,329	—
Totals	$12,892,242	$1,278,142	$11,922,798	$1,205,592

(f) Securities Lending Transactions

The Retirement and Social Security Law authorizes the System to enter into securities lending transactions. Agreements to lend a security must be with a broker-dealer or with New York State or nationally chartered banks and must not exceed a period of one year. The market value of securities loaned may not exceed 20% of the market value of the System's invested assets. Domestic bonds, domestic equities, and global REIT securities are loaned. Initial collateral of at least 102% of the market value of loaned securities is received from the borrower for domestic securities and 105% for international securities. Securities on loan are marked to market daily and collateral for the loan is required not to fall below 100%. Collateral due to borrowers is reported as a liability on the Statement of Plan Net Assets. At June 30, 2012 and 2011, the amount the System owed borrowers exceeded the fair value of the cash collateral invested by approximately $23.9 million and $26.7 million, respectively. 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).

As of June 30, 2012, JP Morgan Securities Lending (JP Morgan) acted as agent for the domestic equity and fixed income securities lending programs and State Street Bank and Trust Co. (State Street) acted as agent for the global REIT securities lending program. Under the terms of the contract with the lending agents, 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. Cash collateral is invested by the System's lending agents, in short term investment funds managed by the agent lenders. There is no direct match of the maturities of the collateral investments with the maturities of the securities loans. Investments are restricted to issuers with a short term credit rating issued by Standard & Poor's and Moody's Investors Service, not lower than A-1/P-1 or long term ratings not lower than A/A2, respectively, or the equivalent thereof. At June 30, 2012, the average effective duration of the funds managed by JP Morgan was 23 days and of those managed by State Street was 3 days compared to 28 days and 1 day, respectively, in 2011. Securities loans and related collateral investments are monitored on a daily basis to ensure compliance with collateral requirements, limitations, and collateral investment guidelines.

(dollars in thousands)

Securities lending program	2012	2011
Market value of securities on loan	$2,924,514	$2,610,949
Fair value of collateral invested	$2,928,171	$2,640,559
Fair value of liabilities to borrowers	2,952,117	2,667,281
Net unrealized loss	$ (23,946)	$ (26,722)

(6) Commitments and Contingencies

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, 2012 and 2011 respectively, were: real estate and real estate alternative investments of $1.28 billion and $1.29 billion; mortgages and real estate debt funds of $178.3 million and $215.7 million; and private equity investments of $3.92 billion and $3.93 billion.

(7) Other Liabilities

Other liabilities include amounts due to the System's bank for disbursements issued on previous business days, which are funded when presented for payment. Of the total other liabilities of $111,137 and $98,041 at June 30, 2012 and 2011, respectively, $11,597 and $11,024, respectively, were managed overdrafts.

(8) System Employees' Pension Plan

(a) 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.

(b) 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 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute 3% of salary. Those joining on or after January 1, 2010, and before April 1, 2012, are required to contribute 3% throughout active service. Persons joining on or after April 1, 2012, are required to contribute between 3% and 6% throughout active service. Employers are required to contribute at an actuarially determined rate. Various enactments of pension legislation has established distinct classes of membership referred to as Tiers 1, 2, 3, 4, 5, and 6. An average employer contribution rate for these Tiers of 16.07% and 11.55% was applicable to the annual covered payroll for the years ended March 31, 2012 and March 31, 2011, respectively. The required contributions paid to NYSLRS during the System's years ended June 30, 2012 and 2011 were $3,741 and $2,903, respectively, and were 100% of the contributions required.

(9) System Employees' Other Postemployment Benefits

(a) Plan Description

The System adopted GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, for the fiscal year beginning July 1, 2007. The adoption necessitated the recognition of an actuarially determined annual required contribution (ARC) as an expense in the Statement of Changes in Plan Net Assets.

Pursuant to contractual agreement and policy, the System provides postemployment healthcare benefits to eligible System employees who retire from the System. The System is a voluntary participating employer in the New York State Health Insurance Program (NYSHIP), administered by the State of New York as an agent multiple employer defined benefit plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The System's Board is authorized to establish the contribution rates of System employees and retirees below those set by Civil Service Law, and they are set as part of the collective bargaining process.

In order to be eligible, employees must have worked for at least 10 years for the System, retire directly from System employment, and commence receipt of their pension from the NYSLRS. Dependents may also be covered.

System retirees are required to contribute toward the cost of their coverage. Under the current agreement, employees who retire on or after July 1, 1985 contribute an amount equal to 10% of the premium paid by the System up to the premium of the Empire Plan option. If more expensive coverage is elected, the retiree pays 10% of the Empire Plan option and 100% of the difference between the two. Employees who retire on or after April 1, 1991 are eligible to have accumulated unused sick leave converted into a credit to offset their contribution requirement.

As of June 30, 2012, 564 participants including 356 current employees, and 208 retired and/or spouses of retired employees participated in the healthcare plan. As of June 30, 2011, 546 participants including 344 current employees, and 202 retired and/or spouses of retired employees participated in the healthcare plan. NYSHIP does not issue a stand alone financial report and NYSHIP's agent activities are included within the financial statements of the State of New York.

(b) Funding

The System's Board established the New York State Teachers' Retirement System Retired Employee Health Benefits Trust (the Trust) in 2008. The Trust was created for the sole purpose of accepting irrevocable contributions from the System in order to provide postemployment health insurance benefits to current and future eligible retirees of the System in accordance with the terms of the healthcare plan. The Trust issues stand-alone financial statements, which can be obtained by contacting the System.

(dollars in thousands)

The employer contribution, or funding, of the System's other postemployment benefit obligation (OPEB) is at the discretion of management and the Board. The System's current policy is to contribute the ARC to the Trust, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The System's contribution to the Trust for the years ended June 30, 2012 and 2011, were $4,853 and $4,154, respectively, and were equal to 100% of the System's annual OPEB cost, or ARC. The System has no net OPEB obligation as the System pays 100% of the ARC each year.

The funded status of the System's plan as of the most recent actuarial valuation date is as follows:

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) – entry age normal (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2011	$9,067	$73,127	$64,060	12.4%	$24,631	260%

(c) Actuarial Methods and Assumptions

Effective July 1, 2007, the System prospectively implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB 45. Prior to adoption, OPEB provisions were recorded on a pay as you go basis. The first actuarial valuation date was July 1, 2007, and the OPEB liability at transition was zero. The System's Trust is required to have an actuarial valuation performed at least biennially.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation is as follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	8.0% compounded annually
Healthcare cost trend rate	10% initial, 5% ultimate

* Includes an inflation assumption of 3.0%

(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 two years that exceeded coverage. Management of the System believes there would be no material adverse effect on the financial statements as a result of the outcome of these matters if they existed.

Required Supplementary Information

Schedule of Funding Progress (Unaudited)
June 30, 2012
(dollars in millions)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age normal (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
June 30, 2006	$78,335.8	$76,353.0	$(1,982.8)	102.6%	$12,518.0	(15.8)%
June 30, 2007	82,858.9	79,537.2	(3,321.7)	104.2	13,083.0	(25.4)
June 30, 2008	88,254.7	82,777.5	(5,477.2)	106.6	13,690.1	(40.0)
June 30, 2009	88,805.5	86,062.0	(2,743.5)	103.2	14,366.4	(19.1)
June 30, 2010	88,544.4	88,318.8	(225.6)	100.3	14,792.1	(1.5)
June 30, 2011	86,892.2	89,824.9	2,932.7	96.7	14,732.9	19.9

The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. In accordance with GASB 50, the AAL above has been calculated using the Entry Age Normal Cost Method for purposes of calculating and disclosing the funded ratio. The information presented here is intended to serve as a surrogate for the funded status of the plan.

In accordance with GASB 50, Paragraph 13, the schedule of funding progress contains the required elements of information as of the most recent actuarial valuation date.

See accompanying independent auditors' report.

Other Postemployment Benefits Schedule of Funding Progress (Unaudited)
June 30, 2012
(dollars in thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age normal (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2009	$3,446	$53,470	$50,024	6.4%	$23,676	211%
July 1, 2010	5,495	60,044	54,549	9.2	24,021	227
July 1, 2011	9,067	73,127	64,060	12.4	24,631	260

In accordance with GASB 45, Paragraph 26, the schedule of funding progress contains the required elements of information as of the most recent actuarial valuation date. The Trust is required to have an actuarial valuation performed at least biennially. The most recent actuarial valuation was completed as of July 1, 2011.

Employer Contributions (Unaudited)
June 30, 2012
(dollars in thousands)

Year Ended June 30:	Annual Required Contribution	Percentage Contributed
2007	$1,104,010	100%
2008	1,188,140	100
2009	1,096,117	100
2010	925,506	100
2011	1,389,415	100
2012	1,628,491	100

See accompanying independent auditors' report.

Other Supplemental Schedules

Schedules of Administrative Expenses
Years Ended June 30, 2012 and 2011
(dollars in thousands)

	2012	2011
Salaries and benefits:		
Salaries	**$ 26,480**	$25,528
Civil service	**71**	72
Employees retirement	**3,780**	2,915
Health and dental insurance	**9,011**	8,052
Overtime salaries	**30**	73
Social security	**1,898**	1,828
Total salaries and benefits	**41,270**	38,468
Building occupancy expenses:		
Building, grounds and equipment	**1,163**	1,022
Depreciation — building and improvements	**1,083**	973
Depreciation — equipment	**280**	225
Office supplies and expenses	**147**	171
Utilities and municipal assessments	**718**	817
Total building occupancy expenses	**3,391**	3,208
Computer expenses:		
Amortization/depreciation — computer mainframe	**319**	138
Amortization/depreciation — computer micro	**2,009**	3,109
Computer hardware and software	**2,578**	2,417
Computer maintenance and supplies	**130**	99
Total computer expenses	**5,036**	5,763
Investment expenses:		
Advisory committee expenses	—	117
Service costs — real estate	—	34
Total investment expenses	—	151
Personnel and meeting expenses:		
Board — meetings, travel and education	**117**	94
Delegates meeting	**52**	55
Pre-retirement seminars	**144**	135
Professional development	**574**	477
Travel and automobile expense	**153**	150
Other personnel expenses	**47**	25
Total personnel and meeting expenses	**1,087**	936
Professional and governmental services:		
Auditors — financial	**124**	120
Auditors — insurance department	**67**	67
Disability medical examinations	**111**	86
Postage and cartage	**782**	765
Professional fees and services	**133**	126
Publications	**340**	353
Statutory custodian charges	**116**	116
Total professional and governmental services	**1,673**	1,633
Total	**$52,457**	$50,159

See accompanying independent auditors' report.

Schedule of Investment Expenses
Year Ended June 30, 2012
(dollars in thousands)

Investment category	Assets serviced or under management	Expenses*
Domestic fixed income securities	$ 991,375	$ 1,969
Domestic equities	3,573,328	13,512
International equities	13,022,225	10,176
Mortgages	2,545,955	253
Real estate	6,661,178	53,384
Alternative investments	8,537,699	119,523
General	—	7,010
Totals	$35,331,760	$205,827

**Expenses primarily represent professional fees.*

See accompanying independent auditors' report.


Investments

Investments

Page

Report on Investment Activity

Overall Objectives and Performance

Our commitment to a disciplined investment approach, coupled with uninterrupted employee and employer contributions, enabled us to remain one of the best funded public pension plans in the nation despite continued volatility around the globe. Total net assets were valued at $88.1 billion as of June 30, 2012.

The European debt crisis coupled with continued high unemployment rates domestically dampened market growth across the board. Following two consecutive years of double-digit returns, including a 2011 figure that was the highest in a quarter century, the System's total fund return for the fiscal year ended June 30, 2012, was 2.8% net of fees. Returns for 2011 and 2010 were 23.2% and 12.1%, respectively. The 2012 fiscal year was the third consecutive in which the System had positive returns.

NYSTRS administers its investment portfolio at a very low cost in comparison to the value of assets managed. Investment management expenses and fees for the externally managed or serviced portfolio equate to an annual cost of approximately 57 basis points, while the internally managed portfolio operates at an annual cost of approximately 5 basis points. Combined, the investment portfolio operates at an annual cost of 26 basis points.

Our 10-year annualized rate of return now stands at 6.6% and our 25-year return at 8.5%. The latter figure is 50 basis points above our 8.0% actuarially assumed rate of return.

Following is an overview of how each System asset class performed during the past fiscal year.

Public Equities

August 2011 sell offs were particularly sharp in reaction to renewed fears of a Greek exit from the Euro-zone, raising the possibility of a complete collapse of the single currency. This, combined with the fear of financial instability spreading beyond Greece, saw European indices fall by over 20.0%, while stocks in the United States lost almost 15.0% of their value. Emerging markets also saw increased volatility, declining by over 20.0% as macroeconomic indicators and lower commodity prices pointed to a global economic downturn.

European policy makers and central banks took various actions to restore confidence and by calendar year-end 2011 overseas markets stabilized. Stock prices in the United States also rebounded strongly late in the year and continuing into 2012, reacting to both increased European market stability and compelling valuations relative to record low bond yields, the latter signaling no imminent tightening of interest rate policy by the Federal Reserve. Investors favored companies with strong growth prospects over those trading at a discount to fundamentals.

Despite a strong start to 2012, investor sentiment turned bearish once again before the end of the System's fiscal year as ongoing European financial concerns triggered another round of widespread selling in May. However, at June 30, 2012, U.S. markets were still in positive territory, with the S&P 1500 index returning 4.6% during NYSTRS' fiscal year. In sharp contrast, international markets were down considerably, with the MSCI ACWI ex.-U.S. index declining 14.6% for the same period.

The NYSTRS public equities program is broadly diversified utilizing internally and externally managed strategies targeting exposure to both domestic and international markets. In July 2011, the NYSTRS Board approved new asset allocation targets for domestic and international equities, while adding a new global bonds asset class. The domestic equities target was reduced from 42.0% to 37.0%, while the target for international equities was increased from 15.0% to 18.0%. (The global bonds target was set at 2.0 %.) Additionally, the Board approved a change in benchmark for international equities, with MSCI EAFE replaced by MSCI ACWI ex-U.S.

Report of Investment Activity *(continued)*

Staff made significant progress toward implementation of the new asset allocation targets and switch to the international benchmark. The increase for international equities was achieved in part by transitioning one of the System's two passively managed MSCI EAFE index portfolios to the new benchmark. The System also hired four new external managers with the objective of generating excess returns, increased funding for two existing managers and created in June 2012 a Board-approved internally managed Canadian index portfolio.

To facilitate these changes, staff liquidated $4.3 billion in domestic equities, of which $2.7 billion was reallocated to international equities. Substantial completion of the transition to the new benchmarks and allocation ranges is expected during the 2012-13 fiscal year.

The System's increased international equities exposure did not pay immediate dividends. However, the impact on overall portfolio performance was mitigated by the program's underweight position in international equities relative to target, and corresponding overweight to domestic equities.

The System's low-risk internally managed strategies performed in line with expectations, but external managers experienced mixed results. The domestic external managers lagged their respective benchmarks due to the challenging market environment for active stock selection. The international external managers were more successful generating excess returns relative to benchmark, thereby preserving capital in a bear market for international equities.

For the fiscal year, the public equities program returned 0.03%, with the domestic equities portfolio up 4.5% and the international equities portfolio down 13.6%.

Domestic Fixed Income

The United States is roughly four years removed from the height of the financial crisis and though its impact lingers, there is evidence of U.S. economic healing. While consumer confidence has yet to reach pre-2008 levels and GDP is far from robust, consumers are again purchasing large ticket items such as automobiles, and the U.S. is experiencing slow, positive growth. Costs of goods and services also have been stable. Maybe more importantly, prices are not decreasing, as this would cause policymakers concern about deflation.

Overall, the U.S. is in a recuperation phase made possible by ultra-low interest rates orchestrated by the monetary policy of the Federal Reserve (the Fed). The flight to quality bid of U.S. government debt induced by the ongoing European debt crisis has also contributed to the historically low rates. Notwithstanding the low interest rate environment, the System continues to manage its domestic fixed income portfolio to fulfill its primary objectives of generating cash flow to help meet the System's nearly $6.0 billion annual retirement benefit obligation and contribute towards the steadiness of the System's investment program.

The System manages a diversified portfolio of high-quality fixed income securities, with over 60.0% of the portfolio comprised of Aaa instruments, the highest credit quality rating granted. As of June 30, 2012, approximately 37.0% of the portfolio was invested in Aaa rated U.S. Treasuries and a combined 25.0% invested in Aaa rated agencies, agency mortgage-backed securities and supranational debt. The corporate bond exposure in the portfolio is well diversified to mitigate credit risk to any one issuer. Holdings include various global industry leaders with a weighted credit quality of single A.

Diversification and active portfolio management help control risk, foster liquidity, generate cash flow and allow for responsiveness to opportunities when they arise in the marketplace. In light of such low U.S. interest rates, staff remains vigilant in prioritizing capital preservation of the portfolio.

The System's Board added global bonds as an asset class in July 2011. Prior to the end of the fiscal year covered in this report, the Board approved agreements with two staff-recommended global bond managers, contingent on the satisfactory completion of due diligence. These anticipated commitments will result in increased fixed income diversification.

Report of Investment Activity *(continued)*

The extraordinary accommodative monetary policy put in place by the Fed resulted in some favorable outcomes. The housing market has stabilized, and low interest rates provided opportunities for refinancing of existing mortgages. Higher-risk assets such as stocks and high yield bonds have appreciated in value, creating wealth for owners and cushioning the impact of negative events occurring overseas, such as the European debt crisis and the economic slowdown in Asia.

Motivated by the high U.S. unemployment rate and Congressional gridlock, the Fed used both actions and words to facilitate their monetary policy. It implemented Quantitative Easing 3 (QE3), pledging to purchase billions of agency mortgages each month, and continued initiatives such as "Operation Twist," which attempts to push down long-term interest rates and keep them low. The Fed also indicated that the historically low target range for the federal funds rate of 0 to 0.25% is "likely to be warranted at least through mid-2015."

Bond market performance during the fiscal year, as measured by the System's benchmark, was a story of interest rate sensitivity ("the more the better") and credit quality ("the lower the better"). Bonds with greater duration or lower credit quality (or a combination of both) provided stellar returns during the fiscal year. Bonds with maturities greater than 10 years returned over 24.0%, while lower-rated Baa bonds returned over 10%. However, because the System's portfolio is weighted toward shorter duration treasury and corporate bonds, the overall portfolio underperformed during the fiscal year.

For the one and three-year periods ended June 30, 2012, the System's long-term bond portfolio returned 5.4% and 5.8%, respectively. Both were lower than the comparable Barclays Capital Aggregate Float Adjusted Bond Index benchmark figures of 7.6% and 7.0%, respectively. The benchmark excludes Federal Reserve holdings of U.S. Treasuries, Agencies and Agency mortgage backed securities, as well as securities purchased as part of the Fed's quantitative easing initiatives.

Short-Term (Cash Equivalents)

The System's short-term fixed income portfolio includes high-quality securities which can easily be converted into cash to provide for the monthly payment of pension benefits, make investments in other asset classes and support the operating commitments of the System. Securities held in this portfolio generally mature in 12 months or less. Securities that have maturities greater than 13 months at the time of purchase have a floating-rate coupon that resets every 90 days or less.

As of June 30, 2012, the portfolio's weighted average duration was 39 days. For the 12 months ended June 30, 2012, the short-term portfolio returned 0.2% versus the iMoneyNet Fund Report Averages/All Taxable Index benchmark, which returned 0.02%.

During NYSTRS' 2012 fiscal year, money markets globally continued to be influenced by the actions of developed nation central banks that remained committed to jumpstarting their economies and eliminating tail risk. The monetary policy actions of these central banks, namely the Fed and the European Central Bank (ECB), had direct effects on the short-term markets. Unsatisfied with the ability of the U.S. economy to work its way out of the malaise driven largely by high unemployment, the Fed expanded further its unconventional monetary policies. It also launched Operation Twist, a program designed to lower long-term interest rates, and notified market participants it does not expect to raise the Federal Funds Rate before mid-2015.

European financial markets were under the microscope throughout the year as both financial institutions and governments experienced difficulty accessing the debt markets. Various measures — such as the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM) and Long Term Refinancing Operations (LTROs) — were drafted or extended by the ECB to attempt to ease the stress in the funding markets. Bank funding pressures, as evidenced by the London Interbank Offered Rate (Libor), came to a peak in December 2011. As a result, the ECB held a second round of the three-year LTRO, in which financial institutions could obtain three-year funds from the ECB at a rate of 1.0% — less than what they would have paid to raise debt in the capital markets. The LTRO helped ease liquidity concerns at European banks, reflected by declining Libor settings.

Report of Investment Activity *(continued)*

The 2012 fiscal year was also highlighted by Standard & Poor's credit rating downgrade of the United States of America from AAA to AA+ as a result of the U.S. debt ceiling crisis which peaked in August 2011. The ratings action from Standard & Poor's had no adverse effect on yields of U.S. Treasury debt, as the U.S. remains the choice for quality debt instruments in times of global financial stress.

Real Estate

Commercial real estate investors continued to focus on high-quality assets providing cash flow. Metropolitan areas with durable employment drivers enjoyed significant value increases while most other markets struggled to make gains.

The commercial real estate debt overload has been a drag on growth, with over a trillion dollars in mortgage loans coming due over the next few years. This is a material concern because a large number of these loans were poorly underwritten. As a result, it may be unfeasible economically to support a full refinancing of the outstanding loan amount.

Another key factor negatively impacting commercial investments is the extraordinarily low interest rates available for qualified borrowers who own quality assets. This low cost of capital has increased cash flow returns for property owners and, at the same time, has reduced the attractiveness of these loans for commercial mortgage lenders.

Office building construction remained in check as it is unclear when the business climate will improve enough to add jobs. Apartment construction, however, experienced increased construction activity. Supporting the new supply of apartment units are favorable demographic trends lead by echo boomers establishing households and baby boomers moving out of single family homes.

The System's real estate investment program has two component parts. On the real estate debt side, investments are in commercial mortgage loans, commercial mortgage backed securities (CMBS) and real estate debt funds. Direct mortgage loans are the largest component (76%) of the commercial real estate debt program containing over $4.0 billion of loans with a weighted average yield of 6.0%. The CMBS program (18%) is primarily investment grade and carries a weighted average cash yield of 5.4%. Real estate debt funds comprise 5.1% of the debt portfolio and are designed to be higher risk, higher return investments.

The System also invests in equity real estate investments, the largest component of which (53%) is a diversified portfolio of high quality cash flow properties valued at $5.1 billion as of June 30, 2012. The portfolio includes apartment projects, regional shopping malls, strip shopping centers, warehouse buildings and office buildings. The second largest segment (23%) involves $2.1 billion of investments in opportunistic and value added real estate funds. A typical investment of this type involves acquiring an asset at a discount and implementing a business plan designed to enhance value prior to resale.

Real Estate Investment Trusts (REITS) are another component of the equity program, with holdings in both U.S. and ex-U.S. investments. Many investors have added REITs to their portfolio as they provide a steady dividend and have the potential to increase in value.

NYSTRS equity real estate investment program generated an 11.7% return on a portfolio basis for the fiscal year. The real estate debt portfolio generated a 7.4% return for the same period.

Private Equity

NYSTRS made its first private equity investment in 1984 and formally committed to the asset class in 1999, establishing a target of 1.0% of investments. Today, the target allocation is 7.0% with an allocation range of 4.0% to 12.0%. The partnership structures generally cover periods of 10 years or more, with the goal to achieve higher long-term returns than available through marketable securities. Our expectation is for the program to outperform public equities by 500 basis points (S&P 500 plus 5%).

Report of Investment Activity *(continued)*

The Retirement System's private equity investments are in buyout, venture capital, international, special situation and real estate funds. For asset allocation purposes, the $1.1 billion of private equity associated with real estate and timberland are categorized in this report as real estate equity.

As of June 30, 2012, the value of the non-real estate private equity investments was $7.4 billion. The System committed approximately $14.3 billion to 153 partnerships in 71 private equity firms. From inception through June 30, 2012, the private equity portfolio generated an internal rate of return of 11.0%.

In the face of continued global economic uncertainty and public market volatility, realizations for investments in private equity-backed companies remained robust when compared year over year and are comfortably above the lows reached during the recent financial crisis. The private equity portfolio continued to benefit from this liquidity with $1.3 billion in distributions in the past fiscal year, matching distributions from the prior fiscal year.

According to the *Wall Street Journal* in its July 1, 2012 edition, the industrial companies of the S&P 500 held approximately $1.0 trillion in cash as of March 31, 2012. Given current interest rates, most companies earn a minimal yield on their sizeable cash balances. Going forward, this could provide a compelling reason for increased mergers and acquisitions activity by corporate investors, providing potential liquidity for private equity-backed companies.

The System's private equity portfolio performance continued to outperform the benchmark over the long term with a 10-year return of 12.6%, exceeding the comparable benchmark performance of 10.3%. The portfolio's one-, three- and five-year returns lagged the benchmark with performance of 4.6%, 13.9% and 3.5%, respectively. The corresponding benchmarks were 10.4%, 21.4% and 5.2%, respectively. This is primarily attributable to greater volatility in public markets outpacing the revaluation in the private equity portfolio.

Other Programs

Securities Lending

The System's Securities Lending Program generates incremental income by lending in-demand domestic and international equities as well as domestic fixed income securities.

Multiple agent lenders are used to manage the lending programs. Each lending program is proactively monitored by System staff to ensure the programs are managed in compliance with the System's contractual and risk guidelines.

The System earns a spread (the difference in income earned on reinvestment of cash collateral less the amount rebated to the borrower of the security) that consists of demand and reinvestment components. The reinvestment portion of the spread is generated by investing the cash collateral received for securities loaned in high quality, short-term fixed income securities at interest rates greater than a risk free rate. The demand piece of the spread is determined by the specialness of the security and reflects how much a counterparty is willing to pay to borrow the security.

During the System's 2012 fiscal year, loan balances continued to be at or near their recent lows as global financial stress kept the markets largely risk averse. Despite efforts of central banks to help economies reach "escape velocity", enabling them to stand on their own, funding concerns at European banks, solvency concerns amongst European peripheral countries and economic malaise in the U.S., provided investors reasons to remain cautious.

Although the System's securities lending program reduced risk in the collateral reinvestment portfolio with lower weighted average loan balances and a shorter portfolio maturity, the program posted greater earnings year over year primarily as a result of wider intrinsic (demand) spreads on equity securities.

The System earned $14 million from securities lending for the fiscal year ended June 30, 2012 as compared to $12 million during the fiscal year ended June 30, 2011.

Report of Investment Activity *(continued)*

As of June 30, 2012, the securities lending portfolio was collateralized at approximately 101%, with 5.7% of the System's securities available to lend on loan. This was up from the 4.8% on loan at the end of June 2011, when balances were brought down as the equity lending book transitioned from Wells Fargo Clearlend to JP Morgan, which is in contrast to June 30, 2010 when 7.7% of the System's securities available to lend were on loan.

The unrealized loss on investments in the System's collateral reinvestment portfolio continued its decline, at $23.9 million as of June 30, 2012 down from $26.7 million as of June 30, 2011, a reduction of $2.8 million. The unrealized loss on a small number of securities decreased year over year as principal payments were received at par although the securities are valued at distressed indicative market prices.

For information describing the securities lending process, please see the *Notes to Financial Statements* under the heading "Securities Lending Transactions."

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Diversification of Investments
June 30, 2012 and 2011
(dollars in thousands)

Investment Type	2012	Percent	2011	Percent	Increase (Decrease)
Short-term:					
Government related*	$ 128,177		$ 264,957		$ (136,780)
Corporate	2,756,523		2,826,727		(70,204)
	2,884,700	3.35%	3,091,684	3.51%	(206,984)
Domestic fixed income securities:					
United States Treasury	4,237,827		4,435,281		(197,454)
Federal agency, notes & debentures	1,396,843		1,448,148		(51,305)
Federal agency mortgage backed	1,526,455		2,122,769		(596,314)
Commercial mortgage backed	947,909		902,753		45,156
Corporate	4,368,366		4,319,877		48,489
	12,477,400	14.51	13,228,828	15.01	(751,428)
Domestic equities:					
Basic materials	4,326,288		4,761,321		(435,033)
Capital goods	4,596,302		5,392,322		(796,020)
Consumer cyclicals	4,170,890		4,212,791		(41,901)
Consumer staples	3,473,007		3,789,414		(316,407)
Energy	3,108,874		3,975,946		(867,072)
Financial	7,614,338		8,229,789		(615,451)
Technology	6,460,775		6,515,342		(54,567)
Transportation	1,079,519		1,128,380		(48,861)
Utilities	3,333,252		3,434,879		(101,627)
Diversified and miscellaneous	3,547		3,159		388
	38,166,792	44.37	41,443,343	47.01	(3,276,551)
International equities:					
Commingled investments	11,282,790		11,133,009		149,781
Direct investments	1,485,859		542,964		942,895
REITs	311,032		333,566		(22,534)
	13,079,681	15.21	12,009,539	13.62	1,070,142
Mortgages:					
Conventional	4,204,940		4,122,220		82,720
Federal Housing Administration	2,137		6,886		(4,749)
	4,207,077	4.89	4,129,106	4.68	77,971
Real estate:					
Direct equity real estate investments	3,737,708		3,457,102		280,606
Commingled real estate investments	2,923,470		2,404,545		518,925
Other real estate owned	5,000		5,583		(583)
	6,666,178	7.75	5,867,230	6.66	798,948
Alternative investments:					
Private equity	7,423,294		7,203,477		219,817
Real estate equity funds	549,148		636,051		(86,903)
Real estate debt funds	303,423		265,872		37,551
Timberland	261,834		274,120		(12,286)
	8,537,699	9.92	8,379,520	9.51	158,179
Total investments	**$86,019,527**	**100.00%**	**$88,149,250**	**100.00%**	**$(2,129,723)**

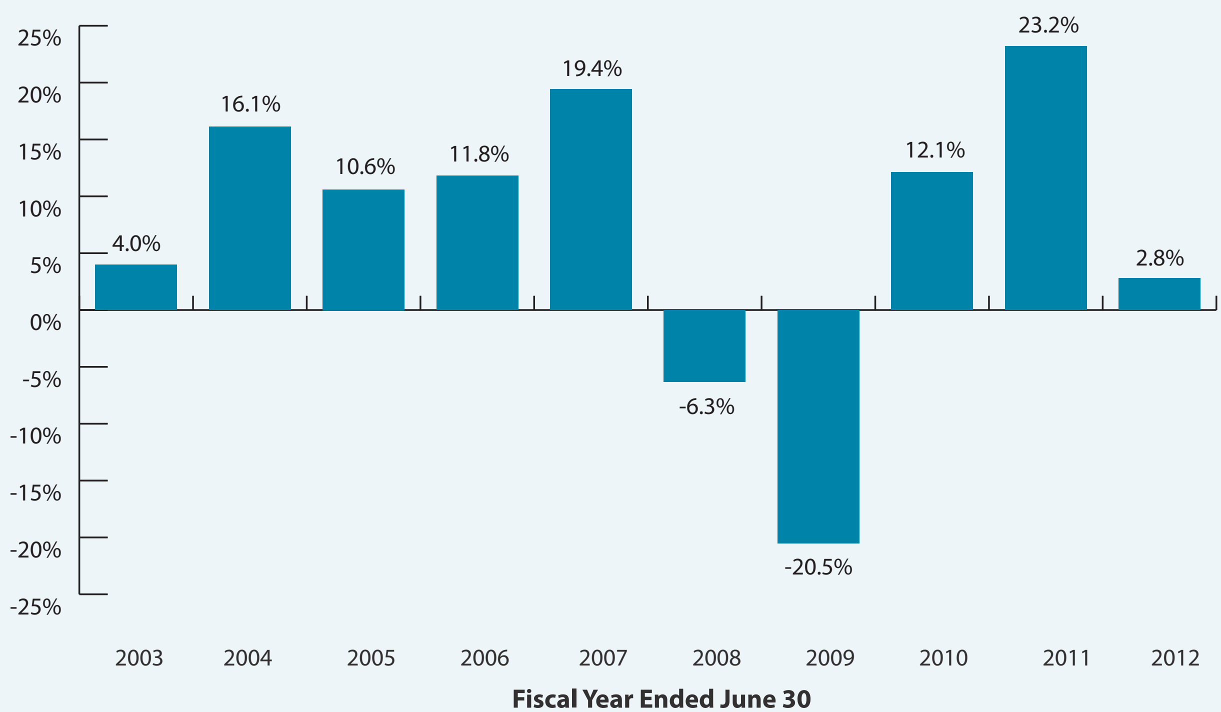
**US Treasury, agency, supranational, and sovereign debt issues.*

Asset Allocation — *as of June 30, 2012*

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. The current targets, ranges and actual allocations are detailed below:

	Target	Range	Actual
Domestic Equity	37%	32-42%	42.4%
International Equity	18%	14-22%	14.8%
Real Estate	10%	6-14%	11.0%
Private Equity	7%	4-12%	8.6%
Total Equities	72%		76.8%
Domestic Fixed Income	18%	13-23%	13.4%
Global Bonds	2%	0-3%	0.0%
Mortgages	8%	5-11%	6.4%
Cash Equivalents	0%	0-5%	3.4%
Total Fixed Income	28%		23.2%

Annual Performance History



Investment Performance Results – *as of June 30, 2012*

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 Rates of Return			
	1-YR	3-YR	5-YR	10-YR
Domestic Equities				
NYSTRS Growth Tilt2 Fund	4.2%	16.8%	- %	-%
NYSTRS Index2 Fund	4.7	16.8	-	-
NYSTRS Value Tilt2 Fund	4.5	16.8	-	-
Benchmark: S&P 1500*	4.6	16.8	-	-
NYSTRS S&P 100 Fund	8.7	15.8	-	-
Benchmark: S&P 100	8.8	15.8	-	-
NYSTRS S&P 500 Fund	5.8	16.4	-	-
Benchmark: S&P 500	5.4	16.4	-	-
NYSTRS S&P 600 Fund	1.5	19.8	-	-
Benchmark: S&P 600	1.4	19.8	-	-
Total Enhanced All Cap Management	1.1	-	-	-
Benchmark: Russell 3000	3.8	-	-	-
Total Active All Cap Management	-1.7	-	-	-
Benchmark: S&P All Cap (Equal Weighted)	1.5	-	-	-
Total Enhanced Large Cap Management	5.4	15.8	-	-
Benchmark: S&P 500	5.4	16.4	-	-
Total Active Mid Cap Management	-3.5	17.8	3.1	10.0
Benchmark: Russell Midcap*	-1.7	17.8	0.9	5 7
Total Domestic Equities	4.5	16.8	0.5	6.0
Benchmark: Blended S&P/Russell*	4.6	16.8	0.5	6.0
International Equities				
Total External Passive Management	-13.9	6.1	-6.5	5.2
Total Active Management	-10.0	9.2	-4.1	5.8
Total International Equities	-13.6	6.5	-5.8	5.1
Benchmark: MSCI ACWI (ex-US)/EAFE*	-14.1	5.8	-6.2	5.1
Real Estate	11.7	13.5	0.0	9.5
Benchmark: Blended NCREIF/REIT*	10.5	10.7	-0.9	6.6
Private Equity	4.6	13.9	3.5	12.6
Benchmark: S&P 500 plus 5%	10.4	21.4	5.2	10 3
Domestic Fixed Income	5.4	5.8	6.4	5.5
Benchmark: Barclays Capital Aggregate Float Adj*	7.6	7.0	6.8	5.7
Mortgages	7.4	10.2	5.4	6.1
Short-Term	0.2	0.2	1.2	2.1
Benchmark: iMoneyNet™ Money Fund Avg/Taxable	0.0	0.0	0.9	1.6
Total Fund	2.8%	12.4%	1.1%	6.6%

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

Manager Investment Performance Results – *as of June 30, 2012*

The assets under management (at market), time-weighted performance results (at market) and appropriate benchmark or equity multiple 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				
Enhanced All Cap Management				
Progress	$552.9	9.2%	11.2%	Nov-10
Active All Cap Management				
Leading Edge	272.0	5.5	7.9	Dec-10
Enhanced Large Cap Management				
T. Rowe Price	414.1	17.6	17.4	Jan-09
Active Mid Cap Management				
Iridian	694.0	8.6	2.6	Apr-99
International Equities				
Passive Management				
BlackRock ACWI	5,386.0	6.3	6.1	Dec-11
BlackRock EAFE	829.7	0.5	0.1	Oct-09
State Street Global Advisors	4,817.8	4.0	3.6	Mar-04
Active Management				
Aberdeen	362.3	0.9	-6.7	Dec-10
AQR	232.3	-7.3	-6.9	Feb-12
Baillie Gifford	262.7	5.9	3.1	Sep-11
LSV	210.7	-14.2	-13.8	Jul-11
Marathon	249.3	-0.3	-2.3	Jan-12
William Blair	360.3	0.5	-3.8	Oct-10
Mortgages				
BlackRock: CMBS	459.4	6.1	6.4	Apr-01
Prima: CMBS	161.6	6.0	5.3	Nov-03
Torchlight: CMBS	397.7	5.6	6.4	Apr-01
Torchlight: Torchlight Value Fund	31.8	1.8	-4.8	Sept-05
Real Estate				
Direct Investments				
Clarion Partners	735.2	8.4	5.4	Jun-90
Invesco Realty Advisors (Industrial)	158.3	8.3	7.5	Nov-94
Invesco Realty Advisors (Multi-family)	126.8	11.5	6.4	Dec-98
JPMorgan Asset Management	2,291.8	10.3	5.6	Oct-90
Kennedy Associates	90.5	8.7	7.5	Apr-95
Sentinel Real Estate	331.7	10.0	7.6	Mar-96
Direct Investments - Timber				
Forest Investments: Adirondack Timber I	$261.8	3.4%	5.5%	Dec-98

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

Manager Investment Performance Results – *as of June 30, 2012* (continued)

	Assets Managed ($ millions)	Rates of Return[1] from Inception Fund	Rates of Return[1] from Inception Benchmark	Inception Date
Domestic Public Securities				
Adelante Capital Management	$355.1	10.9%	10 3%	Aug-98
Cohen & Steers: Equity Income	230.6	10.2	9.6	Jul-98
Cohen & Steers: REIT Preferred	164.3	10.9	9.9	Sep-07
Cohen & Steers: Total Return	572.0	12.6	11.3	Jun-95
RREEF America	406.1	12.0	10.3	Aug-98
International Public Securities				
European Investors	108.9	-4.3	-3 5	Dec-06
LaSalle Investment Management	100.2	-5.6	-3 3	Dec-06
RREEF America	$102.0	-5.3%	-3 3%	Dec-06

	Assets Managed ($ millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds				
Angelo, Gordon & Co.: AG Realty Fund V	$ 1.6	25.5%	1.6	Dec-01
Angelo, Gordon & Co.: AG Realty Fund VI	18.3	2.3	1.1	Sep-05
Angelo, Gordon & Co.: AG Realty Fund VII	34.5	9.1	1 2	Dec-07
Angelo, Gordon & Co.: AG Realty Fund VIII	12.4	1.5	1.0	Sep-11
Apollo: CPI Capital Partners North America	10.9	-11.1	0.6	Dec-06
Artemis: RE Fund I	5.6	-3.3	1.0	Jul-11
BlackRock: Granite Property Fund	65.5	4.4	1.9	Dec-97
Blackstone RE Partners: Fund V TE.2	57.9	9.0	1.4	Jul-06
Blackstone RE Partners: Fund VI TE.2	117.0	8.5	1 3	Mar-07
Blackstone RE Partners: Fund VII	16.8	17.3	1.1	Dec-11
Brookfield Properties: Office Partners	482.5	9.3	1.4	Oct-06
Cabot Properties: Industrial Value Fund II	34.3	-5.3	0.8	Nov-05
Cabot Properties: Industrial Value Fund III	32.6	8.4	1.1	Dec-08
CBRE: China Opportunity Fund	15.1	10.4	1.4	Dec-06
CBRE: Strategic Partners Europe Fund III	28.7	-16.9	0 5	Apr-07
CBRE: Strategic Partners III	6.9	8.9	1 3	Dec-03
CBRE: Strategic Partners IV	17.2	-26.1	0 2	Dec-05
CBRE: Strategic Partners U.K. Fund III	11.8	-30.8	0 2	May-07
CBRE: Strategic Partners U.S. Opport. 5	40.0	-4.9	0.9	Dec-07
CBRE: Strategic Partners U.S. Value 5	$ 44.3	20.5%	1.4	Jun-08

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

Manager Investment Performance Results – *as of June 30, 2012* (continued)

	Assets Managed ($ millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds (continued)				
CBRE: Strategic Partners U.S. Value 6	$13.7	-5.2%	1.0	Dec-11
Cerberus: Institutional Real Estate Partners	6.0	9.1	1 2	May-04
Cerberus: Institutional Real Estate Partners - Series Two	49.7	15.4	1.2	May-08
CIGNA: Apartment Alliance	0.5	29.9	2.1	Dec-02
Clarion Partners: Development Ventures II	4.8	-9.6	0.7	Jun-05
Clarion Partners: Development Ventures III	27.9	-11.6	0.9	Apr-09
Cornerstone: Apartment Fund I	0.0	19.9	2.1	Nov-00
Cornerstone: Apartment Venture I	0.6	65.2	2.5	Jul-03
Cornerstone: Apartment Venture III	31.7	4.1	1.1	Apr-07
Cornerstone: Patriot Fund	59.1	14.4	1.3	Oct-10
DLJ: Real Estate Capital Partners III	38.9	-4.4	0.9	Jun-05
DLJ: Real Estate Capital Partners IV	47.3	-7.6	0.9	Feb-08
Essex Property Trust: Apartment Value Fund II	84.2	11.1	1.8	Nov-04
Exeter Property Group: Industrial Value Fund	44.3	1.6	1.0	Nov-07
Exeter Property Group: Industrial Value Fund II	21.9	-1.8	1.0	Dec-11
FCP: Realty Fund II	7.9	-21.1	0.8	Feb-12
Hines Interests: Emerging Markets	3.6	20.1	1.9	Oct-99
Hines Interests: U.S. Office Value Added	13.0	16.8	1.5	Jan-05
Hines Interests: U.S. Office Value Added II	16.7	-27.4	0.4	Aug-07
JPMorgan: Excelsior II	79.3	-9.2	0.6	Dec-05
Landmark Partners: Real Estate Trust IV	0.9	19.7	1.6	Mar-02
LaSalle: Asia Opportunity Fund III	21.5	-5.4	0.9	Mar-08
Lone Star: Fund III	14.3	32.1	2.1	Oct-00
Lone Star: Fund IV	16.6	30.9	2.3	Dec-01
Lone Star: Fund V	77.4	-2.7	0.9	Jan-05
Lone Star: Fund VI	34.3	14.3	1.5	Jul-08
Lone Star: Fund VII	36.3	27.3	1.2	Jun-11
Lone Star: RE Fund II	29.6	7.9	1.0	Jun-11
MGPA: Asia Fund II	35.6	2.2	1.1	Apr-05
MGPA: Asia Fund III	47.8	0.6	1.0	May-07
MGPA: Europe Fund III	39.7	-4.5	0.9	Jun-07
MGPA: Europe Parallel Fund II	13.0	-6.6	0.7	Apr-05
MGPA: Lend Lease Global Properties	$ 0.8	13.4%	2.0	May-99

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

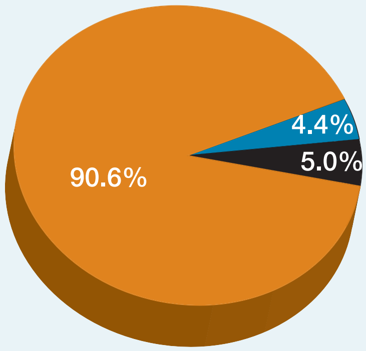
Manager Investment Performance Results – *as of June 30, 2012* (continued)

	Assets Managed ($ millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds (continued)				
O'Connor: North American Property Partners	$ 31.9	-12.0%	0.6	Sep-04
O'Connor: North American Property Partners II	25.6	-18 5	0.6	Oct-07
O'Connor: Peabody Global Real Estate	1.0	14 3	1.5	Jul-99
Penwood RE: Calif. Select Industrial Partners	23.6	-19 5	0.7	Dec-05
Penwood RE: Select Industrial Partners II	15.7	9.0	1.1	Aug-07
Perella Weinberg: Real Estate Fund I	71.1	12 2	1.2	Jan-08
Prudential Latin America: PLA Residential Fund III	50.3	0 2	1.0	Mar-08
Prudential: PRISA	228.7	5 7	3.7	Sep-85
Prudential: PRISA II	176.7	6 7	1.8	Sep-89
Prudential: PRISA III	71.6	4 3	1.2	Jun-03
Rockpoint: Finance Fund I	1.1	-19.4	0.4	Mar-07
Rockpoint: Heritage Fields	8.1	-32.8	0.2	Jul-05
Rockpoint: Real Estate Fund I	6.0	9.8	1.1	Sep-04
Rockpoint: Real Estate Fund II	33.7	-10.6	0.7	Sep-05
Rockpoint: Real Estate Fund III	74.5	15.0	1.2	Dec-07
Rockwood: Fund IV	0.1	24 3	1.8	Sep-00
Rockwood: Fund V	10.3	13 2	1.4	Jul-03
Rockwood: Fund VI	58.4	3.3	1.2	Jun-05
Rockwood: Fund VII	39.6	-13 5	0.5	Oct-06
Rockwood: Fund VIII	37.9	17.0	1.2	Mar-09
Starwood: Opportunity Fund IV	0.7	16.9	2.2	Jan-97
Starwood: Opportunity Fund VII-A	35.9	-6.1	0.7	Jan-06
UBS Realty: Trumbull Property Fund	277.4	6.7	4.4	Sep-85
USAA Real Estate: U.S. Industrial REIT II	44.5	2.4	1.0	Jan-07
Walton Street: Real Estate Fund VI	52.2	6.3	1.1	Apr-09
Westbrook: Real Estate Fund IV	2.9	19.6	1.6	May-01
Westbrook: Real Estate Fund V	2.6	43.9	1.7	Feb-05
Westbrook: Real Estate Fund VI	21.0	-10.4	0.8	May-06
Westbrook: Real Estate Fund VII	62.4	-4.1	0.9	Dec-07
Westbrook: Real Estate Fund VIII	$ 33.2	20.6%	1.1	Jun-10

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

Domestic Equity Distribution — *as of June 30, 2012*

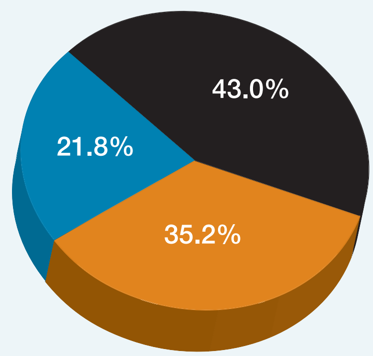
$38,166,792,166



Internally Managed - $34,593,464,628	**90.6%**
S&P 1500 Index2 - $30,330,149,070	79.5%
S&P 100 Index - $795,560,625	2.1%
S&P 1500 Value Tilt2 - $855,724,218	2.2%
S&P 1500 Growth Tilt2 - $858,291,076	2.2%
S&P 500 Index - $1,437,534,662	3.8%
S&P 600 Index - $316,204,977	0.8%
REITs - $1,689,659,419	**4.4%**
Externally Managed - $1,883,668,119	**5.0%**
Large Cap - $1,042,431,092	2.8%
Mid Cap - $728,205,711	1.9%
Small Cap - $113,031,316	0.3%

Domestic Equity Externally Managed Style Distribution — *as of June 30, 2012*

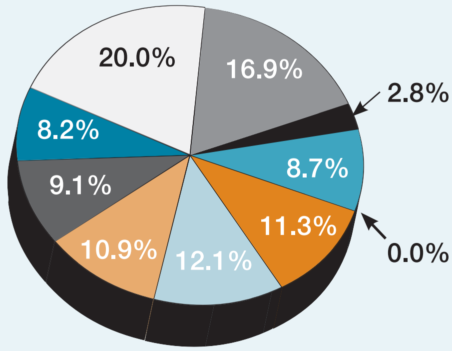
$1,883,668,119



Mid Cap - $663,492,939	**35.2%**
Large Cap Enhanced - $411,393,033	**21.8%**
Fund of Funds - $808,782,147	**43.0%**
Growth - $285,916,136	15.2%
Value - $286,036,630	15.2%
Core - $236,829,381	12.6%

Domestic Equity Holdings by Industry Distribution — *as of June 30, 2012*

$38,166,792,166



Basic Materials - $4,326,288,299	**11.3%**
Capital Goods - $4,596,302,017	**12.1%**
Consumer Cyclicals - $4,170,889,899	**10.9%**
Consumer Staples - $3,473,007,218	**9.1%**
Energy - $3,108,874,278	**8.2%**
Financial - $7,614,338,460	**20.0%**
Technology - $6,460,774,556	**16.9%**
Transportation - $1,079,518,764	**2.8%**
Utilities - $3,333,251,968	**8.7%**
Diversified and Misc. - $3,546,707	**0.0%**

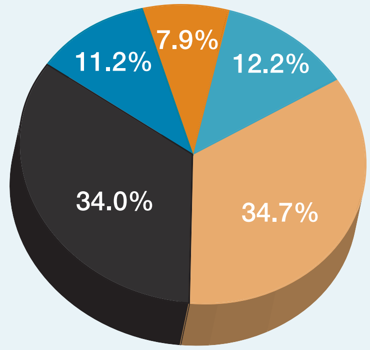
Ten Largest Domestic Equity Holdings — *as of June 30, 2012*

Rank	Company	Cost	Market Value	Percent of Equities
1	Apple	$ 109,350,019	$ 1,417,740,008	3.7%
2	Exxon	196,006,073	1,043,259,771	2.7%
3	Microsoft	330,208,668	601,029,659	1.6%
4	IBM	105,114,805	586,249,290	1.5%
5	General Electric	234,255,515	574,693,656	1.5%
6	Chevron Corp	111,778,732	544,298,871	1.4%
7	AT&T	189,954,515	540,807,757	1.4%
8	Johnson & Johnson	135,302,512	473,169,161	1.3%
9	Wells Fargo	273,231,114	461,625,523	1.2%
10	Coca Cola	151,216,073	454,255,282	1.2%
Total		**$1,836,418,026**	**$6,697,128,978**	**17.5%**

A complete list of the System's holdings is available on our website (see "Investments" under the heading "About NYSTRS") or through the Public Information Office.

Domestic Fixed Income Sector Distribution
— as of June 30, 2012

$12,477,399,663
Yield to Maturity 1.5%



U.S. Treasuries - $4,237,827,111 **34.0%**
Yield to Maturity - 0.6%

Federal Agency, Notes/Debentures - $1,396,843,049 **11.2%**
Yield to Maturity - 0.8%

REIT & Commercial Mortgage Backed - $991,374,964 **7.9%**
Yield to Maturity - 3.3%

Federal Agency, Mortgage Backed - $1,526,454,930 **12.2%**
Yield to Maturity - 2.2%

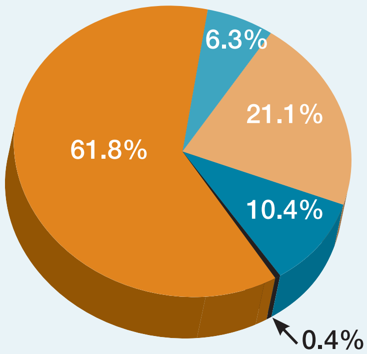
Corporate - $4,324,899,609 **34.7%**
Yield to Maturity - 2.0%

Ten Largest Domestic Fixed Income Holdings *— as of June 30, 2012*

Rank	Issue	Market Value	Percent of Domestic Fixed Income Market Value
1	AID-Israel 5.50% Due 4/26/2024	$ 131,346,200	1.1%
2	U.S. Treasury Note 3.625% Due 2/15/2020	117,632,800	1.0%
3	U.S. Treasury Note 3.625% Due 8/15/2019	117,289,100	0.9%
4	U.S. Treasury Note 7.50% Due 11/15/2016	97,305,341	0.8%
5	U.S. Treasury Note 3.375% Due 11/15/2019	86,771,475	0.7%
6	U.S. Treasury Note 2.50% Due 3/31/2015	79,312,500	0.6%
7	U.S. Treasury Note 2.625% Due 12/31/2014	79,201,200	0.6%
8	U.S. Treasury Strip (Coupon) Due 8/15/2012	74,993,850	0.6%
9	U.S. Treasury Note 3.125% Due 5/15/2019	68,193,720	0.6%
10	U.S. Treasury Note 2.125% Due 8/15/2021	67,795,563	0.5%
Total		**$919,841,749**	**7.4%**

A complete list of the System's holdings is available on our website (see "Investments" under the heading "About NYSTRS") or through the Public Information Office.

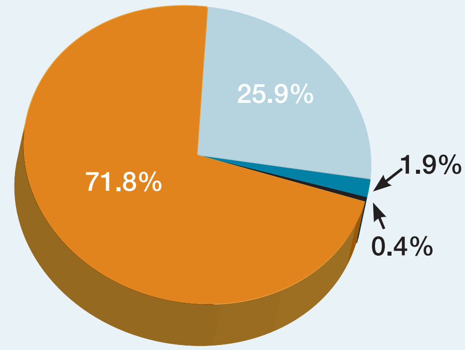
Domestic Fixed Income Quality Distribution — *as of June 30, 2012*



Aaa	**61.8%**
Aa	**6.3%**
A	**21.1%**
Baa	**10.4%**
Others	**0.4%**

Domestic Fixed Income Average Maturity — *as of June 30, 2012*

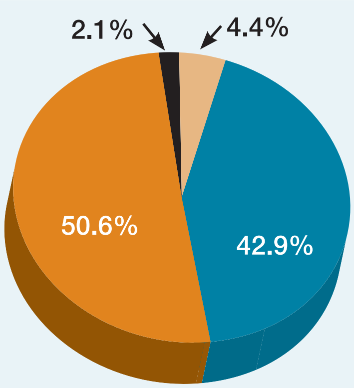
Internally Managed Portfolio
Effective Duration 3.3 Years



Less than 5 Years Duration - 2.1 Years	**71.8%**
5-9 Years Duration - 5.8 Years	**25.9%**
10-14 Years Duration - 9.4 Years	**1.9%**
15-20 Years Duration - 15.6 Years	**0.4%**

Short-Term Sector Distribution — *as of June 30, 2012*

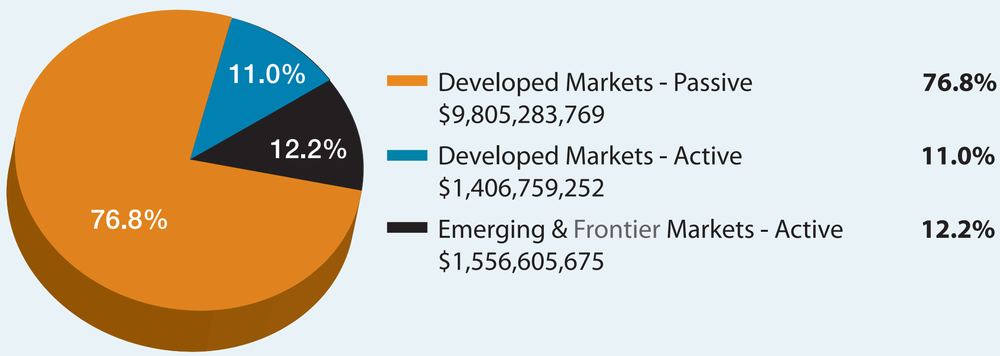
$2,884,699,941



Industrial - $1,459,848,785	**50.6%**
Utilities - $59,993,667	**2.1%**
Governmental/Agency/Supranational - $128,176,922	**4.4%**
Banks & Finance - $1,236,680,567	**42.9%**

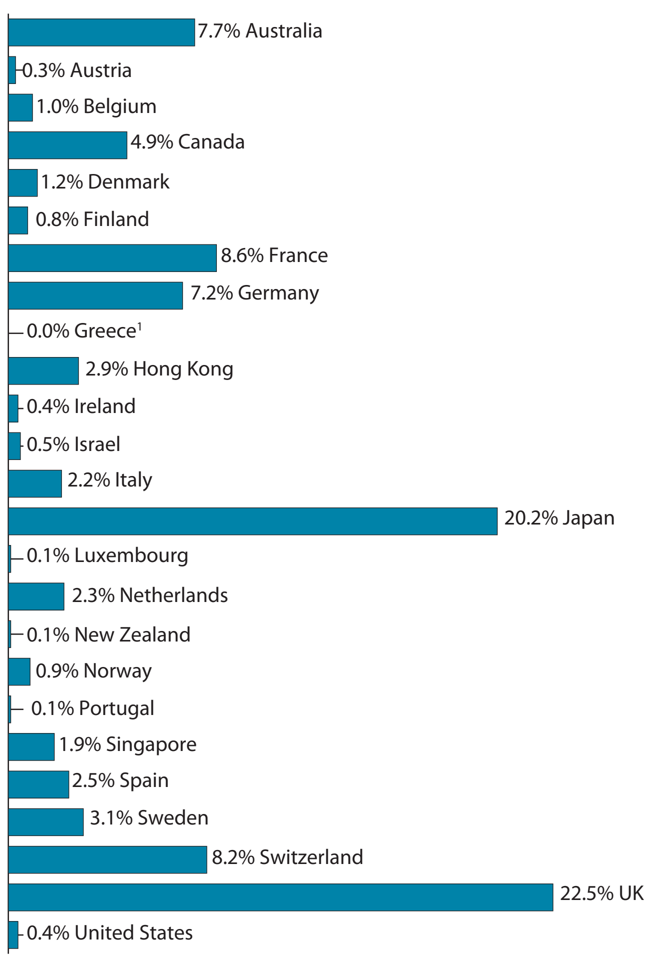
International Equity Style Distribution — *as of June 30, 2012*

$12,768,648,696

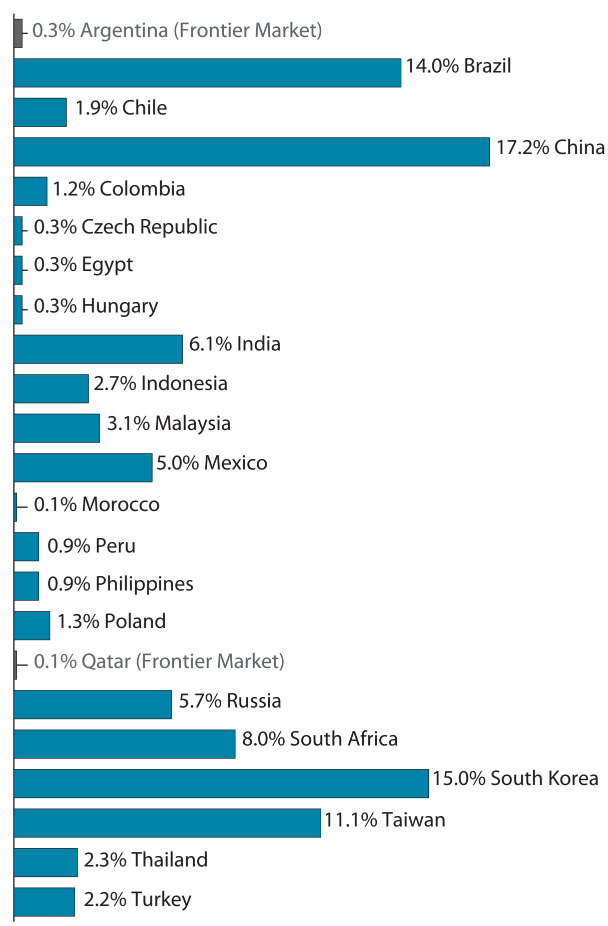


International Equity Exposure Distribution — *as of June 30, 2012*

Percentage of Portfolio for Developed Countries
$11,212,043,021

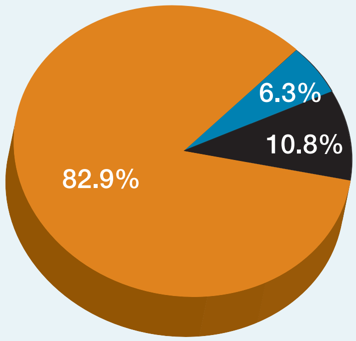


Percentage of Portfolio for Emerging & Frontier Markets
$1,556,605,675



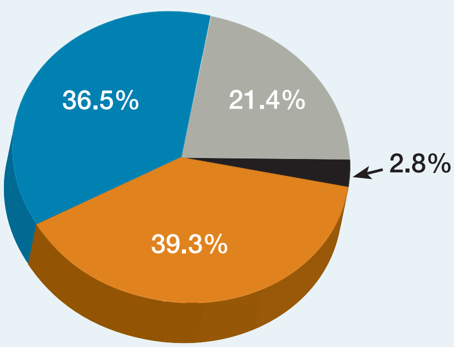
[1] *Holdings in this country are less than 0.1%*

Real Estate as a Percentage of NYSTRS' Total Net Assets — *as of June 30, 2012*



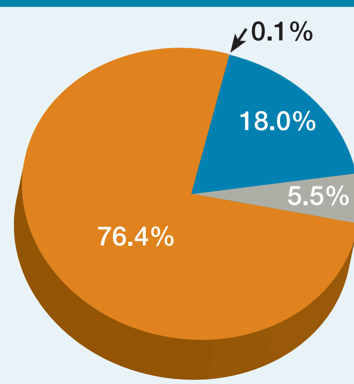
Other NYSTRS Assets	**82.9%**
NYSTRS Equity Real Estate Portfolio	**10.8%**
NYSTRS Mortgage Portfolio	**6.3%**

Breakdown of Real Estate Equity Portfolio — *as of June 30, 2012*



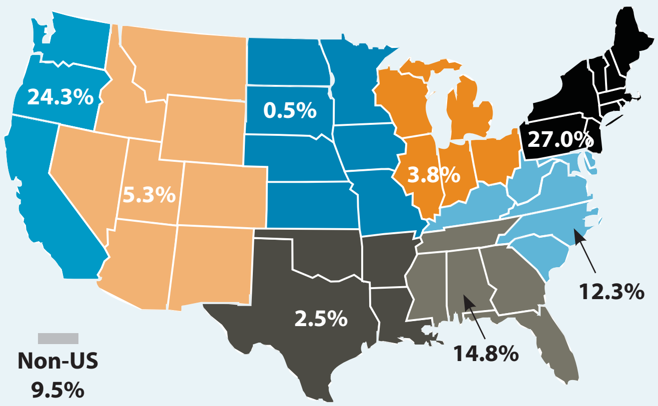
Direct Investments	**39.3%**
Private Securities	**36.5%**
Public Securities	**21.4%**
Timber Investments	**2.8%**

Breakdown of Mortgage Portfolio — *as of June 30, 2012*



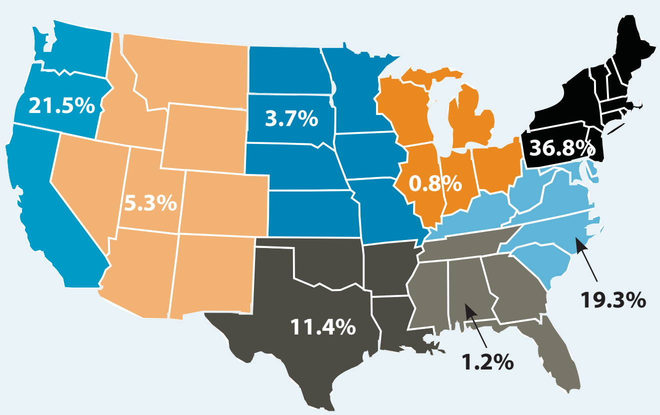
Conventional Mortgages	**76.4%**
CMBS	**18.0%**
Mezzanine Debt	**5.5%**
FHA Mortgages	**0.1%**

Geographic Distribution of the Real Estate Portfolio — *as of June 30, 2012*



Pacific	**24.3%**
Mountain	**5.3%**
West North Central	**0.5%**
East North Central	**3.8%**
Northeast (including NYS)	**27.0%**
Mideast	**12.3%**
Southeast	**14.8%**
Southwest	**2.5%**
Non-US	**9.5%**

Geographic Distribution of the Mortgage Portfolio — *as of June 30, 2012*



Pacific	**21.5%**
Mountain	**5.3%**
West North Central	**3.7%**
East North Central	**0.8%**
Northeast (including NYS)	**36.8%**
Mideast	**19.3%**
Southeast	**1.2%**
Southwest	**11.4%**

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.

For the 2011 calendar year, a total of 18,394 proposals were voted on, representing 1,844 meetings for the companies it owns 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 (17,957)

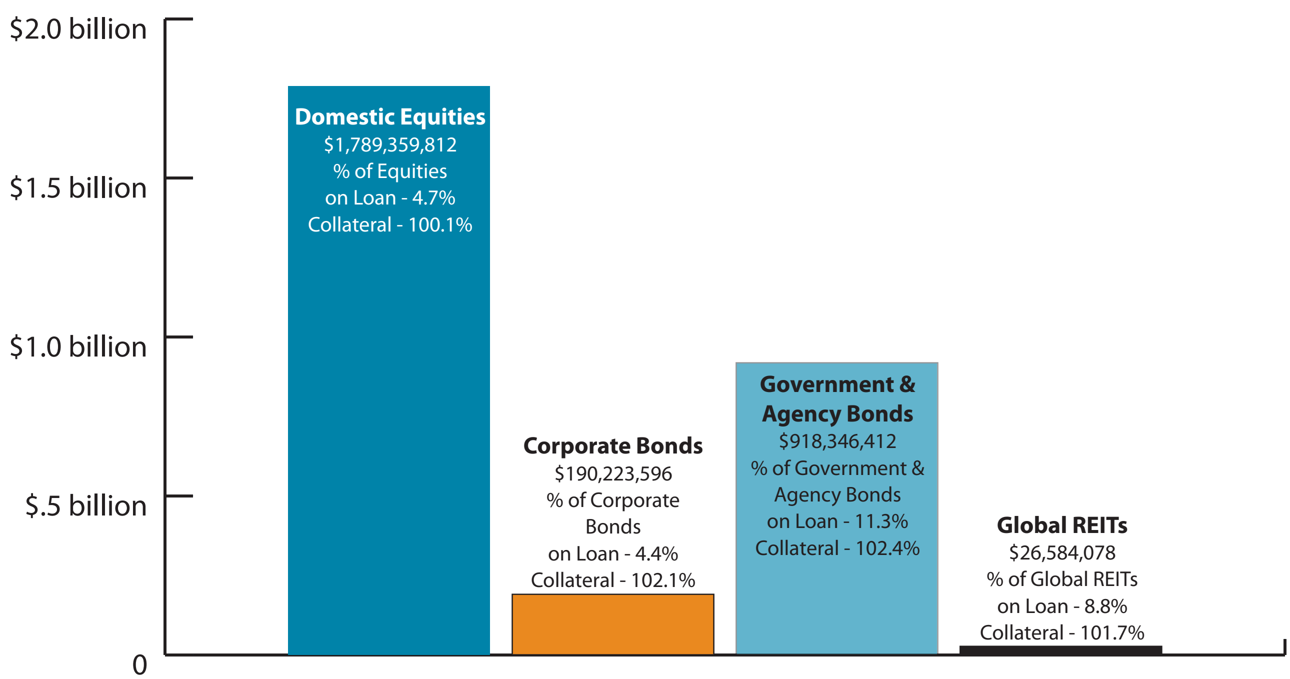
Position	Number of Proposals	Percentage of Position
For	15,596	86.9%
Against	2,311	12.9%
Abstain	50	.2%

Shareholder Proposals (437)

Position	Number of Proposals	Percentage of Position
For	215	49.2%
Against	215	49.2%
Abstain	7	1.6%

Securities Lending Program — *as of June 30, 2012*

Market Value on Loan - $2,924,513,898



Investments

Schedule of Investment Fees and Expenses
Year ended June 30, 2012
(dollars in thousands)

Fund Manager/Style	Investment Management Expenses 2011-2012
Domestic Fixed Income Securities:	
BlackRock Financial Management	$ 843
Torchlight Investors	761
Prima Capital Advisors	365
Total Domestic Fixed Income Securities:	$ 1,969
Domestic Equities:	
Adelante Capital Management, LLC	$ 1,030
Cohen & Steers Capital Management Inc.	2,291
Iridian Asset Management	3,589
Leading Edge Investment Advisors	1,679
Progress	2,494
T. Rowe Price	1,180
RREEF America, LLC	1,249
Total Domestic Equities:	$13,512
International Equities:	
Aberdeen Asset Management	$ 1,514
AQR Capital Management	429
Baillie Gifford	975
BlackRock EAFE Index	718
BlackRock ACWI Index	650
CitiGroup Alternative Investments	-
European Investors	697
JP Morgan Asset Management	-
LaSalle Investment Management	541
LSV Asset Management	1,136
Marathon Asset Management	650
Pyramis Global Advisors	-
SSGA - Passive Custom Fund	983
William Blair & Co.	1,220
RREEF America, LLC	663
Total International Equities:	$10,176
Mortgages:	
Deutsche Bank	$ 1
Heitman	17
GEMSA	133
NY Life	100
Prudential	1
FHA Mortgages	1
Total Mortgages:	$ 253

Fund Manager/Style	Investment Management Expenses 2011-2012
Real Estate:	
Clarion	$ 3,498
Invesco	1,551
JP Morgan	8,148
Kennedy	514
Real Estate Separate Accounts/Commingled	37,736
Sentinel	1,937
Total Real Estate:	$ 53,384
Alternative Investments:	
Private Equity	$ 92,674
Real Estate	26,849
Total Alternative Investments:	$ 119,523
General Expenses:	
Advisory Committee - Investment	$ 57
Advisory Committee - Real Estate	59
Bond Schoeneck & King	4
Callan Associates	270
Chavez Ruiz Zamarripa ya Cia	7
Edwards Angell Palmer & Dodge	46
Hewitt EnnisKnupp	490
International Equity - Market Fees	600
Investment Information Services	2,046
JP Morgan Chase	75
K&L Gates	132
Morgan Lewis & Bockius	286
Nixon Peabody	71
Real Estate Origination Costs	620
Service Cost - Real Estate	52
Shott Capital Management	100
State Street Corporation	980
StepStone Group	1,100
Stockbridge Risk Management	15
Total General Expenses:	$ 7,010
Total Investment Fees and Expenses:	**$205,827**

(continued)

Investment Advisory Committee

David L. Brigham, Chairman
Trustee
Church Pension Fund
New York, New York

Geoffrey Gerber, Ph.D.
President & Founder
TWIN Capital Management, Inc.
McMurry, Pennsylvania

Leonade D. Jones
Director
American Funds Group
Washington D.C.

Robert Levine, CFA
Chief Investment Officer (Retired)
Nomura Corporate Research and
Asset Management Inc.
New York, New York

Mansco Perry
Chief Investment Officer
Macalester College
Saint Paul, Minnesota

Robert G. Wade Jr.
Director (Retired)
Chancellor LGT Asset Management
New York, New York

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

External Investment Managers

Domestic Equities:

<u>Active All Cap</u>
Leading Edge Investment Advisors
(Manager of Managers)

<u>Enhanced All Cap</u>
Progress Investment Management Co.
(Manager of Managers)

<u>Active Mid Cap</u>
Iridian Asset Management LLC

<u>Enhanced Large Cap</u>
T. Rowe Price Associates Inc.

International Equities:

<u>Active</u>
Aberdeen Asset Management, Inc.
AQR Capital Management, LLC
Baillie Gifford Overseas Ltd.
LSV Asset Management
Marathon Asset Management LLP (Marathon-London)
William Blair & Company

<u>Passive</u>
State Street Global Advisors
BlackRock Institutional Trust Co. N.A.

Custodian:

State Street Bank & Trust Co.

Securities Lending:

JPMorgan Chase Bank N.A.
State Street Bank & Trust Co.

External Investment Managers (continued)

Private Equity — Limited Partnerships:

Abbott Select Buyouts Fund
Abbott Select Buyouts Fund II
ABRY Advanced Securities Fund II
ABRY Mezzanine Partners
ABRY Partners Fund V
ABRY Partners Fund VI
ABRY Partners Fund VII
ABRY Senior Equity Fund II
ABRY Senior Equity Fund III
AG Capital Recovery Partners VII, L.P.
Aisling Capital II, LP
Aisling Capital III, LP
Alchemy Plan (Empire)
Apex V
Apex V Secondary
Apex VI
Apollo Real Estate Fund IV
Ares Corporate Opportunities Fund II, L.P.
Ares Corporate Opportunities Fund III, L.P.
Ares Corporate Opportunities Fund IV, L.P.
Avenue Special Situations Fund V, L.P.
Blackstone Capital Partners Fund IV
Blackstone Capital Partners Fund V
Caltius Partners IV
Carlyle European Partners III, L.P.
Carlyle Partners IV, L.P.
Carlyle Partners V, L.P.
Carlyle/Riverstone Global Energy & Power Fund III
Charterhouse Capital Partners IX
Charterhouse Capital Partners VII
Charterhouse Capital Partners VIII
Chisholm Partners III
Chisholm Partners IV
Cinven III
Cinven IV
Cinven V
Clayton Dubilier & Rice VI
Close Brothers Private Equity Fund VII
Co-Investment Partners (NY), L.P.
Co-Investment Partners (NY) II, L.P.
Co-Investment Partners (NY) III, L.P.
Co-Investment Partners Europe, L.P.
Compass Partners European Equity Fund
Cortec Group Fund V, L.P.
CS Strategic Partners IV, L.P.
CS Strategic Partners IV - VC, L.P.
CS Strategic Partners V, L.P.
CS/NYSTRS Cleantech Fund
CSFB Seasoned Primaries Fund, L.P.
CSFB Seasoned Primaries Fund II, L.P.
CSFB Seasoned Primaries Fund III, L.P.
CSFB Strategic Partners II
CSFB Strategic Partners III
CSFB Strategic Partners III - Venture
CVC European Equity Partners V, L.P.
DLJ Merchant Banking Partners III
Doughty Hanson & Co. V
Energy Capital Partners II, LP
Fairview Ventures Fund II
Fairview Ventures Fund III
First Mark V, L.P.
Green Equity Investors V
GTCR Fund VIII
GTCR Fund IX
GTCR Fund X
HarbourVest International PEP IV
HarbourVest International PEP V
HarbourVest International PEP VI - Asia Pacific Fund
HarbourVest/NYSTRS Co-Investment Fund
HarbourVest Partners VII-Mezzanine Fund
HarbourVest Partners VII-Venture Fund
HarbourVest Partners VIII-Venture Fund
HarbourVest VI - Partnership Fund
Hellman & Friedman IV
Hellman & Friedman V
Hellman & Friedman VI
Hellman & Friedman VII
HIPEP Select Asia Fund, L.P.
Horsley Bridge VII
Hutton Collins Capital Partners II LP
Hutton Collins Capital Partners III LP
Industri Kapital 2007 Fund
Inflexion 2010 Buyout Fund
Institutional Venture Partners XIV, L.P.
IK Fund VII, L.P.
J.C. Flowers II L.P.
JLL Partners Fund V, L.P.
JLL Partners Fund VI, L.P.
JP Morgan Venture Capital II
JP Morgan Venture Capital III
Kelso Investment Associates VII
Kelso Investment Associates VIII
KRG Capital Fund III
KRG Capital Fund IV
Lexington Capital Partners V
Lexington Capital Partners VI
Lexington Capital Partners VII
Lexington Middle Market Investors
Lexington Middle Market Investors II
Lightspeed Venture Partners IX, L.P.
Madison Dearborn Capital Partners IV
Madison Dearborn Capital Partners V
Madison Dearborn Capital Partners VI
Metalmark Capital Partners, L.P.
Nautic V
Nautic VI

External Investment Managers (continued)

Private Equity — Limited Partnerships *(continued):*

Oaktree European Principal Fund III, L.P.
Olympus Growth Fund IV
Olympus Growth Fund V
P123 Ltd
Peninsula Fund V, L.P.
Permira IV
Phoenix Equity Partners 2010 Fund
Pine Brook Capital Partners, L.P.
Riverstone/Carlyle Global Energy and Power Fund IV
Silver Lake Partners II
Silver Lake Partners III
StepStone Pioneer Capital Buyout Fund I, L.P.
StepStone Pioneer Capital Europe I, L.P.
StepStone Pioneer Capital Europe II, L.P.
StepStone Pioneer Capital Fund II, L.P.
StepStone Pioneer Capital Fund III, L.P.
Sterling Group Partners III, L.P.
Sun Capital Partners V, L.P.
Technology Crossover Ventures IV
Technology Crossover Ventures V
Technology Crossover Ventures VI
Technology Crossover Ventures VII
The First Capital Access Fund, L.P.
The Resolute Fund II, L.P.
Thoma Bravo Fund X
Thomas H. Lee V
Thomas H. Lee VI
TPG Partners III
TPG Partners IV
TPG Partners V
TPG Partners VI
TSG4 (TSG Consumer Partners)
TSG5
TSG6, L.P.
Valhalla Partners II, L.P.
VantagePoint NY Venture Partners
VantagePoint Venture Partners 2006
VantagePoint Venture Partners IV
VCFA Private Equity Partners IV
Vista Equity Partners Fund IV
Warburg Pincus Private Equity VIII
Waud Capital Partners III, L.P.
WCAS Capital Partners IV
Welsh, Carson, Anderson & Stowe IX
Welsh, Carson, Anderson & Stowe X
Welsh, Carson, Anderson & Stowe XI
Wynnchurch Capital Partners III, L.P.

Real Estate Advisory Committee

Herman Bulls
President & Chief Executive Officer
Bulls Advisory Group, LLC
McLean, Virginia

Eileen Byrne
Managing Director (Retired)
BlackRock, Inc.
New York, New York

Paul J. Dolinoy
Executive Vice President/Managing Director
Hunt Companies
Irvine, California

Blake Eagle
Chief Executive Officer (Retired)
National Council of Real Estate Investment Fiduciaries
Chicago, Illinois

Maureen A. Ehrenberg
Global Director of Facilities Management/ Executive Managing Director
CB Richard Ellis
Chicago, Illinois

Thomas P. Mahoney
Managing Director (Retired)
CIGNA Investments
Hartford, Connecticut

James O'Keefe, Chairman
Managing Director (Retired)
USB Realty Investors, LLC
Hartford, Connecticut

Real Estate Advisors

Equity:

Bentall Kennedy
Clarion Partners
Forest Investment Associates
Invesco Realty Advisors
JPMorgan Asset Management
Sentinel Real Estate Corporation

Debt:

BlackRock Financial Management, Inc.
Capital Trust, Inc.
Capri Capital Advisors, LLC
Carbon Capital Inc.
C-III Capital Partners LLC
Latitude Management Real Estate Investors, Inc.
PCCP, LLC
Prima Capital Advisors, LLC
Talmage
Torchlight Investors

REITs:

Adelante Capital Management LLC
Cohen & Steers Capital Management, Inc.
E.I.I. Realty Securities, Inc.
LaSalle Investment Management
RREEF America, LLC

Commingled:

Angelo, Gordon & Co.
Apollo Global Real Estate
Artemis Real Estate Partners
BlackRock, Inc.
Blackstone Real Estate Advisors
Brookfield Properties Corporation
Cabot Properties, Inc.
CB Richard Ellis Investors, LLC
Cerberus Capital Management, L.P.
CIGNA Realty Investors
Clarion Partners
Cornerstone Real Estate Advisers LLC
DLJ Real Estate Capital Partners, Inc.
Essex Property Trust, Inc.
Exeter Property Group
Federal Capital Partners
Hines Interests Limited Partnership
JPMorgan Asset Management
Landmark Partners, Inc.
LaSalle Investment Management
Lone Star Funds
MGPA
O'Connor Capital Partners
Penwood Real Estate Investment Management, LLC
Perella Weinberg Partners
Prudential Real Estate Investors
Rockpoint Group, LLC
Rockwood Capital Corporation
Starwood Capital Group LLC
UBS Realty Investors LLC
USAA Real Estate Company
Walton Street Capital
Westbrook Partners

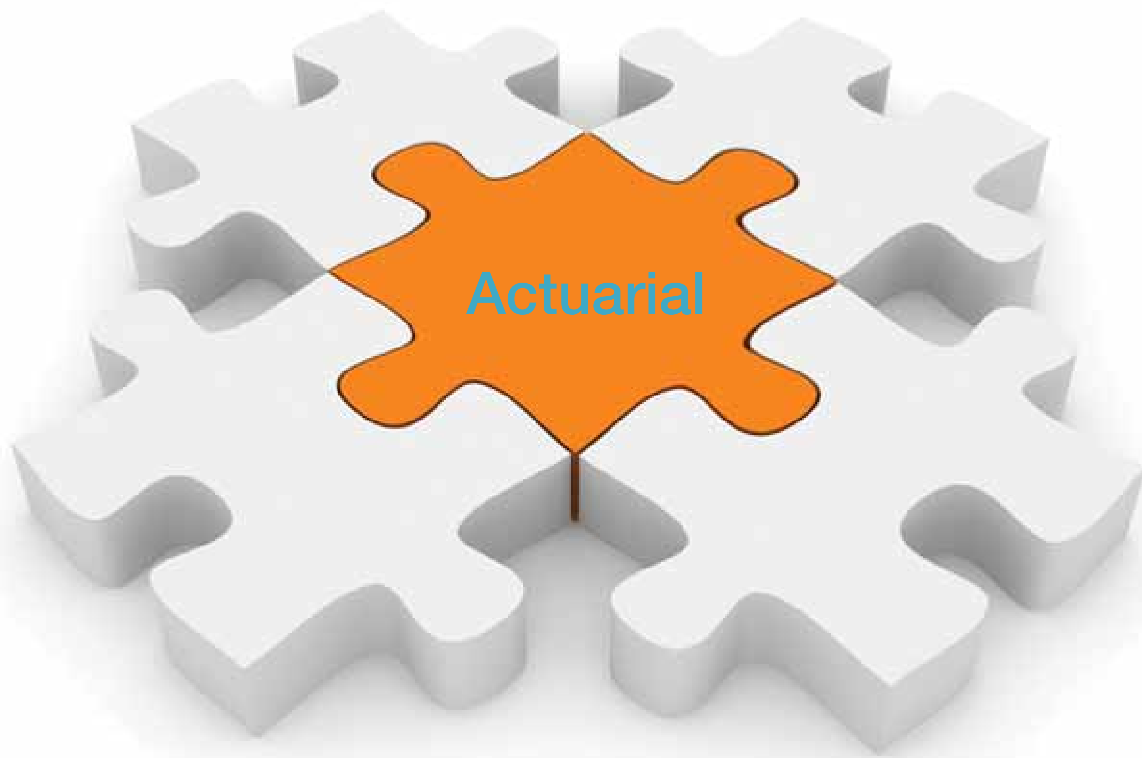
Investment Consultants

Callan Associates
San Francisco, California

Elkins/McSherry, LLC
New York, New York

Hewitt EnnisKnupp, Inc., an Aon Company
Chicago, Illinois

StepStone Group LLC
La Jolla, California


Actuarial


Economic Stimulant
Social Security
NYSTRS
Savings
Investments

Actuarial

Actuarial Certification Letter

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395
(800) 356-3128 or (518) 447-2666 (Albany calls)
Website: www.nystrs.org
Thomas K. Lee, Executive Director & Chief Investment Officer

Office of the Actuary
(518) 447-2692

October 22, 2012

Retirement Board
New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 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 recently completed actuarial valuation was made as of June 30, 2011. This valuation relies on member data provided by the participating employers to the Retirement System. The administrative and actuarial staffs 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 of 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 current actuarial assumptions were adopted by the Retirement Board in October 2011 and first effective with the June 30, 2011 actuarial valuation. The actuarial funding method is the Aggregate Cost Method and is specified in statute. In this method 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. More detail on the valuation and actuarial methods and assumptions is available in the System's Actuarial Valuation Report.

In the fiscal year ended June 30, 2011 the System achieved a 23.2% market value rate of return on assets for the year. The System's five-year annualized rate of return increased to 4.2%, while the 25-year annualized return stood at 9.0%. The June 30, 2011 actuarial valuation produced a required employer contribution rate of 11.84% of payroll, representing an increase of approximately 6.6% over the prior year's rate of 11.11%. The large '08-'09 fiscal year investment loss due to the great recession continues to be incorporated into the valuation's asset smoothing method and is the primary reason for the increase in the rate.

Actuarial Certification Letter *(continued)*

Retirement Board -2- October 22, 2012

Looking ahead, as detailed in the Investments Section of this report, the capital markets overall produced positive but low returns during the fiscal year ended June 30, 2012, and the System finished with an annual net rate of return of 2.8%. While the System's 25-year annualized rate of return stands at 8.5%, its five-year return has decreased to 1.1%. With the System continuing to experience losses on investments relative to the 8.0% assumption, it is likely that the employer contribution rate will continue to increase in succeeding years.

In response to increasing plan costs, the Governor and the Legislature enacted Chapter 18 of the Laws of 2012. Also known as Tier 6, this law implements a retirement plan for members hired on or after April 1, 2012 consisting of a lower benefit formula, slightly higher retirement age, and an increased employee contribution requirement. The expected long-term cost of this plan for employers is significantly lower than that of Tier 4, where the majority of active members currently reside. Over time, as older-tier members retire and are replaced by newer members, the less-expensive Tier 5 and 6 plans will have a dampening effect on the plan's employer costs. Unfortunately these changes will not provide much relief in the short-term. Tier 6 will first impact the next actuarial valuation, the one as of June 30, 2012.

The System's count of active members as of June 30, 2012 of 277,273 represents a slight decrease from the prior year's total of 280,435. Given the current economy and the extremely difficult budgeting environment for school districts this is not a surprising result.

The plan's funded ratio as of June 30, 2011, calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 50, was 96.7%. Although this is the first funded ratio to fall below 100% in several years, the System remains well funded, especially in comparison to many of its peers. The primary reason for this healthy funded ratio is that the System collects the actuarially-required contribution annually from employers. 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 GASB Statement No. 25 and generally accepted actuarial principles, procedures, and standards of practice as prescribed by the Actuarial Standards Board. All schedules in the Actuarial and Statistical sections and the Required Supplementary Information in the Financial section were prepared under my direction. I meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

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

cc: T. Lee

Summary of Actuarial Methods and Assumptions - *as of June 30, 2011*

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 phased in deferred recognition of each year's actual gain or loss, above (or below) an assumed inflationary gain of 3.0%.

Assumptions

Assumptions are computed by the Actuary and adopted by the Retirement Board. They are based upon recent NYSTRS member experience. Selected sample rates are shown below. Adoption dates shown in parentheses. Detailed assumption information may be found in NYSTRS' annual Actuarial Valuation Report.

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.

Rates of Salary Increase (10/11)

Age	Male	Female
25	10.91%	10.35%
35	6.27	6.26
45	5.04	5.39
55	4.01	4.42

Demographic

Rates of Mortality (10/11)

Male Age	Active Members	Male Age	Retired Members & Beneficiaries	Male Age	Disabled Members
30	0.02%	20	0.03%	30	2.10%
40	0.04	40	0.10	40	6.61
50	0.07	60	0.41	60	4.03
60	0.17	80	4.17	80	7.51
Female Age		**Female Age**		**Female Age**	
30	0.01%	20	0.02%	30	3.72%
40	0.03	40	0.06	40	5.14
50	0.05	60	0.33	60	3.41
60	0.10	80	2.86	80	6.06

Rates of Withdrawal (10/11) Ten-Year Ultimate Rates

Male Age	
35	0.74%
40	0.81
45	0.93
50	0.77
Female Age	
35	2.27%
40	1.45
45	0.96
50	0.87

Rates of Service Retirement (10/11)

Male Age	Tier 1 & Tiers 2-4 age 62 or with 30 years of service & Tier 5 age 62	Tiers 2-4 less than age 62 & less than 30 years of service	Tier 5 less than age 62 & less than 30 years of service	Tier 5 less than age 62 & with 30 years of service
55	31.18%	3.46%	1.73%	1.73%
60	22.55	4.72	2.36	20.12
65	17.43	-	-	-
70	13.43	-	-	-
Female Age				
55	31.18%	4.22%	2.11%	2.11%
60	19.06	4.85	2.42	17.31
65	20.06	-	-	-
70	16.91	-	-	-

Rates of Disability Retirement (10/11)

Male Age	
35	0.00%
40	0.01
45	0.04
50	0.11
Female Age	
35	0.01%
40	0.02
45	0.05
50	0.12

Actuarial Present Value of Future Benefits
- as of June 30, 2011 and June 30, 2010
(in thousands)

Each year an actuarial valuation determines the actuarial present value of future benefits, which is the current value of retirement and ancillary benefit payments that the Retirement System can expect to pay in the future to current retirees and members. The results of the two most recent actuarial valuations are displayed in the following table.

	2011	2010
Present Value of Benefits Presently Being Paid:		
Service Retirement Benefits	$ 49,049,453	$ 45,142,681
Disability Retirement Benefits	272,752	277,525
Death Benefits	3,945	3,186
Survivor Benefits	637,374	578,984
Cost-of-Living Allowance	4,536,243	4,432,009
Total Present Value of Benefits Presently Being Paid	54,499,768	50,434,385
Present Value of Benefits Payable in the Future to Present Active Members:		
Service Retirement Benefits	47,911,909	50,464,025
Disability Retirement Benefits	217,523	257,735
Termination Benefits	1,793,953	2,332,825
Death and Survivor Benefits	438,029	396,152
Cost-of-Living Allowance	1,020,253	1,220,775
Total Active Member Liabilities	51,381,667	54,671,511
Present Value of Benefits Payable in the Future to Present Inactive (Vested) Members:		
Retirement Benefits	208,241	184,375
Death Benefits	236	328
Cost-of-Living Allowance	4,435	4,461
Total Vested Liabilities	212,911	189,164
Unclaimed Funds	9,211	7,022
Total Actuarial Present Value of Future Benefits	**$106,103,558**	**$105,302,082**

Note: Totals may not sum due to rounding.

Funding Progress

The portion of the actuarial present value of future benefits that is attributed to service rendered as of the valuation date is known as the actuarial accrued liability. In order to effectively assess the funding progress of a retirement system, it is necessary to compare the actuarial value of assets and the actuarial accrued liabilities over a period of time.

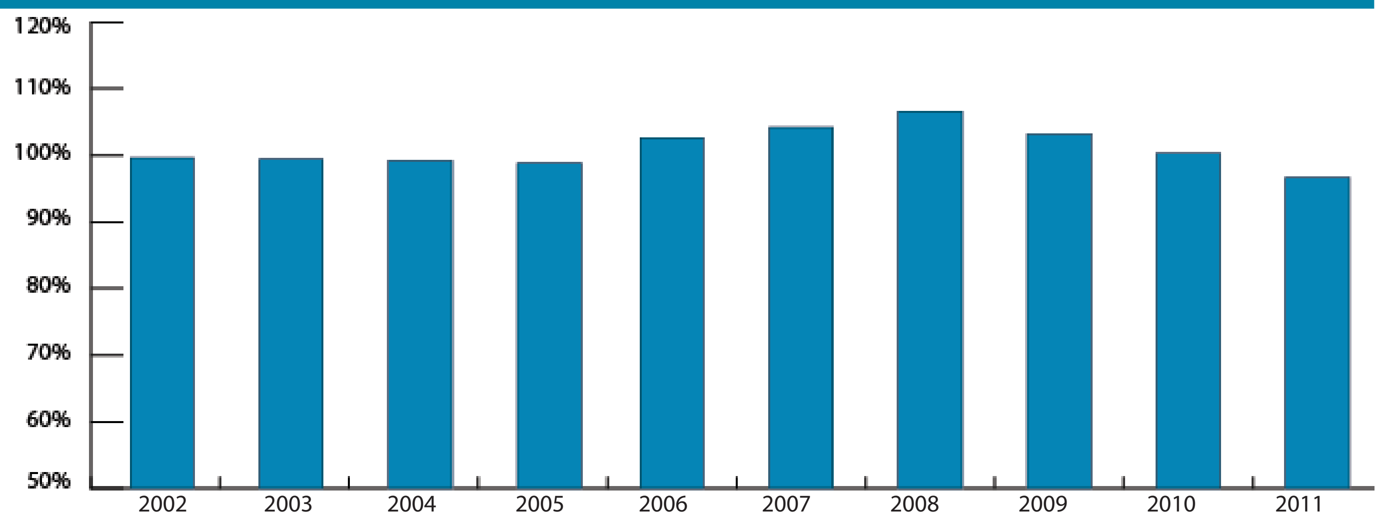
NYSTRS' funding method has allowed the accumulation of assets appropriate for the funding of its liabilities in a systematic and reasonable manner.

Analysis of Funding Progress

(in millions)

Fiscal Year Ended	Actuarial Value of Assets[1]	Actuarial Accrued Liability[2]	Percent Funded
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
2006	78,335.8	76,353.0	102.6
2007	82,858.9	79,537.2	104.2
2008	88,254.7	82,777.5	106.6
2009	88,805.5	86,062.0	103.2
2010	88,544.4	88,318.8	100.3
2011	86,892.2	89,824.9	96.7

Percent Funded



[1]*Effective June 30, 2007, NYSTRS' asset valuation method was changed.*

[2]*Effective June 30, 2006, the Actuarial Accrued Liability is calculated under the Entry Age Normal Cost Method as required by Governmental Accounting Standards Board (GASB) Statement No. 50 - Pension Disclosures. NYSTRS is funded in accordance with the Aggregate Cost Method. GASB now requires that the Entry Age Normal Cost Method be used to calculate the accrued liability for purposes of presenting the funded percentage.*

Solvency Test
(in millions)

Fiscal Year Ended	Aggregate Accrued Liabilities* for: Active Member Accumulated Contributions	Current Retired Members and Beneficiaries	Service Rendered by Active Members (Employer-Financed Portion)	Actuarial Value of Assets	Percentage of Aggregate Accrued Liabilities Covered by Actuarial Value of Assets		
	(A)	(B)	(C)	(D)	(A)	(B)	(C)
2006	$3,360.7	$42,983.4	$30,008.9	$78,335.8	100.0%	100.0%	106.6%
2007	3,623.1	45,320.0	30,594.1	82,858.9	100.0%	100.0%	110.9%
2008	3,850 3	47,515.4	31,411.8	88,254.7	100.0%	100.0%	117.4%
2009	3,665.9	49,091.3	33,304.8	88,805.5	100.0%	100.0%	108 2%
2010	4,016.4	50,546.3	33,756.1	88,544.4	100.0%	100.0%	100 7%
2011	4,111 2	54,635.2	31,078.5	86,892 2	100.0%	100.0%	90.6%

**NYSTRS is funded in accordance with the Aggregate Cost Method. The accrued liabilities in this chart are calculated in accordance with the Entry Age Normal Cost Method for purposes of disclosing the funded ratio.*

Analysis of Financial Experience

The table below shows, for each potentially significant experience source, the effect on the employer contribution rate due to the difference between actual experience and that predicted by the actuarial assumptions.

Experience Source	Change in the Employer Contribution Rate During Fiscal Year Ended June 30, 2011
Revised Actuarial Assumptions:	-2.14%
Salary/Service:	-0.52
Net Investment Loss:	+3.07
New Entrants:	-0.02
Withdrawal:	+0.12
Mortality:	+0.04
Retirement:	-0.05
Pension Payments:	+0.29
Cost-of-Living Adjustment:	-0.06
Total Change in Employer Contribution Rate	**+0.73%**

History of Member Payroll and the Employer Contribution Rate

Fiscal Year Ended	Active Members	Annual Member Payroll (in millions)	Percent Increase In Annual Member Payroll	Average Full-Time Member Salary	Employer Contribution Rate (Percent of Payroll)
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	12,518.0	2.9	62,549	7.97
2007	270,045	13,083.0	4.5	64,651	8.60
2008	274,901	13,690.1	4.6	66,488	8.73
2009	280,338	14,366.4	4.9	68,737	7.63
2010	285,774	14,792.1	3.0	71,225	6.19
2011	280,435	14,732.9	-0.4	72,947	8.62
2012	277,273	14,640.8	-0.6	N/A	11.11

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 Ended	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
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
2007	7,291	3,522	346,344,571	77,056,365	133,356	4,779,637,995	5.97	35,841
2008	6,711	3,361	330,202,139	76,893,575	136,706	5,032,946,559	5 30	36,816
2009	6,047	3,456	308,528,053	85,339,178	139,297	5,256,135,434	4.43	37,733
2010	5,879	3,460	287,886,459	88,868,015	141,716	5,455,153,878	3 79	38,494
2011	8,873	3,746	469,318,353	97,889,187	146,843	5,826,583,044	6.81	39,679
2012	6,463	3,494	319,324,379	96,522,713	149,812	6,049,384,710	3.82	40,380

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

Independent Actuarial Review

KPMG LLP
345 Park Avenue
New York, NY 10154

Telephone 212 758 9700
Fax 212 758 9819
Internet www.us.kpmg.com

October 15, 2012

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, 2010 and the resultant employer contribution rate of 11.11% applied to the payroll for the fiscal year ended June 30, 2012.

- A review of the methodology used to estimate the payroll as of June 30, 2012, and the employer and employee contributions receivable as of June 30, 2012.

- A review of the System's Experience Studies as of June 30, 2010 and 2011, 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, 2012, 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 Standards 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

The objective of the statistical section is to provide financial statement users with historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the economic condition of NYSTRS.

2012 Demographic & Economic Information

The schedules on pages 89-101 are intended to assist users in understanding the environment within which NYSTRS operates and to provide information that facilitates comparisons of financial statement information over time and among similar entities. The demographic and economic information schedules presented are:

Page

2012 Financial Trends Information

The schedules on pages 102-106 are intended to assist users in understanding and assessing how the financial position of NYSTRS has changed over time. The financial trend schedules presented are:

Page

2012 Operating Information

The schedules on pages 107-118 are intended to provide contextual information about the operations and resources of NYSTRS to assist readers in using financial statement information. The operating information schedules presented are:

Page

Active Members:

	Male	Female	Total
June 30, 2011	66,797	213,638	**280,435**
Changes During Year:			
Added	2,293	6,828	**9,121**
Withdrawn	1,507	4,558	**6,065**
Retired	1,358	4,675	**6,033**
Died	69	116	**185**
June 30, 2012	66,156	211,117	**277,273**

Members Retired for:

	Service*			Disability			Total		
	Male	Female	Total	Male	Female	Total	**Male**	**Female**	**Total**
June 30, 2011	50,092	89,481	139,573	520	1,540	2,060	**50,612**	**91,021**	**141,633**
Changes During Year:									
Retired	1,332	4,583	5,915	26	92	118	**1,358**	**4,675**	**6,033**
Died	1,213	1,756	2,969	29	74	103	**1,242**	**1,830**	**3,072**
Lump Sum	34	122	156	0	0	0	**34**	**122**	**156**
Restored to Active Membership	0	0	0	0	0	0	**0**	**0**	**0**
June 30, 2012	50,177	92,186	142,363	517	1,558	2,075**	**50,694**	**93,744**	**144,438**

Beneficiaries of Deceased:

	Service Annuitants			Disability Annuitants			Active Members			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	**Male**	**Female**	**Total**
June 30, 2011	1,027	3,746	4,773	84	166	250	30	157	187	**1,141**	**4,069**	**5,210**
Changes During Year:												
Added	100	319	419	5	6	11	0	0	0	**105**	**325**	**430**
Died	70	178	248	2	7	9	0	9	9	**72**	**194**	**266**
June 30, 2012	1,057	3,887	4,944	87	165	252	30	148	178	**1,174**	**4,200**	**5,374**

Summary:

	Male	Female	Total
Active Members	66,156	211,117	**277,273**
Retired Members	50,694	93,744	**144,438**
Beneficiaries	1,174	4,200	**5,374**
Total	118,024	309,061	**427,085**

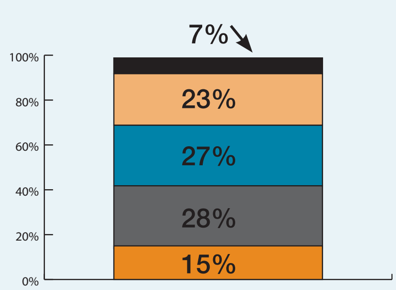
**Also includes vested retirees.*
***Includes 39 males and 43 females retired for disability who receive a service benefit.*

Distribution of Active Members by Age and Years of Service* - *as of June 30, 2011*

Age		Years of Service 0-5	6-10	11-15	16-20	21-25
20-24	**Number of Members**	**8,341**	**0**	**0**	**0**	**0**
	Average Salary	*$37,317*	*$0*	*$0*	*$0*	*$0*
25-29	**Number of Members**	**29,850**	**2,524**	**0**	**0**	**0**
	Average Salary	*$48,690*	*$61,000*	*$0*	*$0*	*$0*
30-34	**Number of Members**	**19,168**	**18,745**	**2,768**	**1**	**0**
	Average Salary	*$53,276*	*$66,098*	*$74,304*	*$88,405*	*$0*
35-39	**Number of Members**	**10,490**	**11,963**	**14,980**	**1,023**	**0**
	Average Salary	*$51,693*	*$68,567*	*$78,418*	*$83,924*	*$0*
40-44	**Number of Members**	**9,508**	**8,516**	**11,820**	**9,108**	**967**
	Average Salary	*$48,054*	*$65,275*	*$79,150*	*$86,714*	*$88,373*
45-49	**Number of Members**	**8,333**	**6,690**	**6,589**	**5,722**	**7,240**
	Average Salary	*$42,962*	*$58,002*	*$73,056*	*$86,363*	*$91,533*
50-54	**Number of Members**	**6,732**	**5,894**	**6,094**	**4,202**	**5,332**
	Average Salary	*$42,202*	*$54,432*	*$66,455*	*$79,353*	*$90,918*
55-59	**Number of Members**	**4,236**	**3,648**	**4,751**	**4,303**	**4,574**
	Average Salary	*$43,927*	*$54,976*	*$67,547*	*$76,798*	*$87,008*
60-64	**Number of Members**	**2,261**	**1,568**	**2,063**	**2,408**	**3,298**
	Average Salary	*$50,398*	*$56,218*	*$65,673*	*$76,818*	*$86,689*
65-69	**Number of Members**	**766**	**357**	**380**	**441**	**511**
	Average Salary	*$48,011*	*$59,341*	*$61,840*	*$80,426*	*$81,402*
70+	**Number of Members**	**337**	**102**	**100**	**98**	**93**
	Average Salary	*$29,720*	*$40,548*	*$51,238*	*$66,618*	*$73,387*
Total	**Number of Members**	**100,022**	**60,007**	**49,545**	**27,306**	**22,015**
	Average Salary	*$48,493*	*$63,531*	*$74,686*	*$82,888*	*$89,278*

**Average salary data is for the 192,936 members who earned a full year of service. The average salary for all active members, full-time and part-time, is $63,063.*

Distribution of Active Members by Age - *as of June 30, 2011*



60+ Years of Age	7%
50-59 Years of Age	23%
40-49 Years of Age	27%
30-39 Years of Age	28%
20-29 Years of Age	15%

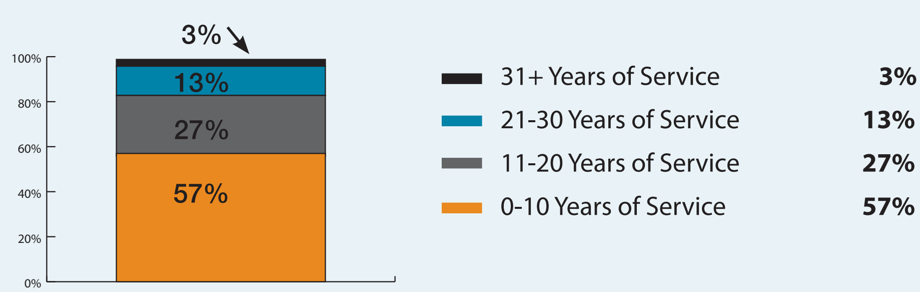
Averages
- as of June 30, 2011

Gender	Age	Years of Service
Female	43	10
Male	42	11

Distribution of Active Members by Age and Years of Service* - *as of June 30, 2011 (continued)*

Years of Service						
26-30	31-35	36-40	41-45	46-50	51+	Total
0	0	0	0	0	0	8,341
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$37,317*
0	0	0	0	0	0	32,374
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$50,512*
0	0	0	0	0	0	40,682
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$63,510*
0	0	0	0	0	0	38,456
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$72,224*
0	0	0	0	0	0	39,919
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$75,879*
1,028	0	0	0	0	0	35,602
$92,689	*$0*	*$0*	*$0*	*$0*	*$0*	*$76,093*
5,563	918	1	0	0	0	34,736
$96,291	*$98,789*	*$118,524*	*$0*	*$0*	*$0*	*$77,007*
3,952	3,688	454	1	0	0	29,607
$97,766	*$103,168*	*$111,613*	*$169,500*	*$0*	*$0*	*$81,884*
2,125	1,207	1,159	171	0	0	16,260
$97,469	*$106,192*	*$113,590*	*$121,791*	*$0*	*$0*	*$85,469*
437	229	143	167	19	0	3,450
$92,341	*$106,664*	*$115,021*	*$119,540*	*$130,291*	*$0*	*$84,910*
79	58	50	32	36	23	1,008
$80,399	*$85,149*	*$99,191*	*$108,258*	*$115,474*	*$120,646*	*$75,735*
13,184	**6,100**	**1,807**	**371**	**55**	**23**	**280,435**
$96,419	*$103,071*	*$112,810*	*$119,771*	*$120,592*	*$120,646*	*$72,947*

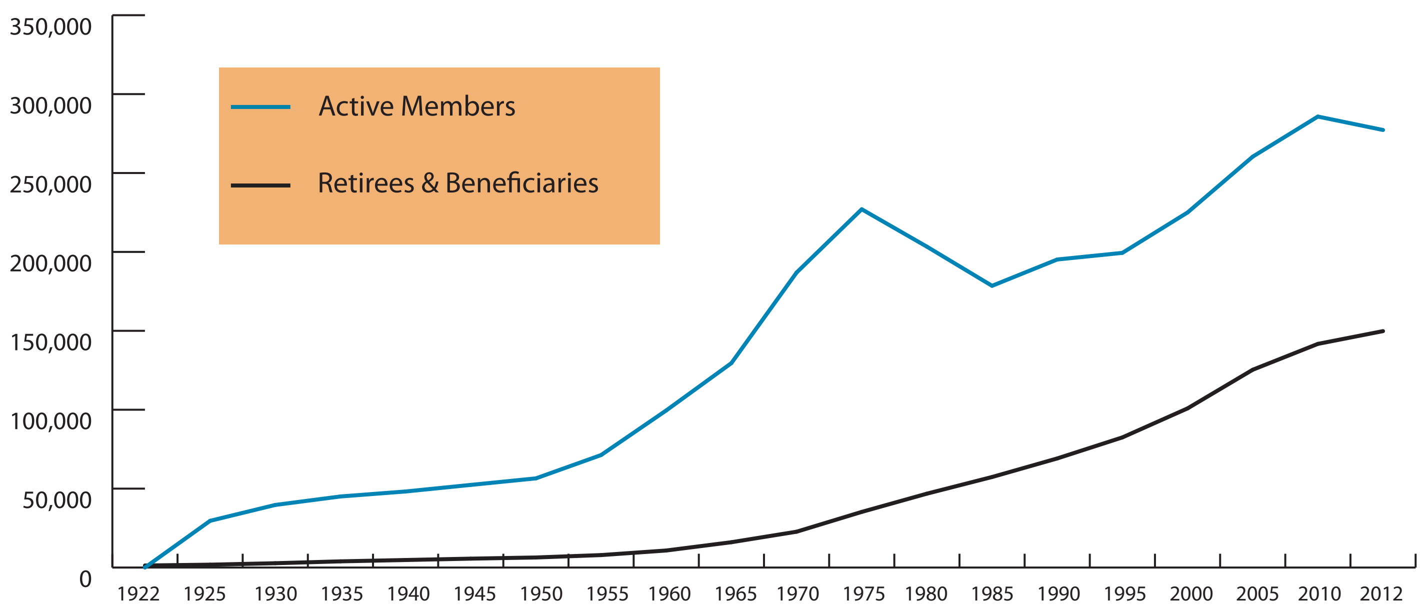
Distribution of Active Members by Service - *as of June 30, 2011*



Active Members and Annuitants 1922-2012

As of June 30	Active Members	Retirees & Beneficiaries	As of June 30	Active Members	Retirees & Beneficiaries
1922	-	1,296	1970	186,914	22,700
1925	29,057	1,815	1975	227,038	35,252
1930	39,663	2,732	1980	203,330	46,812
1935	45,031	3,919	1985	178,516	57,366
1940	48,193	4,771	1990	195,194	69,127
1945	52,359	5,637	1995	199,398	82,459
1950	56,504	6,374	2000	224,986	100,839
1955	71,273	7,897	2005	260,356	125,325
1960	99,555	10,796	2010	285,774	141,716
1965	129,543	16,043	2012	277,273	149,812

See related graph below



Number of Active Members by Tier

As of June 30	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Total
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
2007	10,838	10,178	17,743	231,286	--	--	270,045
2008	8,630	8,171	17,007	241,093	--	--	274,901
2009	6,943	6,752	16,111	250,532	--	--	280,338
2010	5,582	5,706	14,942	255,966	3,578	--	285,774
2011	3,814	4,137	12,690	247,530	12,264	--	280,435
2012	2,756	3,253	11,180	239,199	19,969	916	277,273

Members Retired in 2011-2012 for:

	Service*	Disability
Number Retired	**5,915**	**118**
Age at Retirement:		
Average	60 yrs., 9 mos.	51 yrs., 0 mos.
Median	60 yrs., 8 mos.	51 yrs., 9 mos.
Years of Service:		
Average	26 yrs., 3 mos.	18 yrs., 0 mos.
Median	28 yrs., 0 mos.	16 yrs., 8 mos.
**Benefit:		
Average	$45,759	$24,992
Median	$46,699	$23,716
Final Average Salary (FAS):		
Average	$82,461	$69,753
Median	$81,999	$67,448
***Benefit as % of FAS:		
Average	49.77%	35.05%
Median	55.33%	33.33%

Members Retired in 2011-2012 for Service* With:

	Less Than 20 Years N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**1,357**	**3,491**	**1,067**
Age at Retirement:			
Average	60 yrs., 10 mos.	60 yrs., 5 mos.	61 yrs., 7 mos.
Median	60 yrs., 7 mos.	60 yrs., 7 mos.	61 yrs., 0 mos.
Years of Service:			
Average	12 yrs., 0 mos.	28 yrs., 0 mos.	39 yrs., 2 mos.
Median	12 yrs., 0 mos.	29 yrs., 2 mos.	39 yrs., 0 mos.
**Benefit:			
Average	$8,939	$48,637	$83,168
Median	$6,408	$48,678	$78,968
Final Average Salary (FAS):			
Average	$47,932	$87,970	$108,349
Median	$41,891	$86,138	$101,960
***Benefit as % of FAS:			
Average	17.45%	54.16%	76.51%
Median	16.96%	58.00%	78.00%

**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, 2012 Retired for:

	Service*	Disability
Number Retired	**142,445**	**1,993**
Age at Retirement:		
Average	58 yrs., 4 mos.	49 yrs., 6 mos.
Median	57 yrs., 2 mos.	50 yrs., 3 mos.
Years of Service:		
Average	28 yrs., 4 mos.	18 yrs., 8 mos.
Median	30 yrs., 6 mos.	18 yrs., 4 mos.
**Benefit:		
Average	$38,902	$18,419
Median	$38,634	$16,734
Final Average Salary (FAS):		
Average	$64,944	$49,829
Median	$64,666	$48,664
***Benefit as % of FAS:		
Average	55.28%	36.08%
Median	60.89%	33.33%

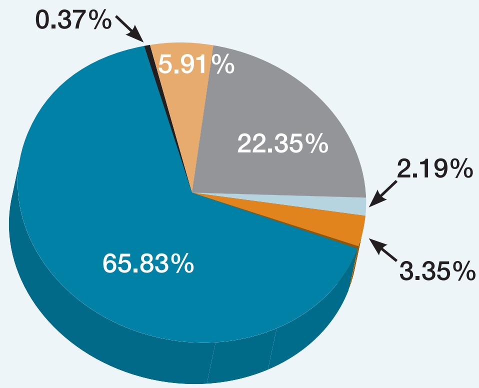
All Retirees as of June 30, 2012 Retired for Service* With:

	Less Than 20 Years N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**23,340**	**84,206**	**34,899**
Age at Retirement:			
Average	58 yrs., 7 mos.	58 yrs., 1 mo.	58 yrs., 9 mos.
Median	56 yrs., 10 mos.	56 yrs., 9 mos.	58 yrs., 2 mos.
Years of Service:			
Average	14 yrs., 1 mo.	28 yrs., 7 mos.	37 yrs., 4 mos.
Median	14 yrs., 1 mo.	30 yrs., 0 mos.	36 yrs., 8 mos.
**Benefit:			
Average	$7,621	$37,936	$62,155
Median	$5,766	$37,023	$58,955
Final Average Salary (FAS):			
Average	$34,941	$65,546	$83,556
Median	$28,340	$64,360	$79,935
***Benefit as % of FAS:			
Average	21.47%	56.83%	74.16%
Median	20.09%	59.56%	73.56%

**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.*

Retirement Benefit Options and Percent of Election

2008-2012 Retirees



Maximum	**65.83%**
Annuity/Declining Reserve	**0.37%**
Survivor	**5.91%**
Pop-Up	**22.35%**
Guarantee	**2.19%**
Alternative	**3.35%**

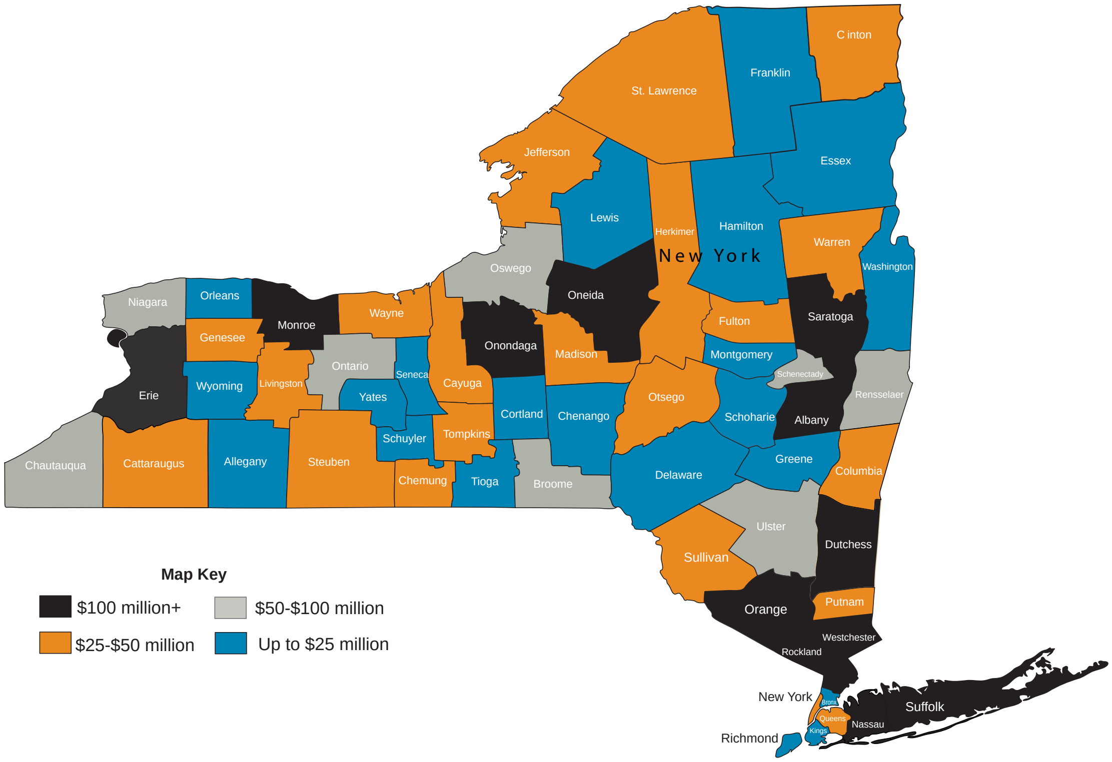
Retired Members' Characteristics*

By Year of Retirement

Retired in Fiscal Year Ended	Number of Retired Members	Average Age at Retirement (yrs. - mos.)	Average Service at Retirement (yrs. - mos.)	Average Final Average Salary	Average Maximum Annual Benefit
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
2007	6,900	58-7	28-1	74,185	44,204
2008	6,330	58-11	27-8	77,066	45,779
2009	5,644	59-6	27-7	78,050	46,061
2010	5,501	60-0	27-5	79,615	46,489
2011	8,423	60-3	28-7	85,010	51,200
2012	6,033	60-9	26-3	82,461	45,759

**Averages are for service and vested retirees.*

Distribution of Benefits Paid by County* - *as of June 30, 2012*



County	Retired Members and Beneficiaries	Annual Benefit Paid	County	Retired Members and Beneficiaries	Annual Benefit Paid	County	Retired Members and Beneficiaries	Annual Benefit Paid
Albany	2,749	$102,379,024	Jefferson	1,185	$40,171,546	St. Lawrence	1,515	$49,970,260
Allegany	601	$18,678,037	Kings	193	$7,789,784	Saratoga	2,965	$114,504,177
Bronx	218	$10,105,185	Lewis	308	$10,208,438	Schenectady	1,615	$59,005,849
Broome	2,151	$74,625,787	Livingston	826	$29,773,057	Schoharie	377	$13,026,180
Cattaraugus	879	$31,155,333	Madison	880	$30,793,197	Schuyler	242	$7,034,379
Cayuga	906	$31,182,256	Monroe	7,630	$292,112,470	Seneca	394	$13,024,379
Chautauqua	1,821	$65,929,797	Montgomery	534	$18,297,011	Steuben	1,283	$43,207,989
Chemung	990	$33,240,602	Nassau	8,634	$434,024,041	Suffolk	15,564	$838,662,688
Chenango	614	$19,079,795	New York	1,171	$49,369,831	Sullivan	696	$27,817,836
Clinton	1,090	$37,934,432	Niagara	2,175	$87,672,465	Tioga	519	$18,047,401
Columbia	706	$25,836,867	Oneida	2,889	$101,170,277	Tompkins	892	$27,358,527
Cortland	648	$21,420,992	Onondaga	5,669	$199,203,578	Ulster	2,235	$91,843,736
Delaware	548	$17,606,430	Ontario	1,604	$58,486,479	Warren	1,231	$44,888,827
Dutchess	2,805	$118,749,265	Orange	2,819	$122,453,016	Washington	696	$23,783,505
Erie	9,827	$401,814,220	Orleans	427	$16,568,728	Wayne	1,148	$40,549,328
Essex	570	$18,091,201	Oswego	1,464	$50,374,474	Westchester	5,916	$291,214,035
Franklin	626	$21,098,111	Otsego	1,041	$32,603,402	Wyoming	456	$16,171,478
Fulton	739	$26,353,661	Putnam	829	$40,946,446	Yates	426	$14,211,900
Genesee	719	$26,694,840	Queens	823	$38,972,343			
Greene	443	$15,622,087	Rensselaer	1,434	$53,400,029	Out of State	36,157	$1,135,387,789
Hamilton	145	$4,898,910	Richmond	40	$1,693,156			
Herkimer	946	$30,118,224	Rockland	2,169	$102,039,783	Grand Total	149,812	$5,840,448,870

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

Distribution of Retired Members and Beneficiaries by Tier - *as of June 30, 2012*

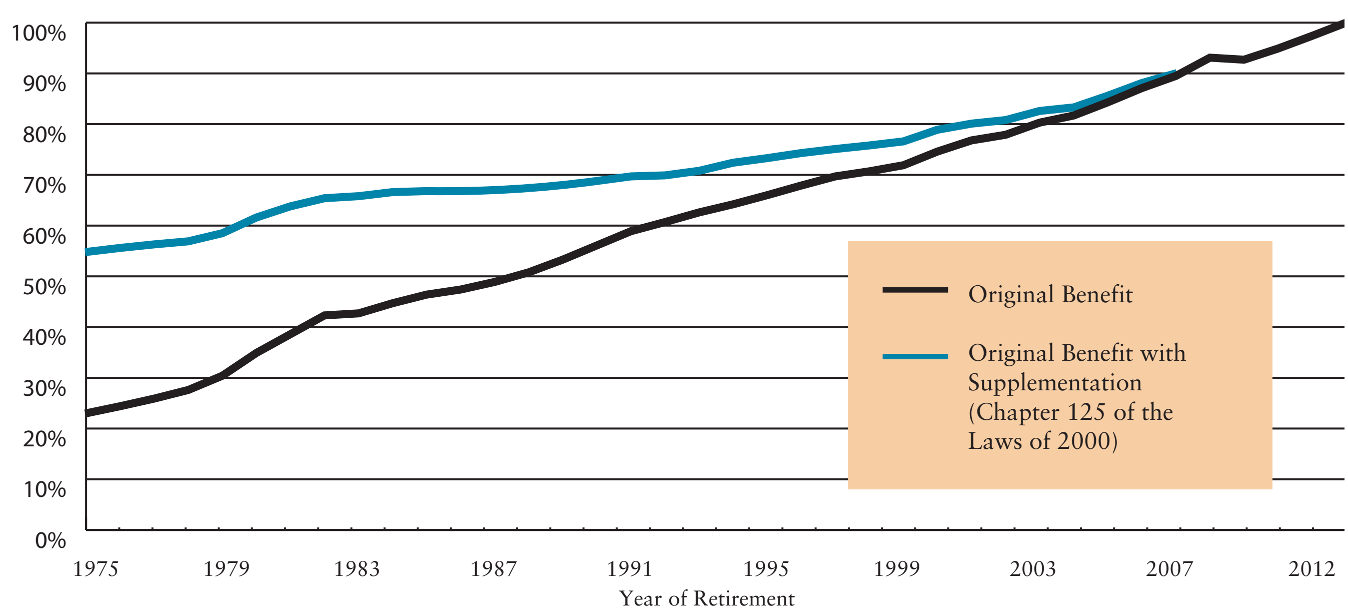
	Tier 1	Tier 2	Tier 3		Tier 4	Total
Members Retired for:						
Service*	103,110	14,963	11,135	(254)**	13,155	142,363
Disability	900	205	280	(35)**	690	2,075
Beneficiaries of Deceased:						
Service Annuitants	4,526	181	130	(3)**	107	4,944
Disability Annuitants	177	25	23	(4)**	27	252
Active Members	175	2	1	(0)**	0	178
Total	108,888	15,376	11,569	(296)**	13,979	149,812

**Also includes vested retirees.*

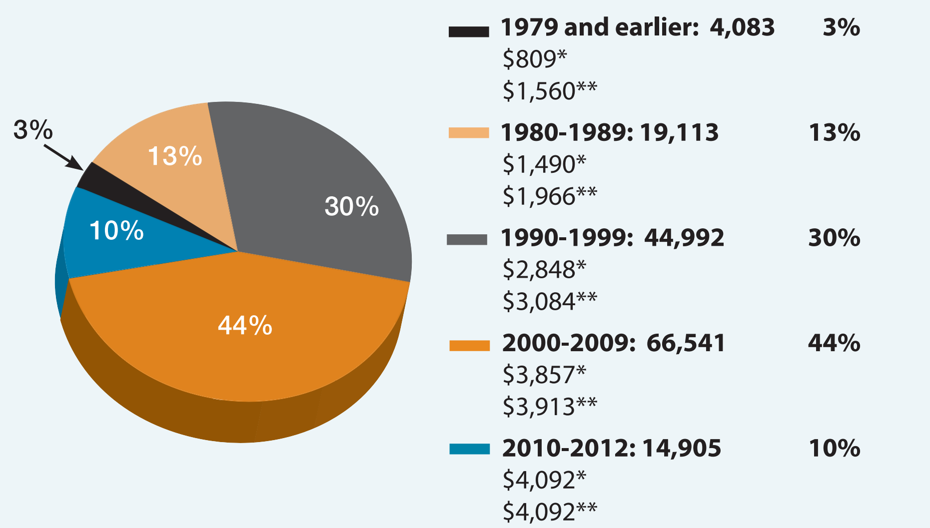
***Those receiving an Article 14 (Tier 3) benefit. The remainder are receiving an Article 15 (Tier 4) benefit. Tier 3 members receive the better of the two benefits.*

Retired Members — Remaining Purchasing Power Through 2012

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 2012 in accordance with Chapter 125 of the Laws of 2000.

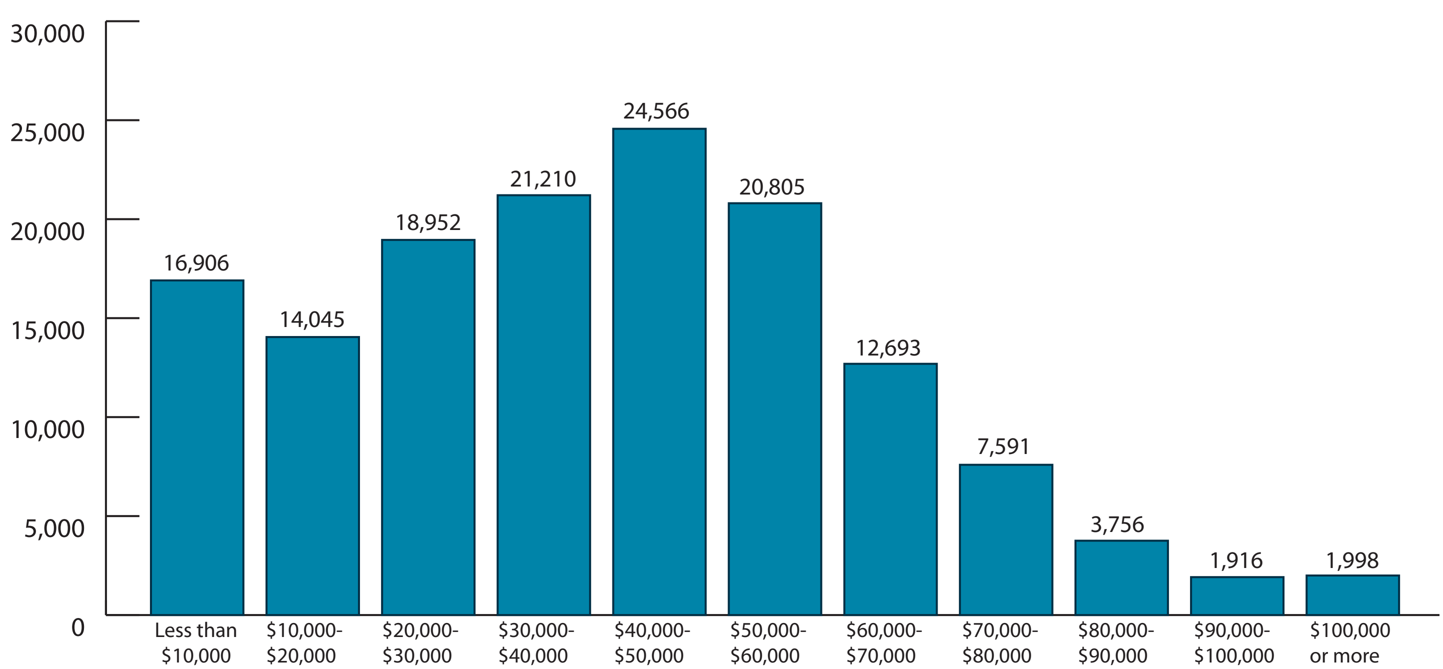


Retired Members and Beneficiaries with Monthly Benefits By Decade of Retirement - *as of June 30, 2012*



**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 - *as of June 30, 2012*



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

Distribution of Monthly COLA Increase Commencing September 2012

Monthly COLA Increase	Number of Retired Members and Beneficiaries
$21.00	92,153
$18.00 - $20.99	3,016
$15.00 - $17.99	2,762
$12.00 - $14.99	2,689
$9.00 - $11.99	6,893
$6.00 - $8.99	3,622
$3.00 - $5.99	5,159
$0.01 - $2.99	2,123
$0 (currently ineligible)	31,395
Total	**149,812**

Commencing September	Year Ended March 31 CPI Percentage Change	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
2007	2 78%	1.4%	$18,000	$21.00	$147.00	$18.29	$125.67
2008	3.98%	2.0%	$18,000	$30.00	$177.00	$26.24	$151.91
2009	-0 38%	1.0%	$18,000	$15.00	$192.00	$13.17	$165.08
2010	2 31%	1.2%	$18,000	$18.00	$210.00	$15.86	$180.94
2011	2.68%	1.4%	$18,000	$21.00	$231.00	$18.55	$199.49
2012	2.65%	1.4%	$18,000	$21.00	$252.00	$18.59	$218.08

Distribution of Cumulative Monthly COLA Commencing September 2012

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
$252.00	34,075
$216.00 - $251.99	7,244
$180.00 - $215.99	11,837
$144.00 - $179.99	12,920
$108.00 - $143.99	11,401
$72.00 - $107.99	17,081
$36.00 - $71.99	17,204
$0.01 - $35.99	6,655
$0 (currently ineligible)	31,395
Total	**149,812**

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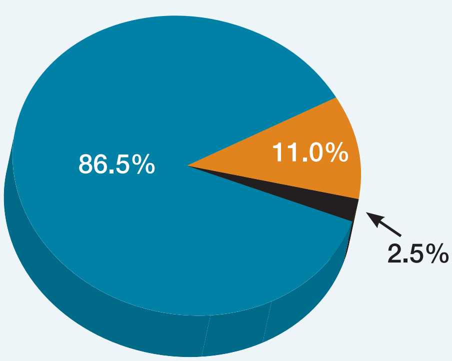
Changes in Plan Net Assets
Last Ten Fiscal Years
(dollars in thousands)

Additions:	**2003**	**2004**	**2005**	**2006**
Net investment income (loss)	$2,640,564	$11,360,077	$7,951,926	$9,893,833
Employer contributions	220,081	306,782	695,735	997,032
Member contributions	147,047	155,916	158,354	161,738
Transfers in/out (net)	12,716	38,277	17,155	15,807
Total additions (reductions) to plan net assets	3,020,408	11,861,052	8,823,170	11,068,410
Deductions: (See Benefits and Return of Contributions by Type on page 104-105)				
Benefit payments	3,611,592	3,920,645	4,138,122	4,426,416
Return of contributions	23,541	16,744	12,466	15,600
Administrative expenses	34,943	38,937	40,309	42,668
Total deductions from plan net assets	3,670,076	3,976,326	4,190,897	4,484,684
Change in net assets	$ (649,668)	$7,884,726	$4,632,273	$6,583,726

Changes in Plan Net Assets *(continued)*
Last Ten Fiscal Years
(dollars in thousands)

2007	2008	2009	2010	2011	2012
$16,863,349	$(5,531,807)	$ (19,363,140)	$8,702,215	$17,250,415	$2,375,262
1,104,010	1,188,140	1,096,117	925,506	1,389,415	1,628,491
168,462	177,959	181,723	139,369	154,327	138,583
7,260	2,349	5,665	6,037	2,144	4,188
18,143,081	(4,163,359)	(18,079,635)	9,773,127	18,796,301	4,146,524
4,661,665	4,908,446	5,151,463	5,333,788	5,681,007	5,907,795
16,819	22,792	17,080	17,071	20,348	19,732
43,893	49,016	49,401	49,088	50,159	52,457
4,722,377	4,980,254	5,217,944	5,399,947	5,751,514	5,979,984
$13,420,704	$(9,143,613)	$(23,297,579)	$4,373,180	$13,044,787	$(1,833,460)

Breakdown of Income Sources
Fiscal Years Ended 1993-2012



Investment Income	**86.5%**
Employer Contributions	**11.0%**
Member Contributions	**2.5%**

Benefits and Return of Contributions by Type

Last Ten Fiscal Years

(dollars in thousands)

Type of Benefit	2003	2004	2005	2006
Age and service benefits:				
Retirees	$3,511,562	$3,836,904	$4,054,051	$4,335,475
Survivors	51,242	33,046	31,787	37,232
Death in service benefits	20,894	21,491	21,039	17,321
Disability benefits:				
Ordinary	27,665	28,956	31,015	36,079
Accidental	229	248	230	309
Total benefit payments	$3,611,592	$3,920,645	$4,138,122	$4,426,416
Type of Return of Contributions				
Death	$ 1,123	$ 1,447	$ 1,742	$1,394
Separation from service	22,418	15,297	10,724	14,206
Total return of contributions	$ 23,541	$ 16,744	$ 12,466	$15,600

Benefits and Return of Contributions by Type *(continued)*
Last Ten Fiscal Years
(dollars in thousands)

2007	2008	2009	2010	2011	2012
$4,579,829	$4,817,594	$5,045,738	$5,237,032	$5,593,968	$5,811,739
26,964	30,500	27,674	38,516	28,237	29,153
17,033	21,382	38,119	20,244	22,852	29,266
37,544	38,671	39,565	37,628	35,667	37,350
295	299	367	368	283	287
$4,661,665	$4,908,446	$5,151,463	$5,333,788	$5,681,007	$5,907,795
$ 1,609	$ 1,735	$ 1,905	$ 2,287	$ 2,240	$2,393
15,210	21,057	15,175	14,784	18,108	17,339
$ 16,819	$ 22,792	$ 17,080	$ 17,071	$ 20,348	$19,732

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Average Benefit Payments — July 1, 2002-June 30, 2012

	Years of Credited Service							
Retirement Effective Dates	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30-35**	**35+**
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
Period 7/1/2006 to 6/30/2007								
Average monthly benefit	$118	$257	$558	$1,264	$2,222	$3,336	$4,629	$5,831
Average final average salary	$24,409	$28,422	$37,416	$52,612	$65,663	$76,566	$84,377	$94,039
Number of retired members	65	415	537	491	722	831	2,152	1,687
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	$136	$264	$559	$1,326	$2,358	$3,587	$4,767	$6,064
Average final average salary	$25,781	$30,873	$38,528	$55,668	$69,848	$81,072	$87,087	$97,266
Number of retired members	67	397	529	422	721	761	1,753	1,680
Period 7/1/2008 to 6/30/2009								
Average monthly benefit	$153	$255	$654	$1,343	$2,427	$3,632	$4,780	$6,169
Average final average salary	$25,513	$29,713	$42,093	$56,606	$71,239	$81,388	$88,817	$98,228
Number of retired members	38	369	455	359	739	717	1,505	1,462
Period 7/1/2009 to 6/30/2010								
Average monthly benefit	$146	$298	$736	$1,419	$2,405	$3,839	$4,779	$6,361
Average final average salary	$29,089	$32,606	$46,779	$58,769	$69,544	$85,340	$90,489	$100,436
Number of retired members	46	377	438	360	770	752	1,351	1,407
Period 7/1/2010 to 6/30/2011								
Average monthly benefit	$166	$301	$710	$1,386	$2,571	$3,924	$5,017	$6,877
Average final average salary	$38,073	$33,593	$44,505	$58,067	$72,641	$86,710	$94,654	$106,004
Number of retired members	38	403	507	431	1,128	1,705	2,103	2,108
Period 7/1/2011 to 6/30/2012								
Average monthly benefit	$196	$371	$818	$1,402	$2,748	$3,807	$5,142	$6,992
Average final average salary	$43,570	$39,131	$50,185	$59,356	$77,772	$85,469	$96,934	$108,825
Number of retired members	44	431	571	444	1,079	840	1,604	1,020

Retired Members by Type of Benefit - *as of June 30, 2012*

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6
$1 - $500	13,240	8,554	4,035	189	297	27	138
$501 - $1,000	12,575	8,075	3,294	474	631	82	19
$1,001 - $1,500	11,697	8,488	1,864	462	809	65	9
$1,501 - $2,000	11,211	8,546	1,634	367	631	29	4
$2,001 - $2,500	11,341	9,288	1,271	278	477	24	3
$2,501 - $3,000	11,619	9,990	1,028	151	437	9	4
$3,001 - $3,500	12,939	11,725	730	79	397	7	1
$3,501 - $4,000	14,265	13,385	486	37	355	2	0
$4,001 - $4,500	13,652	13,021	307	24	295	5	0
$4,501 - $5,000	10,740	10,339	188	7	205	1	0
over $5,000	26,533	25,856	259	7	410	1	0
Total	**149,812**	**127,267**	**15,096**	**2,075**	**4,944**	**252**	**178**

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 2-5: retirement at age less than 62 and service less than 30 years.*
Tier 6: retirement at age less than 63.

Retired Members by Type of Benefit - *as of June 30, 2012* (continued)

Option Selected					
1	2	3	4	5	6
9,831	724	948	660	850	227
8,447	954	1,535	645	843	151
7,782	985	1,623	560	624	123
7,800	938	1,519	446	380	128
8,083	880	1,573	393	283	129
8,157	962	1,774	346	230	150
9,037	1,063	2,150	343	140	206
9,809	1,085	2,651	345	145	230
9,171	1,048	2,754	299	122	258
7,002	917	2,290	222	77	232
16,187	2,480	6,298	524	158	886
101,306	**12,036**	**25,115**	**4,783**	**3,852**	**2,720**

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

Principal Participating Employers
Current Year and Nine Years Ago

Participating Employer	2012 Covered Employees	Rank	Percentage of Total System**
Buffalo Public Schools	4,586	1	1.65%
Rochester City School District	3,943	2	1.42%
Syracuse City School District	2,827	3	1.02%
Yonkers Public Schools	2,086	4	0.75%
Brentwood Union Free Schools	1,759	5	0.63%
Sachem Central Schools	1,508	6	0.54%
Greece Central Schools	1,493	7	0.54%
Newburgh City School District	1,368	8	0.49%
Clarkstown Central Schools	1,238	9	0.45%
Wappingers Central Schools	1,221	10	0.44%
All Other*	255,244		92.06%
Total	**277,273**		**100.00%**

*In 2012, "All Other" consisted of:

Type	Number	Covered Employees
Public School Districts	672	233,065
BOCES	37	14,458
SUNY	31	2,208
Community Colleges	30	3,181
Charter Schools	24	1,212
Special Act Districts	12	758
Other	9	362
Total "All Other"	815	255,244
Top 10 Participating Employers	10	22,029
Total	**825**	**277,273**

***Percentages may not sum to 100% due to rounding.*

Principal Participating Employers *(continued)*
Current Year and Nine Years Ago

	2003		
Participating Employer	Covered Employees	Rank	Percentage of Total System**
Buffalo Public Schools	5,090	1	2.06%
Rochester City School District	4,340	2	1.76%
Syracuse City School District	3,642	3	1.47%
Yonkers Public Schools	2,586	4	1.05%
Nassau BOCES	2,465	5	1.00%
Brentwood Union Free Schools	1,878	6	0.76%
Eastern Suffolk 1 BOCES	1,833	7	0.74%
Sachem Central Schools	1,758	8	0.71%
Greece Central Schools	1,698	9	0.69%
Broome-Delaware-Tioga BOCES	1,566	10	0.63%
All Other	220,391		89.14%
Total	**247,247**		**100.00%**

***Percentages may not sum to 100% due to rounding.*

Participating Employers

Abbott UFS
Addison CS
Adirondack CS
Adirondack CC
Afton CS
Akron CS
Albany City SD
Albany-Schoharie-Schenectady-Saratoga BOCES
Albion CS
Alden CS
Alexander CS
Alexandria CS
Alfred-Almond CS
Allegany-Limestone CS
Aloma D. Johnson Fruit Belt Community Charter School
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 Community 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 UFS
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 UFS
Broome CC
Broome-Delaware-Tioga BOCES
Brushton-Moira CS
Buffalo PS
Buffalo Academy of Science Charter School
Burnt Hills-Ballston Lake CS
Byram Hills at Armonk CS
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-Greenwood 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 CC
Cayuga-Onondaga BOCES
Cazenovia CS
Center Moriches UFS
Central Islip UFS
Central Square CS
Chappaqua CS
Charlotte Valley CS
Charter School of Educational Excellence
Chateaugay CS
Chatham CS
Chautauqua Lake CS
Chazy UFS
Cheektowaga CS
Cheektowaga-Maryvale UFS

Participating Employers *(continued)*

Cheektowaga-Sloan UFS
Chenango Forks CS
Chenango Valley CS
Cherry Valley-Springfield CS
Chester UFS
Child Development Center Hamptons Charter School
Chittenango CS
Churchville-Chili CS
Cincinnatus CS
Clarence CS
Clarkstown CS
Cleveland Hill at Cheektowaga UFS
Clifton-Fine CS
Clinton CS
Clinton CC
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 CC
Commack UFS
Community Charter School
Connetquot CS
Cooperstown CS
Copenhagen CS
Copiague UFS
Corinth CS
Corning CC
Corning-Painted Post PS
Cornwall CS
Cortland City SD
Coxsackie-Athens CS
Croton-Harmon UFS
Crown Point CS
Cuba-Rushford CS
Dalton-Nunda CS
Dansville CS
De Ruyter CS
Deer Park UFS
Delaware-Chenango-Madison-Otsego BOCES
Delhi CS
Depew UFS
Deposit CS
Discovery Charter School
Dobbs Ferry UFS
Dolgeville CS
Dover UFS
Downsville CS
Dryden CS
Duanesburg CS
Dundee CS
Dunkirk PS
Dutchess BOCES
Dutchess CC
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
Eastern Suffolk 1 BOCES
Eastport-South Manor City SD
Eden CS
Edgemont at Greenburgh UFS
Edinburg Common Schools
Edmeston CS
Education Department
Edwards-Knox CS
Elba CS
Eldred CS
Elizabethtown-Lewis CS
Ellenville CS
Ellicottville CS
Elmira City SD
Elmira Heights CS
Elmont UFS
Elmsford UFS
Elmwood Village Charter School
Elwood UFS
Enterprise Charter School
Erie CC
Erie 1 BOCES
Erie 2-Chautauqua-Cattaraugus BOCES
Eugenio Maria De Hostas Charter School
Fabius-Pompey CS
Fairport CS
Falconer CS
Fallsburg CS
Farmingdale UFS
Fashion Institute of Technology
Fayetteville-Manlius CS
Fillmore CS
Finger Lakes CC
Fire Island UFS
Fishers Island UFS
Floral Park-Bellerose UFS
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

Participating Employers *(continued)*

Friendship CS
Frontier CS
Fulton City SD
Fulton-Montgomery CC
Galway CS
Gananda CS
Garden City UFS
Garrison UFS
Gates Chili CS
General Brown CS
Genesee Community Charter School
Genesee CC
Genesee Valley CS
Genesee-Livingston-Steuben-Wyoming BOCES
Geneseo CS
Geneva City SD
George Jr Republic UFS
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 UFS
Greenburgh-Graham UFS
Greenburgh-North Castle UFS
Greene CS
Greenport PS
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 UFS
Hauppauge UFS
Haverstraw-Stony Point CS
Hawthorne-Cedar Knolls UFS
Hempstead PS
Hendrick Hudson CS
Herkimer CS
Herkimer County CC
Herkimer-Fulton-Hamilton-Otsego BOCES
Hermon-Dekalb CS
Herricks UFS
Heuvelton CS
Hewlett-Woodmere UFS
Hicksville PS
Highland CS
Highland Falls-Fort Montgomery CS
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
Hornell City SD
Horseheads CS
Hudson City SD
Hudson Falls CS
Hudson Valley CC
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 CC
Jamesville-Dewitt CS
Jasper-Troupsburg CS
Jefferson CS
Jefferson CC
Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES
Jericho UFS
Johnsburg CS
Johnson City CS
Johnstown PS
Jordan-Elbridge CS
Katonah-Lewisboro UFS
Keene CS
Kendall CS
Kenmore-Town of Tonawanda UFS

Participating Employers *(continued)*

King Center Charter School
Kings Park CS
Kingston City SD
Kiryas Joel Village UFS
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 at Wading River UFS
Liverpool CS
Livingston Manor CS
Livonia CS
Lockport City SD
Locust Valley CS
Long Beach City SD
Long Lake CS
Longwood at Middle Island CS
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
Marathon CS
Marcellus CS
Margaretville CS
Marion CS
Marlboro CS
Massapequa PS
Massena CS
Mattituck-Cutchogue UFS
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 CC
Monroe 1 BOCES
Monroe 2-Orleans BOCES
Monroe CC
Monroe-Woodbury CS
Montauk UFS
Monticello CS
Moravia CS
Moriah CS
Morris CS
Morristown CS
Morrisville-Eaton CS
Mount Markham CS
Mount Morris CS
Mount Pleasant CS
Mount Pleasant-Blythedale UFS
Mount Pleasant Cottage School UFS
Mount Sinai UFS
Mount Vernon PS
Nanuet UFS
Naples CS
Nassau BOCES
Nassau CC
Nassau County Vocational Board
New Hartford CS
New Hyde Park-
Garden City Park UFS
New Lebanon CS
New Paltz CS
New Rochelle City SD
New Roots Charter School
New Suffolk Common Schools
New York Mills UFS
Newark CS
Newark Valley CS
Newburgh City SD
Newcomb CS
Newfane CS
Newfield CS
Niagara Charter School
Niagara County CC
Niagara Falls City SD
Niagara-Wheatfield CS
Niskayuna CS
North Babylon UFS
North Bellmore UFS
North Collins CS
North Colonie CS
North Country CC
North Greenbush Common Schools
North Merrick UFS

Participating Employers *(continued)*

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 UFS
Northville CS
Norwich City SD
Norwood-Norfolk CS
Nyack UFS
NYS School for the Blind
NYS School for the Deaf
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 CC
Onondaga-Cortland-Madison BOCES
Ontario-Seneca-Yates-Cayuga-Wayne BOCES
Onteora CS
Oppenheim-Ephratah CS
Orange County CC
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
Otselic Valley at Georgetown-South Otselic CS
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
Pine Valley at South Dayton CS
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 UFS
Port Jefferson UFS
Port Jervis City SD
Port Washington UFS
Portville CS
Potsdam CS
Poughkeepsie City SD
Prattsburgh 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 Academy Charter School
Rochester City SD
Rockland BOCES
Rockland CC
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

Participating Employers *(continued)*

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 SD
Saugerties CS
Sauquoit Valley CS
Sayville PS
Scarsdale UFS
Schalmont CS
Schenectady City SD
Schenectady County CC
Schenevus CS
Schodack CS
Schoharie CS
Schroon Lake CS
Schuyler-Steuben-Chemung-Tioga-Allegany BOCES
Schuylerville CS
Scio CS
Scotia-Glenville CS
Seaford PS
Seneca Falls CS
Sewanhaka CS
Sharon Springs CS
Shelter Island UFS
Shenendehowa at Clifton Park CS
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 UFS
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
Stillwater CS
Stockbridge CS
Suffolk County Vocational Board
Suffolk County CC
Suffolk 2 BOCES
Sullivan BOCES
Sullivan County CC
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 Administration
SUNY Cobleskill Ag and Tech
SUNY College at Brockport
SUNY College at Buffalo
SUNY College of Ceramics at Alfred
SUNY College at Cortland
SUNY College of Environmental Science and Forestry
SUNY College at Fredonia
SUNY College at Geneseo
SUNY College at New Paltz
SUNY College at Old Westbury
SUNY College at Oneonta
SUNY College of Optometry
SUNY College at Oswego
SUNY College at Plattsburgh
SUNY College at Potsdam
SUNY College at Purchase
SUNY College of Technology
SUNY Delhi Ag & Tech
SUNY Empire State College
SUNY Farmingdale Ag & Tech
SUNY Health Science Center at Brooklyn
SUNY Health Science Center at Brooklyn-Hospital
SUNY Health Science Center at Syracuse
SUNY Health Science Center at Syracuse-Hospital
SUNY Maritime College
SUNY Morrisville Ag & Tech
Susquehanna Valley CS
Sweet Home CS
Syosset CS
Syracuse Academy of Science Charter School
Syracuse City SD
Taconic Hills CS
Tapestry Charter School
Tech Valley Regional Institute
Thousand Islands CS

Participating Employers *(continued)*

Three Village CS
Ticonderoga CS
Tioga CS
Tompkins-Cortland CC
Tompkins-Seneca-Tioga BOCES
Tonawanda City SD
Town of Webb UFS
Tri Valley CS
Troy City SD
Trumansburg CS
Tuckahoe Common Schools
Tuckahoe UFS
Tully CS
Tupper Lake CS
Tuxedo UFS
UFSD of the Tarrytowns
Ulster BOCES
Ulster County CC
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 UFS
Valley Stream #24 UFS
Valley Stream #30 UFS
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
Washington-Saratoga-Warren-Hamilton-Essex BOCES
Washingtonville CS
Waterford-Halfmoon UFS
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 CC
Western New York Maritime Charter School
Westfield CS
Westhampton Beach UFS
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

Key

School Suffix	Abbreviation
Central Schools	CS
Community College	CC
City School District	City SD
Union Free Schools	UFS
Charter School	Charter School
Public Schools	PS
Common Schools	Common Schools

NYSTRS' Public Information Office wishes to acknowledge the following departments for assisting with the preparation of this report:

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