Guiding New York Youth Along the Path to Success

New York State Teachers' Retirement System
2013 Comprehensive Annual
Financial Report

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

VISION: *To be the model for pension fund excellence and exceptional customer service.*

MISSION: *To provide our members with a secure pension.*

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GFOA Award

Government Finance Officers Association

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, 2012

Jeffrey R. Emer

Executive Director/CEO

PPCC Award

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2012

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
Program Administrator

"The good teacher explains. The superior teacher demonstrates. The great teacher inspires."

~ WILLIAM ARTHUR WARD

INTRODUCTION

On average, by the time a New York State public school teacher retires from NYSTRS, he or she has spent 31,350 hours in the classroom.[1]

Introduction

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[1]Based on data from the Organization for Economic Cooperation and Development and NYSTRS.

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R. Michael Kraus, President

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EXECUTIVE DIRECTOR & CHIEF INVESTMENT OFFICER
Thomas K. Lee

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EXECUTIVE STAFF

THOMAS K. LEE
Executive Director &
Chief Investment Officer

BETH M. BONACQUIST
Director of
Human Resources

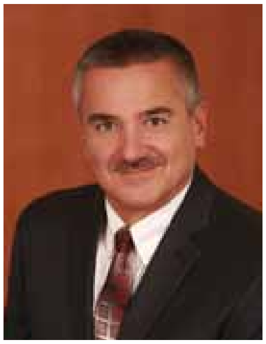
SHEILA O. GARDELLA
Director of
Member Relations

DAVID C. GILLAN
Managing Director
of Real Estate

FREDERICK W. HERRMANN
Managing Director
of Public Equities

JOSEPH J. INDELICATO JR.
General Counsel

KENNETH R. KASPER
Director of
Internal Audit



KEVIN J. SCHAEFER
Managing Director
of Operations

JOHN W. VIRTANEN
Managing Director
of Private Equity

MICHAEL A. WOLFE JR.
Managing Director
of Fixed Income

RICHARD A. YOUNG
Actuary

Letter of Transmittal

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395
(800) 348-7298 or (518) 447-2900
NYSTRS.org

Thomas K. Lee, Executive Director & Chief Investment Officer

October 11, 2013

Trustees of the Retirement System 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, 2013. 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 827 employers — including public school districts, BOCES, institutions of higher education and charter schools that elect to participate. NYSTRS has more than 426,000 active and retired members, including beneficiaries (see accompanying chart).

Membership Figures — as of June 30, 2013

Total Membership:	426,150
Active Members:	273,328
Retired Members:	147,291
Beneficiaries:	5,531
Members Added:	8,078
Members Retired:	6,330

See page 95 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 employee and employer contributions; a disciplined, risk-controlled investment policy; and, relationships with top quartile fund managers are major contributing factors to this stability. As a long-term investor with liabilities often not payable for decades, Board and staff take a prudent and generally conservative approach to asset management.

Letter of Transmittal *(continued)*

Awards

Recognition from various industry organizations further demonstrates the System's commitment to excellence. Honors received within the fiscal year covered by this report 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 2012 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, 2012 through June 30, 2013, 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 57 of the Laws of 2013, Part BB, signed into law March 29, 2013, amended portions of the Education Law that affect contributions made by certain NYSTRS participating employers. This law provided NYSTRS with the ability to offer a seven-year stable contribution option (SCO) to BOCES and public school districts that are participating employers. The NYSTRS Board met April 9, 2013 and voted unanimously to offer employers this option.

Eligible employers who elect to participate will pay a stable contribution rate in lieu of the actuarially required contribution (ARC) for seven years beginning with the 2013-14 fiscal year. After seven years employers resume paying the ARC. Any deficiencies between the ARC and the SCO rate are accumulated with interest and paid back in future years.

Should NYSTRS' funded status fall below 80%, the SCO will terminate and all participating employers will resume paying the ARC, as well as any outstanding deferred contributions plus interest over a period not to exceed five years.

Noteworthy Actions

Board Stability

The System's 10-member Board, which features diverse stakeholder representation, remained stable with a number of members re-elected or re-appointed to their positions. Timothy M. Southerton of Sayville was re-elected by his peers to serve as one of three teacher trustees. New York's Board of Regents re-appointed Board President R. Michael Kraus (insurance executive), Daniel J. Hogarty Jr. (bank executive) and Michael J. Masse (bank executive) to their positions. The Commissioner of Education returned Dr. L. Oliver Robinson to his position as one of two school administrator appointees.

Letter of Transmittal *(continued)*

Executive Staff Changes

Several changes to the executive staff occurred. Joseph J. Indelicato Jr., formerly associate general counsel, was promoted to general counsel following the retirement of Wayne Schneider. John W. Virtanen, previously the managing director of real estate, filled the managing director of private equity vacancy and his long-time deputy, David C. Gillan, was promoted to managing director of real estate. The executive staff team was also expanded to include Kenneth R. Kasper, director of internal audit, and Beth M. Bonacquist, director of human resources.

Expanded Global View

With an eye on controlling risk through increased diversification, investment staff moved forward with plans to grow its global assets. Initial commitments to a new global bonds asset class were funded and the passively managed portion of the System's international equity portfolio now includes increased exposure to emerging markets and Canada. Additionally, new managers were hired to run strategies focused on emerging managers and international equity. Details on these and related allocations are found in the *Report on Investment Activity* (pages 53-59).

Additional Self-Service Tools

The ability to file prior service claims electronically and calculate related costs from home were among the tools added to a burgeoning online self-service area for members. More than 20,000 members used the web-based Pension Estimator and over 5,000 loan applications were filed online. (The direct deposit of loan proceeds was implemented in fall 2013.) Additionally, on-demand member benefit educational modules were added to the Video Vault at NYSTRS.org.

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 and the Appellate Division, Third Department affirmed. The Court of Appeals granted petitioner's motion for leave to appeal.

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 426,000 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 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 independent 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.

Letter of Transmittal *(continued)*

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 2012 to 2013 is attributable to a net increase of 3,010 retirees and beneficiaries (details are found on page 32 in the *Notes to Financial Statement-Plan Description*). Also see the *Benefits and Return of Contributions by Type* chart on pages 110-111 for more information.

For an overview of NYSTRS' financial activities for the fiscal year ended June 30, 2013, see *Management's Discussion and Analysis* beginning on page 25. 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 Position* on page 31 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 16.25% will apply to 2013-14 member salaries and will be paid by employers in fall 2014. The rates are set well in advance so school districts can budget for this expense.

The System's year-end net assets totaled $95.4 billion. During the same period, benefits paid to retirees and beneficiaries rose to approximately $6.1 billion.

The plan's funded ratio as of June 30, 2012, the date of the most-recent annual actuarial valuation and calculated in accordance with GASB Statement No. 50, was 89.8%. Details of our funding progress may be obtained by turning to page 89.

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.

Just five years removed from the global financial crisis, the System's total portfolio posted a positive return for the fourth consecutive year. The 13.7% return for the fiscal year ended June 30, 2013 was the third double-digit return posted within that span and exceeded the assumed annual rate of return of 8.0% by nearly 600 basis points.

Asset allocation and portfolio construction are reviewed annually and adjusted accordingly in order to take advantage of existing market conditions. Refer to pages 53-81 for further information on NYSTRS' investments. A listing of our equity and fixed income holdings can be viewed on our website at NYSTRS.org.

Letter of Transmittal *(continued)*

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 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.

Our status as one of the nation's top public pension plans is in large part attributable to the outstanding quality and character of our Board and staff. They continue to solidify the strong foundation established by their accomplished predecessors, several of whom we sadly lost during the year. Former Board members Richard Lindstrom (20 years as a trustee), Josephine Davenport (10 years) and Glen Sergeon (seven years) passed away over the course of the year. Each leaves a legacy of dedication and commitment to public service.

The current team holds the same values and high standards as those that came before them, leaving me confident the System, with help from its equally committed stakeholders, will continue to set the standard for pension fund excellence.

Respectfully submitted,

Thomas K. Lee
Executive Director & Chief Investment Officer

President's Message

R. Michael Kraus

Dear NYSTRS Members, Administrators and Teachers:

Pension administration may not be rocket science, but according to Albert Einstein one factor in the pension accumulation formula is "the most powerful force in the universe": compounding. Often referred to as the "magic of compounding," there really is nothing mysterious about it. Interest earned is added to principal, creating an even larger base on which to earn additional interest. The longer the cycle the greater potential compounding holds.

This is why we and other pension fund administrators preach patience and emphasize the importance of a long-term focus on investing. Disciplined management of a diversified, risk-controlled portfolio over several decades creates the best opportunity for financial goals to be met. If you protect investment capital in the short term, the power of compounding results in long-term capital appreciation.

Consider that just five years ago, investors experienced the most severe global financial crisis since the Great Depression. The results were devastating for those who did not have the option of riding out the storm. Conversely, long-term investors like NYSTRS were able to take advantage of market corrections and are again posting returns comparable to those earned pre-crisis.

For the fiscal year reflected in this report, our return was 13.7% net of fees. It was our third double-digit return in the past four years and it increased our total portfolio to $95.4 billion after we paid out over $6 billion in benefits during fiscal 2013. Through it all, our retired members received their promised benefits without interruption and funds needed to pay future benefits remained intact.

We are proud to be among the best-funded public plans in the nation. Our Board and staff take their fiduciary responsibility seriously and their dedication is reflected in the plan's continued strength. We will continue to be a model of excellence and strong ethical values in the years ahead, and I am confident our members will be rewarded with a secure defined benefit plan.

R. Michael Kraus

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 2:	Membership 7/1/73 — 7/26/76
Tier 3:	Membership 7/27/76 — 8/31/83
Tier 4:	Membership 9/1/83 — 12/31/09
Tier 5:	Membership 1/1/10 — 3/31/12
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 following formula:

Pension Factor x Age Factor (if applicable) x Final Average Salary = Maximum Annual 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 less than 30 years of NYS service.
- No reductions if the member is age 62 with at least 20 years of service, or at age 55 with 30 years or more.

Tier 3**

- 1.67% 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 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

- 1.67% 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 1.5% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 27% when retirement occurs before age 62 with 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

- 1.67% 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 1.5% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 38% when retirement occurs before age 62 with less than 30 years of service.
- No reduction if the member is age 62, or if credit totals 30 years or more of service <u>and</u> 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 52% 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.

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 at a variable rate based on earnings 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,

Summary of Benefits *(continued)*

generally at retirement as part of a retirement benefit or upon withdrawal from the System. The member's gross salary 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. One-twelfth ($\frac{1}{12}$) 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

b. 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 ($\frac{1}{12}$) 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.

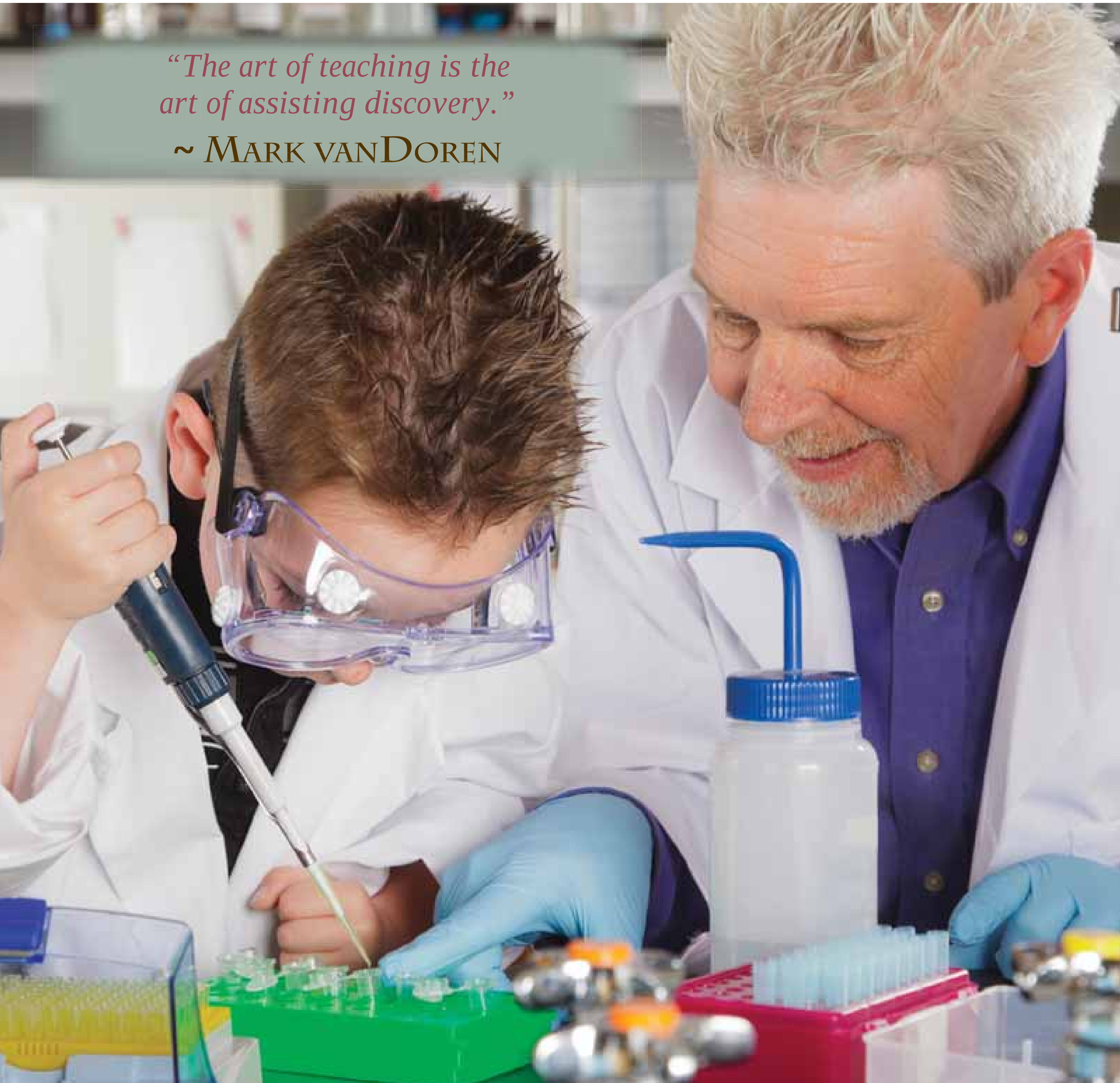
The amount of the benefit is half the amount of the ordinary death benefit which would have been paid if the member's death had occurred on the last day of creditable service.

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 retirement benefit and is effective each September. Most service retirees must be age 62 and retired five years to be eligible.



Financial

40% of New York State public school educators have a Master's degree and 30% or more have doctorate hours.[2]

Financial

Page

2 Source: NYS Education Department

Independent Auditors' Report

KPMG
515 Broadway
Albany, NY 12207-2974

The Retirement Board
New York State Teachers' Retirement System:

We have audited the accompanying financial statements of the New York State Teachers' Retirement System (the System), which comprise the statements of plan net position as of June 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Teachers' Retirement System as of June 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Independent Auditors' Report *(continued)*

KPMG

Other Matters

Required Supplementary Information

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.

Supplemental Information

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 information has 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 information is 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.

KPMG LLP

September 30, 2013

Albany, New York

Management's Discussion and Analysis

June 30, 2013 and 2012

(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, 2013, 2012, and 2011. 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 $9.6 billion in 2013, and $660 million and $15.5 billion in 2012 and 2011, respectively.
- The net position of the System represents funds available to pay current and future benefits. Net position was $95.4 billion at June 30, 2013, and $88.1 billion and $89.9 billion at June 30, 2012 and 2011, respectively.
- Net position increased from 2012 by $7.3 billion, or 8.3%, and 2012 net position decreased from 2011 by $1.8 billion, or (2.0)%.
- Contributions from employers were $1.7 billion in 2013, $1.6 billion in 2012, and $1.4 billion in 2011, consistent with the change in the employer contribution rate.
- The size of the System's active membership has declined over the past three years. However, the number of retired members and beneficiaries receiving benefits has increased, leading to an increase in the retirement benefits paid, rising from $5.7 billion in 2011 to $5.9 billion in 2012 and $6.1 billion in 2013.
- The System's funded ratio, a comparison of the actuarial value of assets to the accrued pension benefit liability, was 89.8% as of the June 30, 2012 valuation. Valuations in 2011 and 2010 were 96.7% and 100.3%, 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 are comprised of the following:

1. The Statements of Plan Net Position 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 position 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 Position provide information on the change in the System's assets during the current year. The majority of income, or loss, are derived from net 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 Position 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 other post employment benefits, and the schedule of employer contributions. Other supplemental information is also presented and includes the schedules of administrative expenses and investment expenses.

Management's Discussion and Analysis *(continued)*
June 30, 2013 and 2012 *(Unaudited)*

Financial Analysis

Tables 1 and 2 summarize and compare the System's financial results for the years 2013, 2012, and 2011. 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 Position
(dollars in thousands)

	June 30			Amount increase (decrease)	Percentage change of total
	2013	2012	2011	2012 to 2013	2012 to 2013
Investments at fair value:					
Short-term	$ 2,468,675	$ 2,884,700	$ 3,091,684	$ (416,025)	(0.47)%
Domestic fixed income securities	13,426,106	12,477,400	13,228,828	948,706	1.08
Global fixed income securities	368,357	—	—	368,357	0.42
Domestic equities	39,875,468	38,166,792	41,443,343	1,708,676	1.94
International equities	17,489,829	13,079,681	12,009,539	4,410,148	5.01
Mortgages	3,627,691	4,207,077	4,129,106	(579,386)	(0.66)
Real estate	7,180,814	6,666,178	5,867,230	514,636	0.58
Alternative investments	8,859,140	8,537,699	8,379,520	321,441	0.37
Total investments	93,296,080	86,019,527	88,149,250	7,276,553	8.27
Net other assets/liabilities	2,070,941	2,036,737	1,740,474	34,204	0.04
Net position	**$95,367,021**	**$88,056,264**	**$89,889,724**	**$7,310,757**	**8.31%**

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

	Years ended June 30			Amount increase (decrease)	Percentage change of total
	2013	2012	2011	2012 to 2013	2012 to 2013
Net appreciation in fair value of investments	$9,635,631	$ 659,957	$15,493,316	$8,975,674	489.55%
Other investment income	2,000,849	1,715,305	1,757,099	285,544	15.57
Contributions	1,868,333	1,771,262	1,545,886	97,071	5.29
Retirement benefits	(6,118,849)	(5,907,795)	(5,681,007)	(211,054)	(11.51)
Other deductions	(75,207)	(72,189)	(70,507)	(3,018)	(0.16)
Net increase (decrease)	**$7,310,757**	**$(1,833,460)**	**$13,044,787**	**$9,144,217**	**498.74%**

Management's Discussion and Analysis *(continued)*

June 30, 2013 and 2012 *(Unaudited)*

Fiscal Year 2013

In 2013, as a result of asset allocation rebalancing, the internally managed domestic fixed income portfolio balance increased due to investments into the fixed income asset class. The June 30, 2013 balance was approximately 13.2% of invested System assets, within the allowable range of 13% to 23%. During the year, bond purchases of approximately $3.8 billion exceeded the sum of bond maturities, sales, tenders, calls, and agency mortgage principal prepayments, by approximately $1.2 billion.

Interest rates moved higher during the year and above their historic lows, but the interest rate curve remained steep and this combined with the lower interest rate sensitivity of the bond portfolio helped to minimize capital depreciation. Although there was an increase in the face value of bonds held, the maturity of higher coupon bonds, and continued reinvestment into lower coupon securities, drove the weighted average coupon of the domestic fixed income portfolio lower and decreased interest income during 2013.

Exposure to global bonds was established during the 2013 fiscal year, with a total of $375 million funded into a separately managed account. The balance was approximately 0.4% of invested System assets at June 30, 2013, within the allowable range of 0% to 3%.

In domestic equities, net appreciation of $6.5 billion for the period was driven by strong equity market performance, partially offset by net sales of approximately $5 billion, as a response to rebalancing towards the System's 37% target allocation, 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 increase in market value of $1.7 billion, and net appreciation of $6.5 billion. The domestic equities portfolio returned 21.4% for 2013 compared to 4.5% for 2012 resulting in a $5.5 billion increase in net appreciation.

Approximately $2.4 billion was contributed to the international equities portfolio as part of rebalancing towards the System's 18% target allocation, which falls within the allowable range of 14% to 22%. Positive investment returns for 2013 resulted in net appreciation of $1.7 billion. The international equities portfolio returned 14.6% for 2013 compared to (13.6)% for 2012 resulting in a $3.4 billion increase in net appreciation.

Real estate value, as measured by the National Council of Real Estate Investments Fiduciaries (NCREIF), continued to recover at a moderate pace of 0.9% to 1.5% per quarter for a total increase of 4.8% for the year.

The 2013 increase in private equity market values during the past year was the result of unrealized gains in the portfolio of $884 million, after $1.1 billion in capital contributions to new and existing private equity funds and $1.7 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.

Within the securities lending market, unconventional monetary policy initiatives across central banks continued and in some instances increased in magnitude during the 2013 fiscal year. While the financial markets stabilized, rates remained suppressed. With the actions from the Federal Reserve's quantitative easing, funding rates hovered close to zero percent. Attractive reinvestment opportunities remained scarce as the money markets were flooded with cash and issuers looked to term out their funding needs. Despite the gross earnings decline from the prior fiscal year on lower loan balances and tighter reinvestment yields, net earnings increased. This was due to the rise in demand spread as general collateral loans were reduced and the addition of an International Equity lending program, which was transitioned from a commingled structure to a separately managed program. The unrealized loss on a small number of securities dropped by approximately 38% year over year as principal payments were received at par even though the securities indicative market prices are at distressed levels.

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 2013 from 2012 is primarily the result of activity within the System's international equity assets under management.

The change in employer contributions was a function of an increase in the employer contribution rate from 11.11% in 2012 to 11.84% in 2013.

Management's Discussion and Analysis *(continued)*

June 30, 2013 and 2012 *(Unaudited)*

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 the 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.

Management's Discussion and Analysis *(continued)*

June 30, 2013 and 2012 *(Unaudited)*

Net Appreciation (Depreciation)

For the year ended June 30, 2013, NYSTRS reported net investment income of $11.6 billion compared to $2.4 billion in 2012 and $17.3 billion in 2011. 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)
	2013	2012	2011	2012 to 2013
Short-term	$ (59)	$ (469)	$ 46	$ 410
Domestic fixed income securities	(361,933)	218,627	3,116	(580,560)
Global fixed income securities	(11,207)	—	—	(11,207)
Domestic equities	6,517,776	980,504	10,104,814	5,537,272
International equities	1,728,839	(1,712,051)	2,826,183	3,440,890
Mortgages	(79,676)	48,675	14,039	(128,351)
Real estate	722,510	656,430	895,107	66,080
Alternative investments	1,119,381	468,241	1,650,011	651,140
Totals	**$9,635,631**	**$ 659,957**	**$15,493,316**	**$8,975,674**

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 2013 fiscal year included Chapter 57 of the Laws of 2013, enacted on March 29, 2013, which provided the Retirement System the ability to offer a seven-year Stable Contribution Option (SCO) to public school districts and BOCES in New York State. Eligible employers have the choice of either continuing to pay the actuarially required contribution (ARC) or electing to participate in the SCO and thereby pay a stable contribution rate for up to seven years and defer payment of the difference between the ARC and the SCO to later years. On April 9, 2013, the Retirement Board voted to make the SCO available to eligible employers in accordance with Chapter 57. The window period for eligible employers to elect to participate in the SCO is July 1, 2013 through June 30, 2014, and the first contribution affected will be the contribution due in the fall of 2014. In terms of demographics, the System will likely continue to experience a shift toward a greater proportion of retirees relative to active members. This year's return on investments was strong, due in large measure to the performance of both domestic and 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 the 2008-09 fiscal year was the primary reason for the continued increase in the employer contribution rate, from 11.11% on 2011-12 member salaries to 11.84% on 2012-13 member salaries. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased to 89.8% as of the most recent actuarial valuation as of June 30, 2012, down from 96.7% in 2011.

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 Position

June 30, 2013 and 2012

(dollars in thousands)

Assets:	2013	2012
Investments — at fair value (Note 5):		
Short-term	**$ 2,468,675**	$ 2,884,700
Domestic fixed income securities	**13,426,106**	12,477,400
Global fixed income securities	**368,357**	----
Domestic equities	**39,875,468**	38,166,792
International equities	**17,489,829**	13,079,681
Mortgages	**3,627,691**	4,207,077
Real estate	**7,180,814**	6,666,178
Alternative investments	**8,859,140**	8,537,699
Total investments	**93,296,080**	86,019,527
Receivables:		
Employer	**1,698,248**	1,589,008
Employer incentives	**31,663**	44,681
Member	**105,854**	118,587
Investment income	**131,805**	158,595
Investment sales	**49,457**	80,782
Total receivables	**2,017,027**	1,991,653
Other assets:		
Securities lending collateral — invested (Note 5)	**3,431,447**	2,928,171
Member loans	**203,361**	188,960
Capital assets, net of depreciation	**28,521**	26,254
Miscellaneous assets	**48,422**	36,895
Total other assets	**3,711,751**	3,180,280
Total assets	**99,024,858**	91,191,460
Liabilities and Net Position:		
Securities lending collateral — due to borrowers (Note 5)	**3,446,168**	2,952,117
Investment purchases payable	**90,313**	70,324
Mortgage escrows and deposits — net of investments	**10,064**	1,618
Other liabilities (Notes 5 and 7)	**111,292**	111,137
Total liabilities	**3,657,837**	3,135,196
Net position held in trust for pension benefits (Note 3)	**$95,367,021**	$88,056,264

See accompanying notes to financial statements.

Statements of Changes in Plan Net Position

Years ended June 30, 2013 and 2012

(dollars in thousands)

Additions:	2013	2012
Investment income:		
Net appreciation in fair value of investments	**$ 9,635,631**	$ 659,957
Interest income	**650,539**	744,984
Dividend income	**1,198,994**	898,813
Real estate — net operating income	**302,520**	251,832
Securities lending — gross earnings	**8,703**	12,335
Other — net	**35,416**	8,713
	11,831,803	2,576,634
Less:		
Investment expenses	**212,639**	205,827
Securities lending:		
Broker rebates	**(10,002)**	(3,355)
Management fees	**1,910**	1,676
Appreciation of collateral	**(9,224)**	(2,776)
Net investment income	**11,636,480**	2,375,262
Contributions:		
Employer	**1,734,908**	1,628,491
Member	**128,903**	138,583
Transfers	**4,522**	4,188
Total contributions	**1,868,333**	1,771,262
Net addition	**13,504,813**	4,146,524
Deductions:		
Retirement benefit payments — periodic	**6,062,304**	5,849,376
Beneficiary payments	**56,545**	58,419
Return of contributions	**20,869**	19,732
Administrative expenses	**54,338**	52,457
Total deductions	**6,194,056**	5,979,984
Net increase (decrease)	**7,310,757**	(1,833,460)
Net position held in trust for pension benefits:		
Beginning of year	**88,056,264**	89,889,724
End of year	**$95,367,021**	$88,056,264

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2013 and 2012

(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:

	2013	2012
Public school districts	682	682
B.O.C.E.S.	37	37
S.U.N.Y.	31	31
Community colleges	30	30
Charter schools	25	24
Special act districts	13	12
Other	9	9
Total	827	825

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

	2013	2012
Retired members and beneficiaries currently receiving benefits	152,822	149,812
Members:		
Active members	266,100	270,470
Terminated members entitled to but not yet receiving benefits	7,228	6,803
Subtotal	273,328	277,273
Total	426,150	427,085

(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.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

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.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(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 2013 is 1.0%, compared to the 1.4% paid beginning September 2012.

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,

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

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 section 501(a) of the Internal Revenue Code.

(e) 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.

(f) Recently Adopted Accounting Pronouncements

The System adopted Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards (Statement) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB Statement No. 62). This statement supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and directly incorporates the applicable provisions in FASB and AICPA pronouncements into state and local government accounting and financial reporting standards. Adoption of this statement has no impact on the System's financial statements.

The System has also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB Statement No. 63). This statement primarily addresses presentation issues and as a result, the equity section is referred to as "net position" rather than "net assets."

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(g) Recent Accounting Pronouncements

In June 2012, the GASB approved Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB Statement No. 67), and Statement of Governmental Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB Statement No. 68).

GASB Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and will require the System to include more extensive note disclosures and required supplementary information. The System will be subject to the provisions of GASB Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans.

GASB Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. The System will be affected by this statement as both a cost-sharing, multiple-employer defined benefit pension plan that administers benefits for governments and as a governmental entity who's employees are provided with defined benefit pensions through the New York State and Local Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. The provisions of GASB Statement No. 68 will require the System to include its proportionate share of the New York State and Local Retirement System's net pension liability on the basic financial statements. In addition, the System will also be required to include more extensive note disclosures and required supplementary information relating to the proportionate share of net pension liability.

GASB Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. The System is evaluating the impact of the new GASB standards but expects that related communications with participating employers will require significant effort due to the complexity of the required reporting and disclosures.

(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.

(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.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(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, 2013 and 2012 were $13,523 and $14,600, 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 $126,367 and $141,313 for the years ended June 30, 2013 and 2012, 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 position held in trust for pension benefits at June 30, consist of the following:

	2013	2012
Administrative Fund	$ 55,581	$ 52,478
Annuity Savings Fund	5,105	8,645
Annuity Reserve Fund	149,564	157,702
Pension Accumulation Fund	38,549,887	33,256,336
Pension Reserve Fund	56,606,884	54,581,103
Total	$95,367,021	$88,056,264

(4) Funded Status and Funding Progress

The funded status of the System as of June 30, 2012, 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)
$82,871.4	$92,250.9	$9,379.5	89.8%	$14,640.8	64.1%

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

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.

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

Valuation date	June 30, 2012
Actuarial cost method	Aggregate (level percent of payroll)*
Amortization method	n/a*
Remaining amortization period	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%

*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 Statement No. 50, *Pension Disclosures* (GASB Statement No. 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.

(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.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(a) *Credit Risk*

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2013 and 2012 are as follows:

	2013**		2012	
Quality rating	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
Aaa	$ 3,565,649	26.60%	$ 3,479,378	27.90%
Aa	897,675	6.70	780,023	6.25
A	2,420,237	18.05	2,636,753	21.13
Baa	1,389,441	10.36	1,291,541	10.35
Other	54,922	0.41	51,878	0.42
Total credit risk debt securities	8,327,924	62.12	8,239,573	66.05
U.S. government fixed income securities*	5,079,544	37.88	4,237,827	33.95
Total fixed income securities	$13,407,468	100.00%	$12,477,400	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.

**As of June 30, 2013, Domestic fixed income securities on the Statements of Plan Net Position, includes a net $18,638 of cash, receivables and payables that are externally managed.

(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, 2013 and 2012, the System's bank balance was $(6,210) and $(11,597), 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.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(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, 2013, 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.
- 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

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

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, in any one year, 15% of System assets 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, 2013 and 2012 as follows:

	2013		2012	
Investment type	Fair value	Duration (in years)	Fair value	Duration (in years)
Short-term	$ 2,468,675	0.066	$ 2,884,700	0.036
Domestic fixed income	13,426,106	3.619	12,477,400	3.437
Global fixed income	368,357	5.810	----	----
Total fair value	$16,263,138		$15,362,100	
Portfolio modified duration		3.130		2.798

Notes to Financial Statements *(continued)*
June 30, 2013 and 2012 *(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), global bonds, and alternatives. The "Alternatives" represent private equity and real estate investments denominated in foreign currency. With respect to global bond investments, the majority of currency risk inherent in non-U.S. dollar denominated bonds owned by the System in a separate account is hedged away by the manager through currency forwards. The System has an exposure to foreign currency fluctuation at June 30, 2013 and 2012 as follows (holdings valued in U.S. dollars):

	2013		2012	
	International equities	Alternatives, Cash, and Global Fixed Income	International equities	Alternatives, Cash, and Global Fixed Income
Currency:				
Euro	$ 3,353,907	$1,295,780	$ 2,822,726	$1,203,636
Japanese Yen	2,785,659	73,121	2,298,826	—
British Pound Sterling	2,763,876	110	2,590,138	74,506
Canadian Dollar	1,211,222	816	571,932	—
Swiss Franc	1,115,776	—	897,687	—
Australian Dollar	941,573	147	906,799	—
Hong Kong Dollar	786,551	—	641,241	—
Korean Won	556,896	37	233,978	—
Swedish Krona	404,851	—	377,211	—
Brazilian Real	389,873	—	189,733	—
Other	2,642,276	37	1,361,971	—
Totals	$16,952,460	$1,370,048	$12,892,242	$1,278,142

(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, international 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 Position. At June 30, 2013 and 2012, the amount the System owed borrowers exceeded the fair value of the cash collateral invested by approximately $14.7 million and $23.9 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).

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

As of June 30, 2013, 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 international equity and 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, 2013, the average effective duration of the funds managed by JP Morgan was 25 days and of those managed by State Street was 5 days compared to 23 days and 3 days, respectively, in 2012. Securities loans and related collateral investments are monitored on a daily basis to ensure compliance with collateral requirements, limitations, and collateral investment guidelines.

Securities lending program	2013	2012
Fair value of securities on loan - cash collateral	$2,620,230	$2,924,514
Fair value of securities on loan - non cash collateral	737,478	----
Total fair value of securities on loan	$3,357,708	$2,924,514
Fair value of cash collateral invested by System	$2,679,578	$2,928,171
Fair value of non cash collateral held by System	751,869	----
Total collateral invested and held by the System	$3,431,447	$2,928,171
Fair value of liabilities to borrowers - cash collateral	$2,694,299	$2,952,117
Fair value of liabilities to borrowers - non cash collateral	751,869	----
Total collateral due to borrowers	$3,446,168	$2,952,117

(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, 2013 and 2012, respectively, were: real estate and real estate alternative investments of $1.44 billion and $1.28 billion; mortgages and real estate debt funds of $320.5 million and $178.3 million; and, private equity investments of $4.18 billion and $3.92 billion.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

(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 $111,292 and $111,137 at June 30, 2013 and 2012, respectively, $6,210 and $11,597, 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 18.70% and 16.07% was applicable to the annual covered payroll for the years ended March 31, 2013 and March 31, 2012, respectively. The required contributions paid to NYSLRS during the System's years ended June 30, 2013 and 2012 were $4,807 and $3,741, respectively, and were 100% of the contributions required.

(9) System Employees' Other Postemployment Benefits

(a) Plan Description

The System adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (GASB Statement No. 45), 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 Position.

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.

Notes to Financial Statements *(continued)*
June 30, 2013 and 2012 *(dollars in thousands)*

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, 2013, 559 participants including 337 current employees, and 222 retired and/or spouses of retired employees participated in the healthcare plan. 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. 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.

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 Statement No. 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, 2013 and 2012, were $5,240 and $4,853, 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 OPEB 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, 2012	$12,020	$81,838	$69,818	14.7%	$25,993	269%

(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 Statement No. 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 provisions of GASB Statement No. 45 require an actuarial valuation be performed at least biennially. Currently, the Trust has an actuarial valuation performed annually.

Notes to Financial Statements *(continued)*

June 30, 2013 and 2012 *(dollars in thousands)*

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, 2012
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, 2013

(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, 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
June 30, 2012	82,871.4	92,250.9	9,379.5	89.8	14,640.8	64.1

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 Statement No. 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 Statement No. 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.

Required Supplementary Information *(continued)*

Other Post Employment Benefits
Schedule of Funding Progress (Unaudited)
June 30, 2013

(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, 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
July 1, 2012	12,020	81,838	69,818	14.7	25,993	269

In accordance with GASB Statement No. 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, 2012.

Employer Contributions (Unaudited)
June 30, 2013

(dollars in thousands)

Year Ended June 30:	Annual Required Contribution	Percentage Contributed
2008	$1,188,140	100%
2009	1,096,117	100
2010	925,506	100
2011	1,389,415	100
2012	1,628,491	100
2013	1,734,908	100

See accompanying independent auditors' report.

Other Supplemental Schedules

Schedules of Administrative Expenses
Years ended June 30, 2013 and 2012
(dollars in thousands)

	2013	2012
Salaries and benefits:		
Salaries	$ 26,749	$ 26,480
Civil service	61	71
Employees retirement	4,856	3,780
Health and dental insurance	9,747	9,011
Overtime salaries	35	30
Social security	1,921	1,898
Total salaries and benefits	43,369	41,270
Building occupancy expenses:		
Building, grounds and equipment	1,464	1,163
Depreciation — building and improvements	1,272	1,083
Depreciation — equipment	172	280
Office supplies and expenses	166	147
Utilities and municipal assessments	714	718
Total building occupancy expenses	3,788	3,391
Computer expenses:		
Amortization/depreciation — computer mainframe	----	319
Amortization/depreciation — computer micro	1,825	2,009
Computer hardware and software	2,317	2,578
Computer maintenance and supplies	80	130
Total computer expenses	4,222	5,036
Personnel and meeting expenses:		
Board — meetings, travel and education	120	117
Delegates meeting	53	52
Preretirement seminars	131	144
Professional development	521	574
Travel and automobile expense	167	153
Other personnel expenses	42	47
Total personnel and meeting expenses	1,034	1,087
Professional and governmental services:		
Auditors — financial	128	124
Auditors — insurance department	67	67
Disability medical examinations	136	111
Postage and cartage	918	782
Professional fees and services	215	133
Publications	344	340
Statutory custodian charges	117	116
Total professional and governmental services	1,925	1,673
Total	$54,338	$52,457

See accompanying independent auditors' report.

Other Supplemental Schedules *(continued)*

Schedule of Investment Expenses

Year ended June 30, 2013

(dollars in thousands)

Investment category	Assets serviced or under management	Expenses*
Domestic fixed income securities	$ 1,104,670	$ 2,143
Global fixed income securities	368,357	446
Domestic equities	4,213,521	15,718
International equities	17,431,863	17,263
Mortgages	1,487,318	202
Real estate	7,175,814	59,133
Alternative investments	8,859,140	109,944
General	—	7,790
Totals	$40,640,683	$212,639

Expenses primarily represent professional fees.

See accompanying independent auditors' report.

"A teacher affects eternity; he can never tell where his influence stops."

~ Henry Brooks Adams

Investments

There are nearly 75,000 New York State public school teachers and administrators with more than 15 years of service.

Investments

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Report on Investment Activity

— as of June 30, 2013

Overall Objectives and Performance

NYSTRS remains one of the best funded public pension plans in the nation. Total net assets were valued at $95.4 billion as of June 30, 2013.

A shift in Federal Reserve (Fed) monetary policy that saw a rise in interest rates from historic lows and an expected slowdown in bond buying, combined with political and economic uncertainties globally, made for volatile markets. Risk management continued to be the focus for investors with the global debt crisis a continuing threat.

Despite shifting market conditions, NYSTRS' investment portfolio posted its fourth consecutive year of growth. The System's total fund return for the fiscal year ended June 30, 2013 was 13.7% net of fees, marking the third double-digit return in four years. NYSTRS' long-term expected rate of return is 8.0% per annum.

NYSTRS' disciplined approach to investing its risk-controlled portfolio continues to pay dividends for System members. The fund is also managed at a very low cost compared to the value of assets. Approximately 60% of assets are managed internally by System staff. Investment management expenses and fees for the externally managed or serviced portfolio equate to an annual cost of approximately 50 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 25 basis points.

Our 10-year annualized net rate of return now stands at 7.5% and our 25-year return at 9.1%.

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

Public Equities

Global equity markets were driven by several regional trends. In the U.S., a strengthening economy enabled equities to reach new all-time highs and finally overcome the impact of the 2008 financial crisis. After narrowly avoiding the fiscal cliff at the end of 2012, renewed investor confidence led to a strong equity market rally in a mostly benign risk environment, with the S&P 500 index reaching its highest level since October 2007 on March 31, 2013.

In the final six weeks of the System's fiscal year, all eyes were on the Fed as expectations grew for a tapering of the stimulus. Treasury yields rose significantly following comments by Treasury Chairman Ben Bernanke that inferred a sooner-than-expected end to bond purchases. The equity market remained resilient in response to changing sentiment in the bond market, experiencing only a minor sell-off in June. For the year, the S&P 1500 index returned 21.1%, with the economically sensitive financial and consumer discretionary sectors leading the broader market. In addition, the more domestically oriented small-cap stocks outperformed large-cap stocks providing further evidence of a broad economic expansion. From a style perspective, value stocks significantly outperformed growth stocks.

The fiscal year also saw improved performance in Europe as early economic fears in that region receded. A banking crisis in Cyprus and political uncertainty in Italy briefly threatened to derail European progress, but Switzerland, Germany and France all posted returns in excess of 20.0% for the year. While the economies of Spain, Portugal and Greece remained challenged, a more accommodative European Central Bank policy enabled European markets to recover.

The re-emergence of Japan during the fiscal year was also notable. The Japanese index rose 22.0% during the year as proposed structural reforms to help revitalize that country's economy were met favorably. Monetary stimulus programs and an accommodative fiscal policy also helped propel that market higher. Against this, the Japanese Yen depreciated significantly versus the major currencies, providing a boost for Japan's exporters but lowering returns for U.S. investors.

Report on Investment Activity *(continued)*

The strong performance of the world's developed equity markets was in direct contrast to weak performance in emerging markets, with the MSCI Emerging Markets Index returning just 2.9% for the fiscal year. An economic slowdown in China was a major cause of the relative under performance, reducing demand for commodities and negatively impacting the energy and materials sectors. Major commodity exporters including Brazil, Australia and Canada were also affected. The impact on returns was further compounded by a surprise tightening of liquidity by the Bank of China during the fourth quarter that raised fears of a credit bubble. The MSCI Emerging Market index fell 8.0% during the final three months of the fiscal year.

The NYSTRS public equity portfolio is globally diversified with exposure to both developed and emerging markets. During the year, staff continued to make progress implementing the System's asset allocation targets and new international benchmark. At the end of the fiscal year, the System's exposure to international equities had reached the 18.0% target allocation. In addition, the passively managed portion of the System's international equity portfolio had fully converted from exposure to developed markets in Europe and Asia to also include the emerging markets and Canada. Several existing active managers were provided with additional funding during the year, while the System also hired two new managers: one to run an emerging markets strategy, the other to manage a broad international equity mandate via a manager of emerging managers platform. Funding for international equities came from the domestic equity portfolio; this, in combination with a program to sell off domestic equities after the year's strong market performance, resulted in net exposure to domestic public equities of 40.6% at fiscal year-end, well within the established asset allocation range.

Relative to their benchmarks, the System's internally managed and externally managed portfolios both performed in-line with expectations. The System's two internally managed enhanced strategies generated excess returns for the fiscal year, while the majority of the System's external managers in both domestic and international equities also generated excess returns net of fees. Overall, the System's domestic equity portfolio posted a total return of 21.4% for the fiscal year. The international equity portfolio generated a return of 14.6%. Combined, the NYSTRS public equity portfolio returned 19.1% for the fiscal year.

Domestic Fixed Income

Key economic indicators such as unemployment, business and consumer confidence levels, the housing market and the gross domestic product (GDP) continue to have significant impact on NYSTRS' domestic fixed income portfolio. While the unemployment rate declined, it remains above levels experienced during the last U.S. growth cycle. Confidence measures such as the National Federation of Independent Business (NFIB) Small Business Optimism Index and the University of Michigan Consumer Confidence Index have rebounded from lows experienced in the aftermath of the global financial crisis, but remain below levels consistently achieved throughout the 1990s and early 2000s.

Positive developments include housing prices that continue to climb and an increased pace at which consumers purchase large-ticket items such as automobiles. Overall the U.S. economy continues to show positive growth, but at a slow pace. Year-over-year real GDP growth at June 30 was at 1.6% while the Consumer Price Index (CPI) was up 1.8% during the fiscal year. Low inflation, however, prompted the Federal Open Market Committee (FOMC) to state "inflation persistently below its 2.0% objective could pose risks to economic performance."

Recovery continues to be fueled by extraordinarily low interest rates generated by unconventional monetary policy such as Quantitative Easing III (QE3), the $85 billion-per-month purchase of Treasury and agency mortgage instruments. These low interest rates have helped to put a floor under housing prices while simultaneously pushing prices higher. People have also taken the opportunity to repair their personal balance sheets by reducing debt. While this low interest rate environment poses challenges, we remain committed to fulfilling the portfolio's primary objectives of generating cash flow to help meet the System's $6.0 billion annual retirement benefit obligation and preserving capital. To accomplish these, the System maintains both internally and externally managed portfolios of diversified fixed income securities. Active portfolio management helps control credit, yield-curve and interest-rate risk while generating cash flow beyond what could be earned in money market or cash investments. It also provides the ability to respond to market opportunities as they arise.

Report on Investment Activity *(continued)*

As of June 30, 0.4% of System assets were invested in global bonds. Created earlier in the year, the System's global bond portfolio is hedged to U.S. dollars and benchmarked against the Barclays Capital Global Aggregate Float Adjusted Index. Net of fees, global bonds returned -1.4%, compared to -1.0% for the benchmark. One global bond manager was funded during the fiscal year, and a second was funded shortly after the year closed. Both managers are charged with acquiring high-quality U.S. and non-U.S. fixed income securities. Over the long term, the System expects these managers will add to overall investment diversification and help generate greater risk adjusted fixed income returns.

Over 65.0% of the internally managed domestic fixed income portfolio is comprised of Aaa, the highest credit quality rating granted. Approximately 41.0% was invested in Aaa rated U.S. Treasuries and a combined 24.0% invested in Aaa rated agencies, agency mortgage-backed securities and supranational debt. A portion of the portfolio is invested in corporate bonds that have a weighted average credit rating of mid-A. These positions, many of which are with industry global leaders, provide the System with yield greater than what could be gained by investing solely in Treasuries.

Overall domestic bond market performance during the fiscal year as measured by the Barclays Capital U.S. Aggregate Float Adjusted Bond Index benchmark was -0.62%. However, the System took advantage of opportunities to generate positive performance through sector selection (corporate bonds and CMBS outperformed, for example); interest rate sensitivity less than that of the benchmark; and, a move lower in credit quality with A and Baa rated issues outperforming. During the 2013 fiscal year, bonds having greater interest rate sensitivity or duration performed poorly. For instance, bonds with maturities greater than 10 years returned -4.6%, versus 24.0% in 2012. Also in 2013, issuers with lower Baa credit ratings had positive returns of 2.0%, but this was nowhere near the more than 10.0% they achieved the prior year. Consequently, NYSTRS' overweight to corporate credit and lower interest rate sensitivity benefitted the portfolio when compared to the benchmark during the fiscal year. Of note, the System's benchmark excludes Federal Reserve holdings of U.S. Treasuries, Agencies and Agency mortgage backed securities, or all those that were purchased as part of the Fed's continuing quantitative easing initiatives.

As of June 30, 2013, 13.2% of System investments were invested in the internally managed Domestic Fixed Income portfolio. For the one- and three-year periods ended June 30, 2013, the System's long-term bond portfolio's annual return was 0.33% and 3.14%, respectively, versus the -0.62% and 3.59% for the benchmark.

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, 2013, the portfolio's weighted average duration was 24 days. For the 12 months ended June 30, 2013, the short-term portfolio returned 0.17% versus the IMoneyNet Money Fund Average™ – All Taxable Index benchmark, which returned 0.02%.

During the 2013 fiscal year, the Fed monetary policy continued to significantly influence money markets. While the benchmark federal funds rate remained at 0.25%, the Fed continued various unconventional monetary easing programs aimed at lowering long-term interest rates. This had an indirect effect on funding levels in money markets. Operation Twist, which was extended to December 2012, pushed up funding rates as the Fed funded long-term Treasury purchases with sales of front end Treasuries. At the end of Operation Twist, the Fed stated its intent to reduce the purchase of longer term Treasuries to $45 billion per month. The removal of supply from the market helped to push down funding levels in the first half of the 2013 calendar year.

Report on Investment Activity *(continued)*

Aside from the Fed's monetary policy, money markets continue to be affected by robust tax receipts and regulatory matters such as SEC money fund regulation, Dodd-Frank, and Basel III. As a result, issuers of short-term debt have had to term out debt and reduce reliance on wholesale funding. As issuers term out debt, investors have to extend the curve to access certain credits. This extension can be seen in the reduction in yield of various London Interbank Offered Rate (Libor) curves. During the 2013 fiscal year, the one—three month Libor rate contracted 14 basis points to eight basis points while the one—six month Libor spread contracted 27 basis points to 22 basis points.

During the fiscal year, the Fed maintained the historically low federal funds target rate at the range of 0.00 – 0.25% and provided parameters for how long it intends the rate to remain at the current level. The low funds rate is deemed appropriate as long as the unemployment rate is above 6.5%, one- and two-year forward inflation measures are projected to be no more than 2.5%, and longer term inflation expectations remain well anchored. With the August 2013 unemployment rate at 7.3%, the extraordinarily low Fed funds rate is expected to persist.

Real Estate

Commercial real estate markets posted a strong year as core investors continued to focus on current yield in global gateway markets. In the U.S., NYSTRS' portfolio continues to emphasize the New York City, Washington, D.C., Boston, Los Angeles, Seattle and San Francisco metro markets. These are key access points into and out of the U.S. where natural land limitations, as well as local government constraints, exist for new development/competing product. Overall, U.S. economic growth continues to be tepid coming out of the recent recession, but these markets have been an integral part of starting the U.S. economic engine.

Although U.S. economic growth has slowly picked up, the employment markets continue to limp along as payroll growth and labor participation rates continue to produce unremarkable numbers in this post-recessionary phase of the cycle. Employment is the single most important metric for commercial real estate space markets as they drive demand for each of our core property classes, with workers filling office space and renting apartments. Their wages drive consumer spending at our retail centers and impact demand for warehouse space to store inventory.

A combination of low, "risk-free" interest rates and tight credit spreads have driven capitalization rates and buyer return expectations to all-time lows and asset pricing to record highs, with the latter meeting or exceeding the 2007 market peak. On May 22, Chairman Bernanke discussed a future "tapering" of the Fed's buy-back program and the public markets, especially income-producing assets, reacted strongly and swiftly. From early May to early September 2013, 10-year U.S. treasury notes dropped precipitously, pushing "risk-free" yields (the base for commercial asset pricing), up from 1.63% to 2.99%. Commercial pricing in public markets dropped 10.7% and 17.8% as represented by the Barclays CMBS Index and the Dow Jones REIT Index, respectively. The private real estate markets, which are not priced on a daily exchange, have nonetheless felt the effect as levered equity purchasers have reduced pricing or dropped out of bids for core assets. Commercial loan yields have also moved up; however, because of the overwhelming demand for product, investors cut spreads in order to add to their portfolio at greater all-in yields from the spring.

Within the property classes, multifamily continues to be the darling of the market as 77 million echo boomers forming households and 80 million baby boomers looking for lifestyle changes continue to be the key demand drivers. This hasn't been lost on apartment developers that now have 217,000 units that are expected to come online by the end of 2013, the most since 2008 and close to the 2007 peak of 230,000. Apartment rent growth in primary markets over the past three years has been remarkable, but with a big pipeline of deliveries on the horizon rents may have peaked.

Gateway markets with diverse employment bases have led the middling U.S. office sector. Markets with connections to education, healthcare, technology and energy have been strong and are expected to continue to produce consistent growth in the near term.

For retail assets, consumer confidence has picked up and spending is expected to continue on a modest trajectory. Small tenant and lower price point retailers are driving a great deal of the absorption of space. However, this increase in demand is being offset by the downsizing underway by big-box tenants and department stores.

Report on Investment Activity *(continued)*

The U.S. energy boom is favorably influencing industrial markets, specifically manufacturing hubs with access to natural gas. Although only a quarter of U.S. industrial real estate is used for manufacturing, many warehouses and distribution centers support their inventory of finished goods. The improving transportation equipment sector has been one of the key components in the domestic pickup of manufacturing. E-commerce continues to play a part in the increased demand for warehouse space as online retail sales continue to grow along with demand for strategically located distribution sites.

The System has a globally diversified portfolio of public and private commercial real estate assets valued at $15.4 billion. The portfolio is generally broken down into equity and debt components.

NYSTRS' $10.3 billion equity portfolio consists primarily of core high-quality, cash-flowing properties, including apartment projects, regional shopping malls, open-air shopping centers, warehouses and office buildings in central business districts. For the year ended June 30, 2013 the core equity portfolio returned 14.8%. In all, the program has returned 10.3% over the last 10 years on an annualized basis.

In addition to the core portfolio, the System invests in global value-added and opportunistic funds where assets are purchased at a discount and repositioned for sale as a core investment. For the year ended June 30, 2013, the System's global value added/opportunistic portfolio returned 13.1%, compared to 9.6% over the last 10 years on an annualized basis.

NYSTRS' global real estate securities portfolio makes up the remaining 22.5% of the overall real estate equity program. The portfolio consists of publicly traded Real Estate Investment Trusts and Real Estate Operating Companies that provide the system with daily liquidity through the public markets and ongoing cash flow through dividends. The portfolio consists of $1.9 billion and $374 million in domestic and international assets, respectively. For the year ended June 30, 2013, the domestic portfolio returned 7.7% and the international portfolio returned 19.5%. Over the last 10 years domestic holdings returned 11.2% while the international portfolio, which began in December 2006, has lost 1.6% since inception. The loss is primarily the result of performance during the global financial crisis and the European economic malaise.

NYSTRS' $5.1 billion real estate debt portfolio consists primarily of domestic commercial mortgages with the System providing fixed-rate loans on high-quality, well-located, cash-flowing assets. At June 30, 2013 the System's mortgage portfolio returned 4.6% with a 10-year average of 6.2%. The portfolio has a weighted average coupon of 5.4% and duration of 4.5 years.

The System's commercial mortgage backed securities (CMBS) program consists primarily of investment-grade securities that provide the system with a current yield in a publicly traded/liquid environment. At June 30, 2013, the System's CMBS portfolio had a weighted average coupon of 5.4% and duration of 3.8 years. The CMBS portfolio returned 3.5% for the year and has a 10-year average return of 4.2%.

NYSTRS' real estate debt funds consist of higher yielding loans which include short-term mortgages on transitional properties and subordinate positions on commercial assets. For the year ended June 30, 2013, the System's real estate debt fund portfolio returned 13.1%. For the 10-year period, the portfolio lost 2.5%, primarily due to losses experienced during the post-Lehman U.S. banking crisis.

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 5.0%).

Report on 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 approximately $1.1 billion of private equity associated with real estate and timberland are categorized in this report as real estate equity.

The Retirement System has a mature private equity investment program diversified by investment strategy and geographic focus. Investments primarily consist of commitments to closed-end commingled funds managed by experienced teams. The particular business strategies pursued are determined by research and experience, and high potential opportunities within each segment are sought. Increased exposure to Asia and Latin America is anticipated within the next five years.

The largest segment of the portfolio involves leveraged buyouts focused primarily on increasing earnings by improving operations and the value of a company. In this strategy, existing management may or may not be retained for the value creation phase.

The portfolio also includes venture capital. Commitments are sought with best-in-class entrepreneurs generally focused on technology.

By fiscal year-end, the System had committed $15.5 billion with 79 fund sponsors. The private equity portfolio was valued at $7.7 billion, representing 8.3% of the System's total assets. Unfunded commitments totaled $4.2 billion.

Over the last 10 years, the private equity program has returned 13.8%, outperforming the benchmark of 12.3%.

Other Programs

Securities Lending

The System's Securities Lending Program generates incremental income by lending in-demand domestic and international equities and 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) on loans collateralized by cash that consists of demand and reinvestment components. The reinvestment portion of the spread is generated by investing the cash collateral received for securities loaned into 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 security type and reflects how much someone is willing to pay to borrow the security. Non-cash loans are collateralized by government and agency securities, and the System earns income via a fee paid by the borrower.

During the fiscal year, a large international equity portfolio was transitioned from a commingled fund into a separate account. As a result, securities lending associated with these assets also transitioned to a separate account, and all statistics and income generated from the loans associated with this portfolio are now reported alongside the figures for the domestic equity and fixed income lending program.

In the System's 2013 fiscal year, loan balances continued to be at or near their recent lows as spread prospects remained dim in the ongoing zero interest rate policy environment. The dual combination of the Fed removing Treasury supply from the market via their purchase program and issuers terming out money market debt by issuing longer term bonds led rates to trend downward for the majority of the fiscal year. The decline in money market rates made it ever more important for the program to focus on specials and increase the risk-adjusted returns for the securities lending program.

Report on Investment Activity *(continued)*

Program returns were further enhanced by introducing non-cash lending to the domestic fixed income portfolio. Non-cash lending eliminates the System's reinvestment risk because the borrower of securities provides collateral in the form of authorized securities (e.g., U.S. Treasuries) worth 105% of the market value of securities borrowed. A non-cash loan captures the intrinsic value of each loan in the form of a fee paid by the borrower. Similar to loans collateralized by cash, the System is indemnified by the agent lender against borrower default on non-cash loans.

The System continued to generate the majority of program income from the demand side of the equation. Despite lower loan balances than the previous year, lending income increased on higher demand spreads across the domestic equity, domestic fixed income and international equity lending books, resulting in an improved risk-adjusted return.

The System earned $16.8 million from securities lending for the fiscal year ended June 30, 2013, as compared to $14.0 million during the fiscal year ended June 30, 2012.

As of June 30, 2013, the securities lending portfolio was collateralized at approximately 102.7%, with 5.5% of the System's securities available to lend on loan. This was down from 5.7% on loan at June 30, 2012, as balances were reduced due to the lack of attractive cash collateral reinvestment opportunities.

The unrealized loss on investments in the System's cash collateral reinvestment portfolio continued its decline. At $14.7 million as of June 30, 2013, it is down from $23.9 million as of June 30, 2012, a reduction of $9.2 million or approximately 38.5%. The unrealized loss decreased year-over-year due to the continued receipt of principal payments at par and an increase in the securities' indicative market prices than the previous year.

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

Prepared by NYSTRS Investment Staff:

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Diversification of Investments

June 30, 2013 and 2012

(dollars in thousands)

Investment type	2013	Percent	2012	Percent	Increase (Decrease)
Short-term:					
Government related*	$ 139,992		$ 128,177		$ 11,815
Corporate	2,328,683		2,756,523		(427,840)
	2,468,675	2.65%	2,884,700	3.35%	(416,025)
Domestic fixed income securities:					
United States Treasury	5,079,545		4,237,827		841,718
Federal agency, notes & debentures	1,156,066		1,396,843		(240,777)
Federal agency mortgage backed	1,934,453		1,526,455		407,998
Commercial mortgage backed	1,074,586		947,909		126,677
Corporate	4,181,456		4,368,366		(186,910)
	13,426,106	14.39	12,477,400	14.51	948,706
Global fixed income securities:	368,357	0.39	—	—	368,357
Domestic equities:					
Basic materials	4,614,726		4,326,288		288,438
Capital goods	4,692,001		4,596,302		95,699
Consumer cyclicals	4,695,445		4,170,890		524,555
Consumer staples	3,264,566		3,473,007		(208,441)
Energy	3,117,533		3,108,874		8,659
Financial	8,867,536		7,614,338		1,253,198
Technology	6,222,037		6,460,775		(238,738)
Transportation	1,111,768		1,079,519		32,249
Utilities	3,253,501		3,333,252		(79,751)
Diversified and miscellaneous	36,355		3,547		32,808
	39,875,468	42.74	38,166,792	44.37	1,708,676
International equities:					
Commingled investments	7,475,676		11,282,790		(3,807,114)
Direct investments	9,640,325		1,485,859		8,154,466
REITs	373,828		311,032		62,796
	17,489,829	18.74	13,079,681	15.21	4,410,148
Mortgages:					
Conventional	3,625,709		4,204,940		(579,231)
Federal Housing Administration	1,982		2,137		(155)
	3,627,691	3.89	4,207,077	4.89	(579,386)
Real estate:					
Direct equity real estate investments	4,001,988		3,737,708		264,280
Commingled real estate investments	3,173,826		2,923,470		250,356
Other real estate owned	5,000		5,000		—
	7,180,814	7.70	6,666,178	7.75	514,636
Alternative investments:					
Private equity	7,707,255		7,423,294		283,961
Real estate equity funds	546,188		549,148		(2,960)
Real estate debt funds	334,684		303,423		31,261
Timberland	271,013		261,834		9,179
	8,859,140	9.50	8,537,699	9.92	321,441
Total investments	**$93,296,080**	**100.00%**	**$86,019,527**	**100.00%**	**$7,276,553**

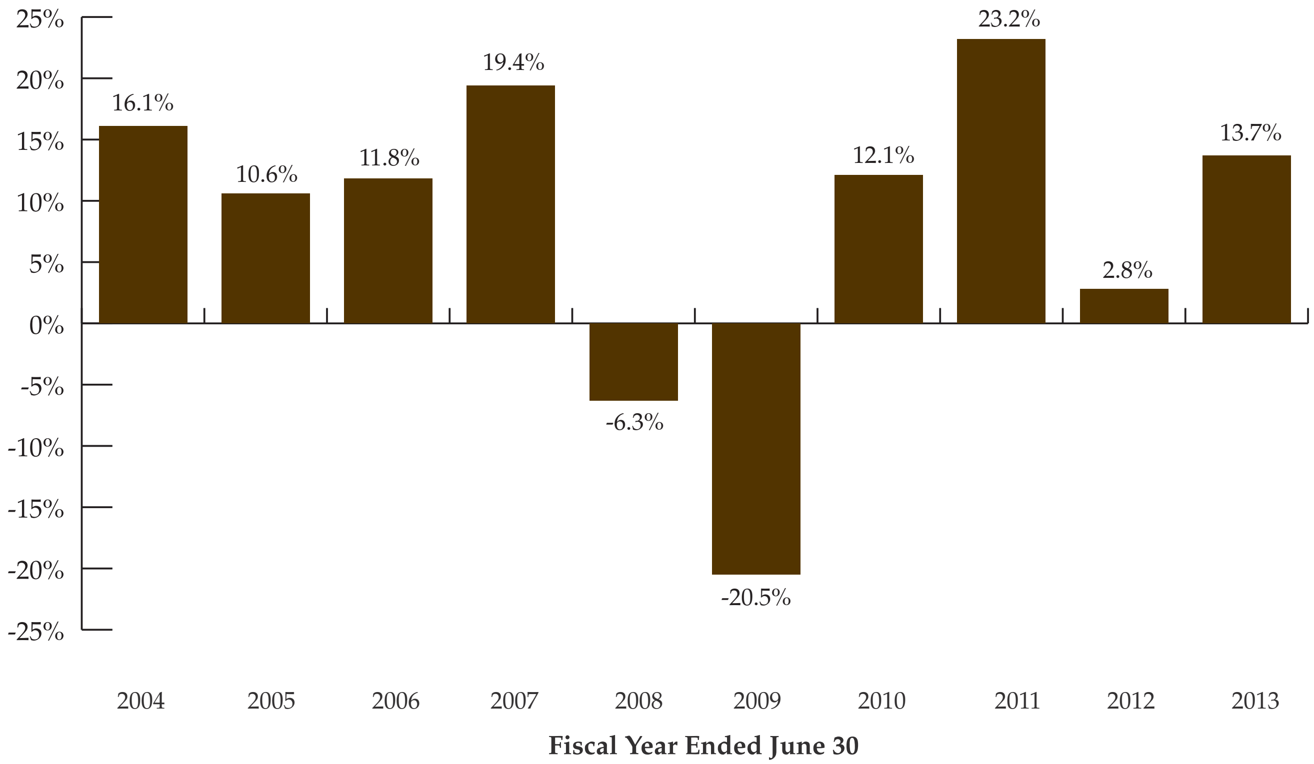
**U.S. Treasury, agency, supranational, and sovereign debt issues.*

Asset Allocation — as of June 30, 2013

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%	40.6%
International Equity	18%	14-22%	18.3%
Real Estate	10%	6-14%	11.1%
Private Equity	7%	4-12%	8.3%
Total Equities	72%		78.3%
Domestic Fixed Income	18%	13-23%	13.2%
Global Bonds	2%	0-3%	0.4%
Mortgages	8%	5-11%	5.4%
Cash Equivalents	0%	0-5%	2.7%
Total Fixed Income	28%		21.7%

Annual Performance History



Investment Performance Results — as of June 30, 2013

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	21.6%	18.8%	-%	- %
NYSTRS Index2 Fund	21.2	18.7	-	-
NYSTRS Value Tilt2 Fund	22.2	19.0	-	-
Benchmark: S&P 1500*	21.1	18.6	-	-
NYSTRS S&P 100 Fund	18.3	18.2	-	-
Benchmark: S&P 100	18.3	18.2	-	-
NYSTRS S&P 500 Fund	20.6	18.6	-	-
Benchmark: S&P 500	20.6	18.5	-	-
NYSTRS S&P 600 Fund	25.1	20.3	-	-
Benchmark: S&P 600	25.2	20.3	-	-
Total Enhanced All Cap Management	20.5	-	-	-
Benchmark: Russell 3000	21.5	-	-	-
Total Active All Cap Management	22.1	-	-	-
Benchmark: S&P All Cap (Equal Weighted)	23.7	-	-	-
Total Enhanced Large Cap Management	20.5	18.2	-	-
Benchmark: S&P 500	20.6	18.5	-	-
Total Active Mid Cap Management	36.7	24.3	10.3	13.7
Benchmark: Russell Midcap*	25.4	19.5	8.6	8.1
Total Domestic Equities	21.4	18.7	7.5	8.1
Benchmark: Blended S&P/Russell*	21.2	18.6	7.5	8.1
International Equities				
NYSTRS Canadian Index	4.5	-	-	-
Benchmark: MSCI Canada	3.8	-	-	-
Total External Passive Management	14.3	8.8	-1.6	7.3
Total Active Management	16.9	12.2	1.2	8.2
Total International Equities	14.6	9.0	-1.0	7.2
Benchmark: Blended MSCI ACWI (ex-US)/EAFE*	14.2	8.5	-1.5	7.2
Real Estate	13.2	16.1	1.4	10.0
Benchmark: Blended NCREIF/REIT*	10.7	14.2	0.6	7.1
Private Equity	12.6	13.4	4.9	13.8
Benchmark: S&P 500 plus 5%	25.6	23.5	12.0	12.3
Domestic Fixed Income	0.3	3.1	5.0	4.4
Benchmark: Barclays Capital Aggregate Float Adj*‡	-0.6	3.6	5.3	4.6
Mortgages	4.8	6.5	5.5	5.4
Short-Term	0.2	0.2	0.4	1.9
Benchmark: IMoneyNet Money Fund Avg™ – All Taxable	0.0	0.0	0.2	1.5
Total Fund	**13.7%**	**13.0%**	**5.2%**	**7.5%**

**In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions.*
‡See footnote on the Investments Divider page.

Manager Investment Performance Results — as of June 30, 2013

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		Inception Date
		Fund	Benchmark	
Domestic Equities				
Enhanced All Cap Management				
Progress	$ 656.8	13.4%	15.0%	Nov-10
Active All Cap Management				
Leading Edge	327.9	11.6	13.8	Dec-10
Enhanced Large Cap Management				
T. Rowe Price	490.0	18.3	18.1	Jan-09
Active Mid Cap Management				
Iridian	836.7	10.3	4.0	Apr-99
International Equities				
Passive Management				
BlackRock ACWI	7,080.4	13.2	12.9	Dec-11
State Street Global Advisors	7,101.7	11.9	12.1	Jul-12
Active Management				
Aberdeen	486.0	4.7	0.9	Dec-10
AQR	415.8	11.8	8.3	Feb-12
Baillie Gifford	489.5	11.5	9.3	Sep-11
DFA	91.0	-9.0	-9.5	Feb-13
FIS	92.2	-5.6	-5.8	May-13
LSV	496.3	1.5	-1.1	Jul-11
Marathon	304.4	14.4	11.0	Jan-12
William Blair	500.9	6.6	2.2	Oct-10
Global Bonds				
Loomis Sayles	368.4	-1.4	-1.0	Nov-12
Mortgages				
BlackRock: CMBS	459.0	5.9	6.2	Apr-01
Prima: CMBS	251.6	5.5	5.2	Nov-03
Torchlight: CMBS	394.1	5.5	6.2	Apr-01
Torchlight: Torchlight Value Fund	33.8	3.2	-2.7	Sep-05
Real Estate				
Direct Investments				
Clarion Partners	751.2	8.8	5.6	Jun-90
Invesco Realty Advisors (Industrial)	167.4	8.5	7.7	Nov-94
Invesco Realty Advisors (Multi-family)	125.2	11.5	6.7	Dec-98
JPMorgan Asset Management	2,560.9	10.6	5.8	Oct-90
Kennedy Associates	86.3	8.7	7.7	Apr-95
Sentinel Real Estate	$ 311.1	10.6%	7.8%	Mar-96

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

Manager Investment Performance Results — as of June 30, 2013 *(continued)*

	Assets Managed ($millions)	Rates of Return[1] from Inception: Fund	Rates of Return[1] from Inception: Benchmark	Inception Date
Direct Investments - Timber				
Forest Investments: Adirondack Timber I	$ 271.0	3.6%	5.6%	Dec-98
Domestic Public Securities				
Adelante Capital Management	381.5	10.7	10.1	Aug-98
Cohen & Steers: Equity Income	251.5	10.1	9.5	Jul-98
Cohen & Steers: REIT Preferred	250.6	9.9	8.1	Sep-07
Cohen & Steers: Total Return	624.4	12.4	11.1	Jun-95
RREEF America	438.8	11.7	10.1	Aug-98
International Public Securities				
EII Capital	131.3	-1.0	-0.4	Dec-06
LaSalle Investment Management	118.0	-2.4	-0.3	Dec-06
RREEF America	$124.5	-1.7%	-0.3%	Dec-06

	Assets Managed ($millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds				
Abacus: Multi-Family Partners II	$ 15.4	-2.8%	1.0	Apr-13
Angelo, Gordon & Co.: AG Realty Fund V	1.2	25.5	1.6	Dec-01
Angelo, Gordon & Co.: AG Realty Fund VI	7.8	2.6	1.1	Sep-05
Angelo, Gordon & Co.: AG Realty Fund VII	32.9	12.7	1.4	Dec-07
Angelo, Gordon & Co.: AG Realty Fund VIII	22.9	13.0	1.2	Sep-11
Apollo: CPI Capital Partners North America	6.7	-8.1	0.7	Dec-06
Artemis: Real Estate Fund I	24.4	20.8	1.1	Jul-11
BlackRock: Granite Property Fund	69.6	4.8	2.0	Dec-97
Blackstone RE Partners: Fund V TE.2	60.5	9.4	1.5	Jul-06
Blackstone RE Partners: Fund VI TE.2	124.4	10.3	1.4	Mar-07
Blackstone RE Partners: Fund VII	44.6	30.2	1.3	Dec-11
Brookfield Properties: Office Partners	520.3	9.4	1.5	Oct-06
Cabot Properties: Industrial Value Fund II	39.6	-1.9	0.9	Nov-05
Cabot Properties: Industrial Value Fund III	46.7	13.2	1.2	Dec-08
CBRE: China Opportunity Fund	6.8	10.6	1.4	Dec-06
CBRE: Strategic Partners Europe Fund III	26.1	-15.1	0.5	Apr-07
CBRE: Strategic Partners IV	13.1	-25.7	0.2	Dec-05
CBRE: Strategic Partners U.K. Fund III	10.5	-27.1	0.2	May-07
CBRE: Strategic Partners U.S. Opport. 5	43.0	-1.2	1.0	Dec-07
CBRE: Strategic Partners U.S. Value 5	17.8	17.7	1.4	Jun-08
CBRE: Strategic Partners U.S. Value 6	25.3	6.2	1.0	Dec-11
Cerberus: Institutional Real Estate Partners	5.7	9.5	1.2	May-04
Cerberus: Institutional Real Estate Partners - Series Two	$39.1	18.1%	1.4	May-08

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

Manager Investment Performance Results — as of June 30, 2013 *(continued)*

	Assets Managed ($millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds *(continued)*				
Cerberus: Institutional Real Estate Partners III	$ 32.5	2.5%	1.0	Dec-12
Clarion Partners: Development Ventures II	3.0	-9.8	0.7	Jun-05
Clarion Partners: Development Ventures III	34.0	-4.1	0.9	Apr-09
Cornerstone: Apartment Fund I	0.0	19.9	2.1	Nov-00
Cornerstone: Apartment Venture I	0.4	65.2	2.5	Jul-03
Cornerstone: Apartment Venture III	27.5	5.6	1.2	Apr-07
Cornerstone: Patriot Fund	63.0	12.9	1.4	Oct-10
DLJ: Real Estate Capital Partners III	43.4	-2.2	0.9	Jun-05
DLJ: Real Estate Capital Partners IV	57.8	0.2	1.0	Feb-08
Essex Property Trust: Apartment Value Fund II	40.8	10.3	1.9	Nov-04
Exeter Property Group: Industrial Value Fund	41.3	5.5	1.2	Nov-07
Exeter Property Group: Industrial Value Fund II	56.3	15.4	1.1	Dec-11
FCP: Realty Fund II	17.3	0.3	1.0	Feb-12
GAW Capital: Gateway Real Estate Fund IV	10.8	0.0	1.0	Jun-13
Hines Interests: Emerging Markets	2.9	20.0	1.9	Oct-99
Hines Interests: U.S. Office Value Added	2.9	17.4	1.5	Jan-05
Hines Interests: U.S. Office Value Added II	19.3	-18.1	0.4	Aug-07
JPMorgan: Excelsior II	73.9	-6.0	0.7	Dec-05
Landmark Partners: Real Estate Trust IV	0.8	19.7	1.6	Mar-02
LaSalle: Asia Opportunity Fund III	21.8	-1.8	1.0	Mar-08
Lone Star: Fund III	6.5	31.9	2.1	Oct-00
Lone Star: Fund IV	9.9	30.7	2.3	Dec-01
Lone Star: Fund V	80.2	-0.6	1.0	Jan-05
Lone Star: Fund VI	29.0	14.6	1.6	Jul-08
Lone Star: Fund VII	45.9	52.9	1.6	Jun-11
Lone Star: Real Estate Fund II	36.1	17.6	1.2	Jun-11
MGPA: Asia Fund II	36.6	1.9	1.1	Apr-05
MGPA: Asia Fund III	54.0	2.6	1.1	May-07
MGPA: Europe Fund III	44.9	-1.0	1.0	Jun-07
MGPA: Europe Parallel Fund II	11.2	-8.4	0.7	Apr-05
MGPA: Lend Lease Global Properties	0.8	13.4	2.0	May-99
O'Connor: North American Property Partners	37.0	-7.7	0.7	Sep-04
O'Connor: North American Property Partners II	21.6	-11.9	0.7	Oct-07
O'Connor: Peabody Global Real Estate	0.9	14.3	1.5	Jul-99
Penwood RE: Calif. Select Industrial Partners	23.2	-15.2	0.7	Dec-05
Penwood RE: Select Industrial Partners II	16.8	13.3	1.2	Aug-07
Penwood RE: Select Industrial Partners III	14.8	10.6	1.1	Jun-12
Perella Weinberg: Real Estate Fund I	$57.1	11.0%	1.3	Jan-08

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

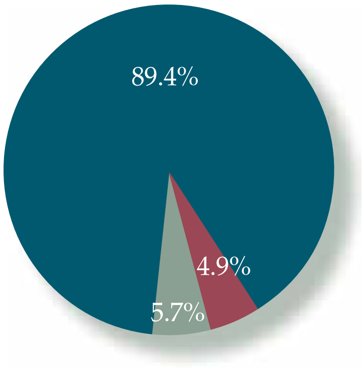
Manager Investment Performance Results — as of June 30, 2013 *(continued)*

	Assets Managed ($millions)	Inception Rate of Return[1]	Equity Multiple	Inception Date
Commingled Funds *(continued)*				
Prudential Latin America: PLA Residential Fund III	$53.2	1.6%	1.1	Mar-08
Prudential: PRISA	241.5	5.9	3.9	Sep-85
Prudential: PRISA II	189.5	6.8	2.0	Sep-89
Prudential: PRISA III	80.8	5.5	1.3	Jun-03
Rockpoint: Finance Fund I	1.5	-13.0	0.5	Mar-07
Rockpoint: Heritage Fields	30.1	-8.3	0.6	Jul-05
Rockpoint: Real Estate Fund I	9.4	11.1	1.2	Sep-04
Rockpoint: Real Estate Fund II	38.2	-7.6	0.7	Sep-05
Rockpoint: Real Estate Fund III	43.8	15.2	1.3	Dec-07
Rockpoint: Real Estate Fund IV	12.7	14.7	1.1	Dec-12
Rockwood: Fund IV	0.1	24.3	1.8	Sep-00
Rockwood: Fund V	6.9	12.7	1.4	Jul-03
Rockwood: Fund VI	59.5	2.9	1.1	Jun-05
Rockwood: Fund VII	40.0	-10.6	0.6	Oct-06
Rockwood: Fund VIII	38.1	13.2	1.2	Mar-09
Starwood: Distressed Opportunity Fund IX	12.3	20.2	1.2	Mar-13
Starwood: Opportunity Fund IV	0.9	16.9	2.2	Jan-97
Starwood: Opportunity Fund VII-A	36.1	-4.5	0.7	Jan-06
UBS Realty: Trumbull Prop. Fund	292.7	6.8	4.6	Sep-85
USAA Real Estate: U.S. Industrial REIT II	45.6	3.9	1.1	Jan-07
Walton Street: Real Estate Fund VI	64.7	9.1	1.2	Apr-09
Westbrook: Real Estate Fund IV	0.3	20.1	1.6	May-01
Westbrook: Real Estate Fund V	2.6	43.7	1.7	Feb-05
Westbrook: Real Estate Fund VI	23.4	-7.1	0.8	May-06
Westbrook: Real Estate Fund VII	64.1	0.0	1.0	Dec-07
Westbrook: Real Estate Fund VIII	46.3	13.1	1.2	Jun-10
Westbrook: Real Estate Fund IX	$ 6.4	2.1%	1.0	Jun-13

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

Domestic Equity Distribution — as of June 30, 2013

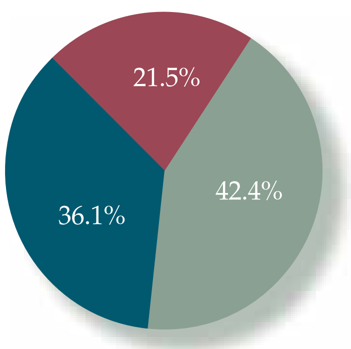
$39,875,467,827



Internally Managed - $35,661,946,581	**89.4%**
S&P 1500 Index2 - $30,836,647,150	77.3%
S&P 100 Index - $896,838,239	2.3%
S&P 1500 Value Tilt2 - $1,011,952,063	2.5%
S&P 1500 Growth Tilt2 - $1,013,996,548	2.5%
S&P 500 Index - $1,573,970,242	4.0%
S&P 600 Index - $328,542,339	0.8%
REITs - $1,946,873,776	**4.9%**
Externally Managed - $2,266,647,470	**5.7%**
Large Cap - $1,203,845,681	3.0%
Mid Cap - $895,423,122	2.3%
Small Cap - $167,378,667	0.4%

Domestic Equity Externally Managed Style Distribution — as of June 30, 2013

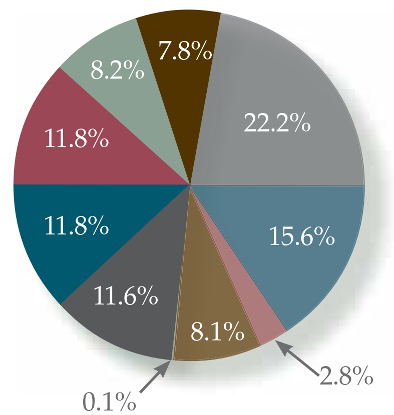
$2,266,647,470



Mid Cap - $817,856,343	**36.1%**
Large Cap Enhanced - $486,863,723	**21.5%**
Fund of Funds - $961,927,404	**42.4%**
Growth - $292,110,805	12.9%
Value - $284,612,123	12.5%
Core - $385,204,476	17.0%

Domestic Equity Holdings by Industry Distribution — as of June 30, 2013

$39,875,467,827



Basic Materials	Capital Goods	Consumer Cyclicals	Consumer Staples	Energy
$4,614,725,465	$4,692,001,247	$4,695,445,237	$3,264,566,084	$3,117,532,787
11.6%	**11.8%**	**11.8%**	**8.2%**	**7.8%**

Financial	Technology	Transportation	Utilities	Diversified and Misc.
$8,867,535,967	$6,222,036,841	$1,111,768,282	$3,253,500,766	$36,355,151
22.2%	**15.6%**	**2.8%**	**8.1%**	**0.1%**

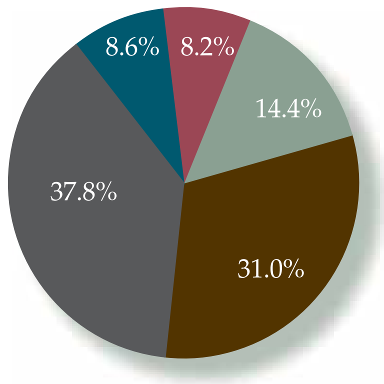
Ten Largest Domestic Equity Holdings — as of June 30, 2013

Rank	Company	Cost	Market Value	Percent of Equities
1	Exxon	$ 163,900,100	$ 930,174,031	2.3%
2	Apple	110,608,252	860,018,056	2.1%
3	Microsoft	295,842,190	603,804,973	1.5%
4	General Electric	203,760,186	549,146,690	1.4%
5	Johnson & Johnson	130,023,842	547,382,485	1.4%
6	Google	276,264,828	546,613,810	1.4%
7	Chevron	99,259,728	533,446,662	1.3%
8	Procter & Gamble	133,900,109	483,359,388	1.2%
9	JPMorgan Chase	170,526,737	473,016,613	1.2%
10	Wells Fargo	223,060,570	464,197,738	1.2%
Total		**$1,807,146,542**	**$5,991,160,446**	**15.0%**

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, 2013

$13,426,105,593
Yield to Maturity 1.5%



37.8%
U.S. Treasuries
$5,072,051,966
Yield to Maturity - 1.0%

8.6%
Federal Agency, Notes/Debentures
$1,156,065,880
Yield to Maturity - 1.1%

8.2%
REIT & Commercial Mortgage Backed
$1,104,669,643
Yield to Maturity - 3.1%

14.4%
Federal Agency, Mortgage Backed
$1,934,453,273
Yield to Maturity - 2.7%

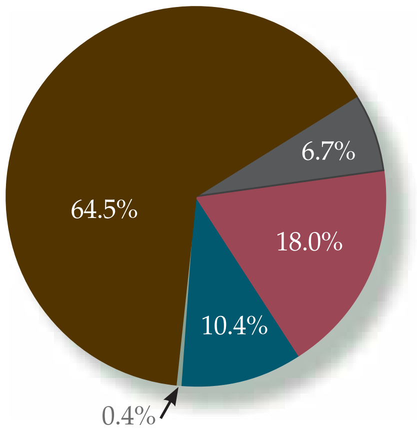
31.0%
Corporate
$4,158,864,831
Yield to Maturity - 1.9%

Ten Largest Domestic Fixed Income Holdings — as of June 30, 2013

Rank	Issue	Market Value	Percent of Domestic Fixed Income Market Value
1	AID-Israel 5.50% Due 4/26/2024	$121,511,100	0.9%
2	U.S. Treasury Note 3.625% Due 2/15/2020	111,554,688	0.8%
3	U.S. Treasury Note 3.375% Due 11/15/2019	82,523,400	0.6%
4	U.S. Treasury Note 2.50% Due 3/31/2015	77,856,446	0.6%
5	U.S. Treasury Note 2.625% Due 12/31/2014	77,660,175	0.6%
6	U.S. Treasury Note 1.75% Due 5/15/2022	71,513,700	0.5%
7	U.S. Treasury Note 3.125% Due 5/15/2019	65,114,040	0.5%
8	U.S. Treasury Note 2.125% Due 8/15/2021	64,238,001	0.5%
9	U.S. Treasury Note 3.625% Due 8/15/2019	64,045,110	0.5%
10	U.S. Treasury Note 3.25% Due 12/31/2016	54,105,450	0.4%
Total		**$790,122,110**	**5.9%**

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, 2013



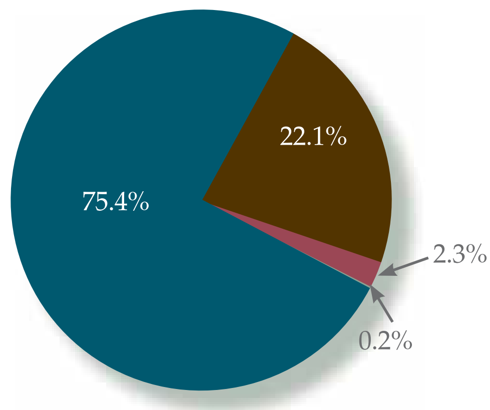
64.5% Aaa	**6.7%** Aa	**18.0%** A	**10.4%** Baa	**0.4%** Others

Domestic Fixed Income Average Maturity — as of June 30, 2013

Internally Managed

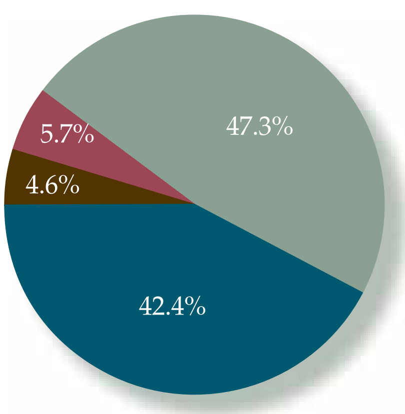
Effective Duration 3.6 Years

75.4% Less than 5 Years Duration - 2.7 Years	**22.1%** 5-9 Years Duration - 5.9 Years	**2.3%** 10-14 Years Duration - 10.0 Years	**0.2%** 15-20 Years Duration - 16.2 Years



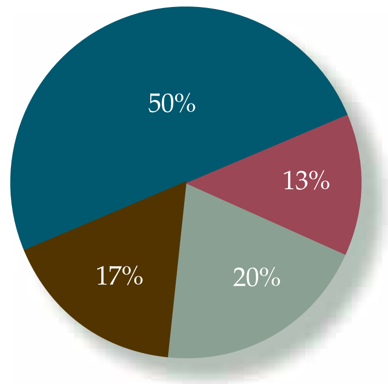
Short-Term Sector Distribution — as of June 30, 2013

$2,468,674,536



42.4% Industrial $1,047,916,151	**4.6%** Utilities $114,003,866	**5.7%** Governmental/ Agency/ Supranational $139,991,717	**47.3%** Banks & Finance $1,166,762,802

Private Equity Net Asset Value by Investment Type — as of June 30, 2013



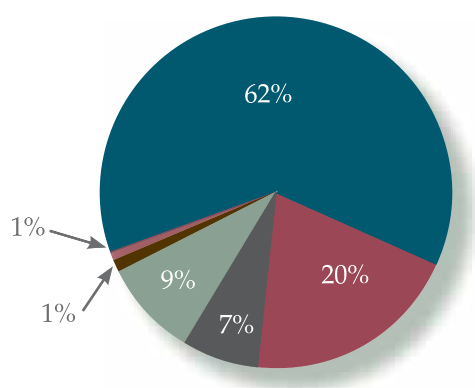
50% Buyouts

13% Venture Capital

20% Special Situations

17% International

Private Equity Net Asset Value by Geography* — as of June 30, 2013



62% North America

20% Multi-National

7% United Kingdom

9% Western Europe

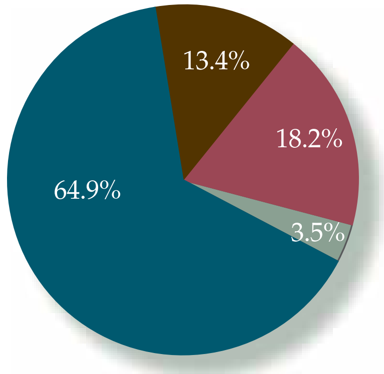
1% Asia

1% Rest of World

**Excluding Fund of Funds and Secondary Funds.*

International Equity Style Distribution — as of June 30, 2013

$17,116,001,532



64.9%
Developed Markets - Passive
$11,112,888,979

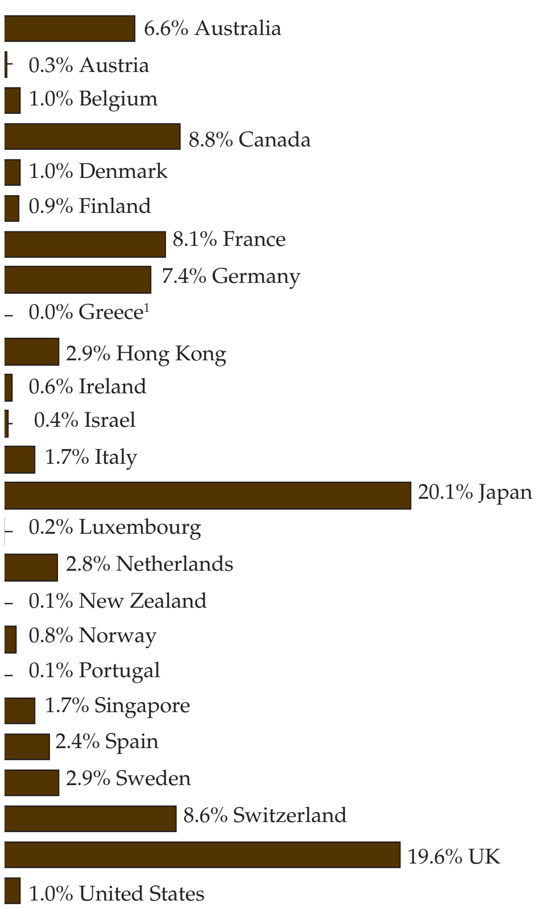
13.4%
Developed Markets - Active
$2,284,613,498

18.2%
Emerging Markets - Passive
$3,127,129,717

3.5%
Emerging Markets & Frontier Markets - Active
$591,369,338

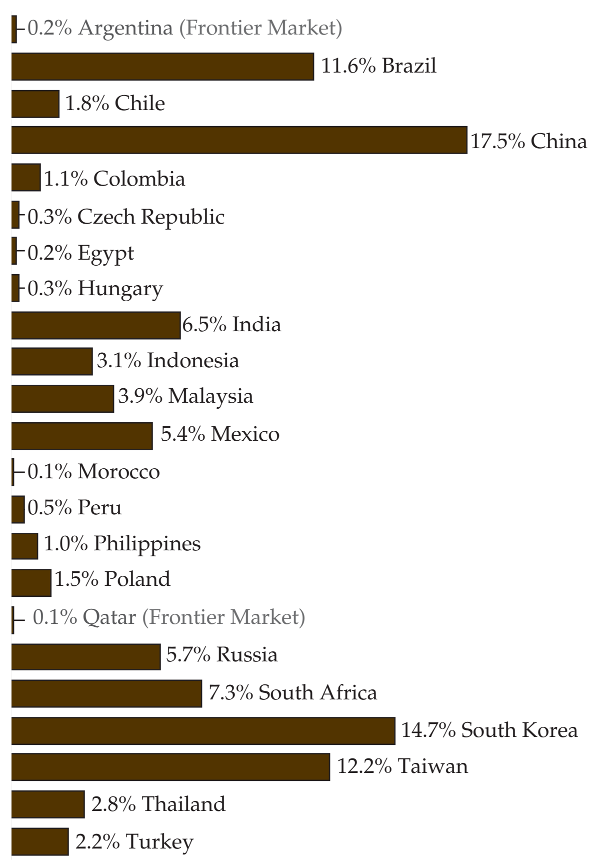
International Equity Exposure Distribution — as of June 30, 2013

Percentage of Portfolio for Developed Countries
$13,397,502,477

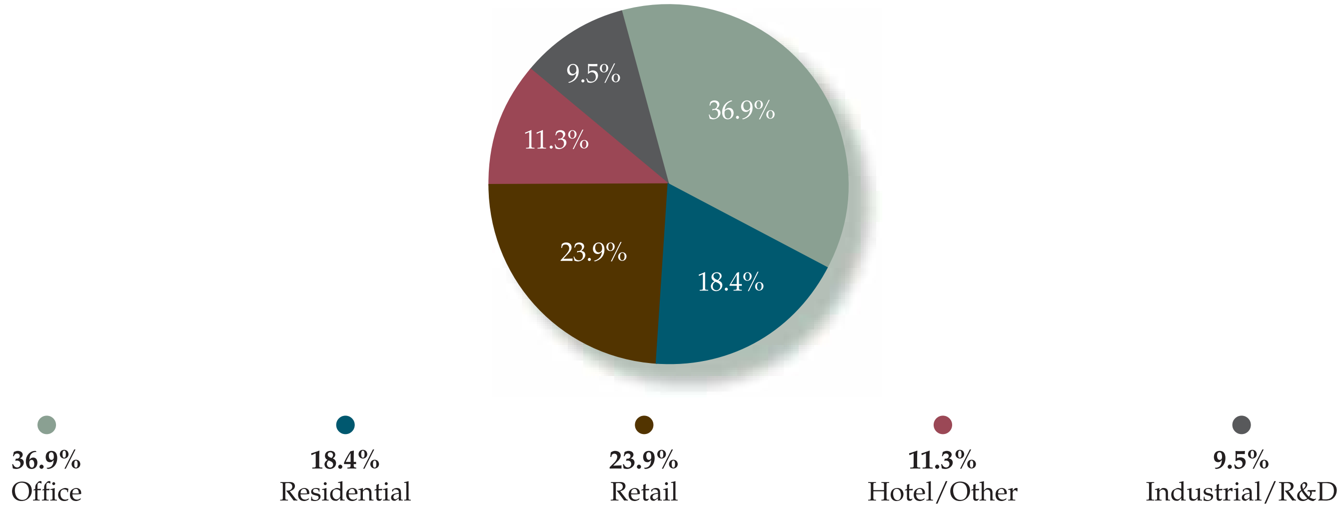


[1]*Holdings in this country are less than 0.1%*

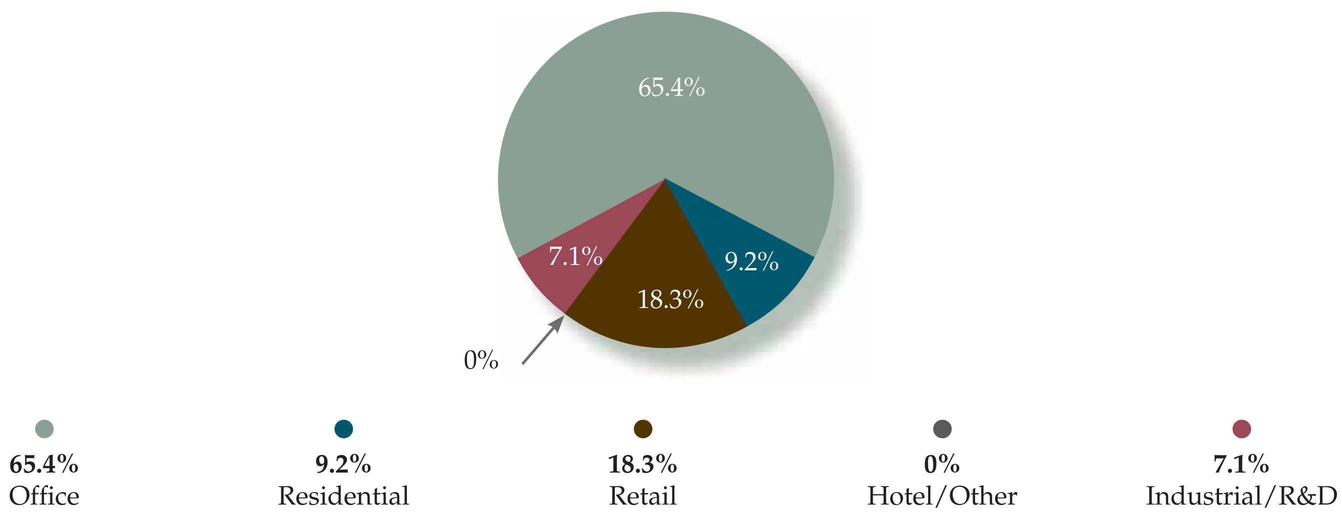
Percentage of Portfolio for Emerging & Frontier Markets
$3,718,499,055



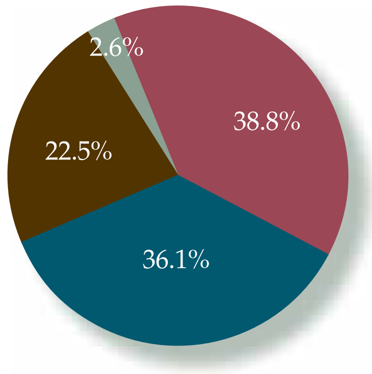
Real Estate Equity by Property Type — as of June 30, 2013



Real Estate Mortgages by Property Type — as of June 30, 2013

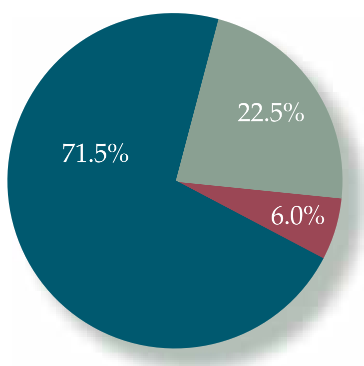


Breakdown of Real Estate Equity Portfolio — as of June 30, 2013



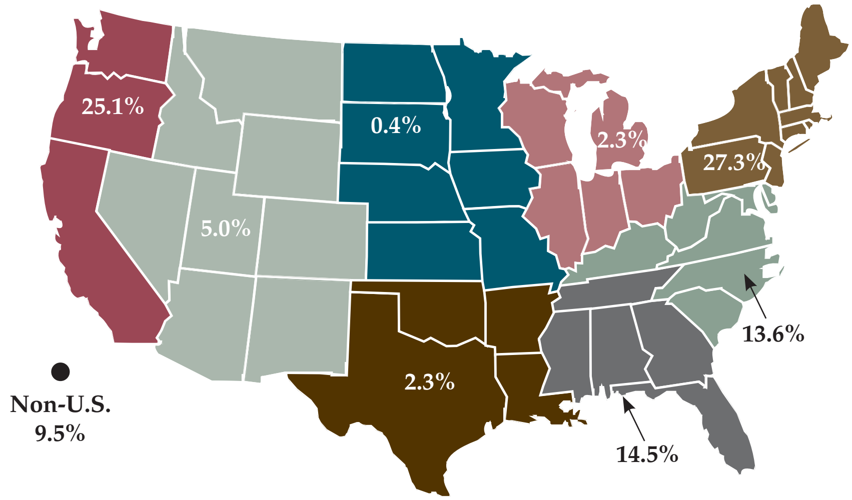
38.8% Direct Investments	**36.1%** Private Securities	**22.5%** Public Securities	**2.6%** Timber Investments

Breakdown of Mortgage Portfolio — as of June 30, 2013



71.5% Conventional Mortgages	**22.5%** CMBS	**6.0%** Mezzanine Debt

Geographic Distribution of the Real Estate Portfolio — as of June 30, 2013



25.1% Pacific

5.0% Mountain

0.4% West North Central

2.3% East North Central

27.3% Northeast

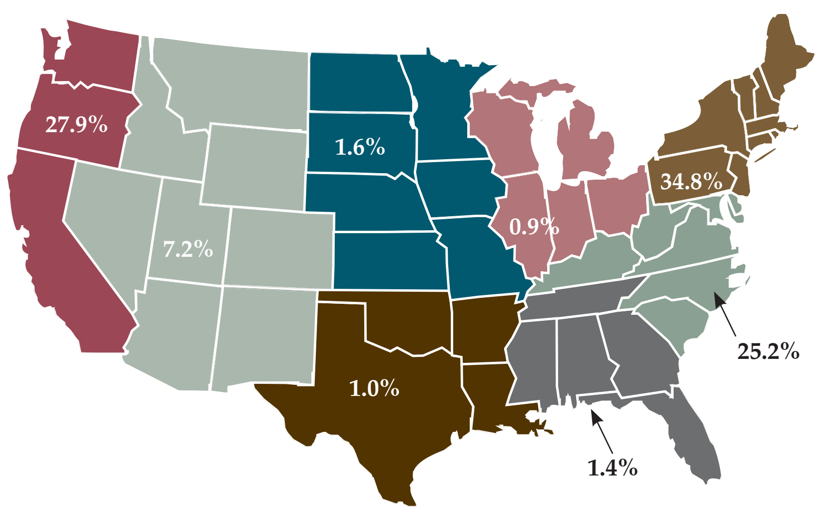
13.6% Mideast

14.5% Southeast

2.3% Southwest

9.5% Non-U.S.

Geographic Distribution of the Mortgage Portfolio — as of June 30, 2013



27.9% Pacific

7.2% Mountain

1.6% West North Central

0.9% East North Central

34.8% Northeast

25.2% Mideast

1.4% Southeast

1.0% Southwest

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 2012 calendar year, a total of 16,552 proposals were voted on, representing 1,796 meetings for the companies it owns in the System's equity portfolio. Many of the proxies focused on auditors/CPA and 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 (16,013)		
Position	Number of Proposals	Percentage of Position
For	13,856	86.5%
Against	2,132	13.3%
Abstain	25	0.2%

Shareholder Proposals (539)		
Position	Number of Proposals	Percentage of Position
For	293	54.4%
Against	237	43.9%
Abstain	9	1.7%

Securities Lending Program — as of June 30, 2013

Market Value on Loan

Cash: $2,620,230,495 – Non-Cash: $737,478,549 – Total: $3,357,709,044

Schedule of Investment Fees and Expenses

Year ended June 30, 2013

(dollars in thousands)

Fund Manager	Investment Management Expenses 2012-2013
Domestic Fixed Income Securities:	
BlackRock Financial Management	$ 891
Prima Capital Advisors	472
Torchlight Investors	780
Total Domestic Fixed Income:	$ 2,143
Global Fixed Income Securities:	
Loomis, Sayles & Company	$ 446
Total Global Fixed Income:	$ 446
Domestic Equities:	
Adelante Capital Management	$ 1,120
Cohen & Steers	2,626
Iridian Asset Management	4,285
Leading Edge Investment Advisors	1,905
Progress	2,994
RREEF America	1,431
T. Rowe Price	1,357
Total Domestic Equities:	$15,718
International Equities:	
Aberdeen Asset Management	$ 2,219
AQR Capital Management	1,407
Baillie Gifford	1,661
BlackRock ACWI Index	1,968
BlackRock EAFE Index	20
Dimensional Fund Advisors	235
EII Capital Management	1,020
FIS Group	64
LaSalle Investment Management	649
LSV Asset Management	2,091
Marathon Asset Management	1,731
RREEF America	788
State Street Global Advisors	1,697
William Blair & Co.	1,713
Total International Equities:	$17,263
Mortgages:	
Deutsche Bank	$ 1
GEMSA	122
Heitman	2
NY Life	76
FHA Mortgages	1
Total Mortgages:	$ 202

Fund Manager	Investment Management Expenses 2012-2013
Real Estate:	
Clarion	$ 3,773
Invesco	1,318
JP Morgan	8,772
Kennedy	422
Sentinel	1,998
Real Estate Separate Accounts/Commingled	42,850
Total Real Estate:	$ 59,133
Alternative Investments:	
Private Equity	$ 95,228
Real Estate	14,716
Total Alternative Investments:	$109,944
General Expenses:	
Advisory Committee - Investment	$ 70
Advisory Committee - Real Estate	66
Bryant Rabbino	20
Callan Associates	512
Chevez Ruiz Zamarripa y Cia	7
Edwards Wildman Palmer	5
Foster Pepper	88
Groom Law Group	9
Hamilton Lane	80
Hewitt EnnisKnupp	493
International Equity - Advisory Fees	1,033
Investment Information Services	2,644
JP Morgan Chase	105
K&L Gates	82
Morgan, Lewis & Bockius	271
Nixon Peabody	111
Real Estate Origination Costs	169
Real Estate Professional Fees	(257)
Real Estate Service Costs	5
Shott Capital Management	40
State Street Corporation	1,273
StepStone Group	950
Stockbridge Risk Management	14
Total General Expenses:	$ 7,790
Total Investment Fees and Expenses:	**$212,639**

(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:

Active All Cap
Leading Edge Investment Advisors
(Manager of Managers)

Enhanced All Cap
Progress Investment Management Co.
(Manager of Managers)

Active Mid Cap
Iridian Asset Management LLC

Enhanced Large Cap
T. Rowe Price Associates Inc.

International Equities:

Active
Aberdeen Asset Management, Inc.
AQR Capital Management, LLC
Baillie Gifford Overseas Ltd.
Dimensional Fund Advisors
FIS Group, Inc.
LSV Asset Management
Marathon Asset Management LLP (Marathon-London)
William Blair & Company

Passive
State Street Global Advisors
BlackRock Institutional Trust Co. N.A.

Global Fixed Income Securities:

Active
Loomis Sayles & Company

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
ABRY Senior Equity Fund IV
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 VII
Charterhouse Capital Partners VIII
Charterhouse Capital Partners IX
Chisholm Partners III
Chisholm Partners IV
Cinven III
Cinven IV
Cinven V
Clayton Dubilier & Rice VI
Clearlake Capital Partners III, L.P.
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 Capital Partners VI, L.P.
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
FirstMark Capital II, 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 V
Hellman & Friedman VI
Hellman & Friedman VII
Highland Capital Partners IX, L.P.
HIPEP Select Asia Fund, L.P.
Horsley Bridge VII
Hutton Collins Capital Partners II LP
Hutton Collins Capital Partners III LP
ICG Europe Fund V
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
KKR Asia Fund II, L.P.
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.
Lyceum Capital Fund III, L.P.
Madison Dearborn Capital Partners IV
Madison Dearborn Capital Partners V
Madison Dearborn Capital Partners VI
Metalmark Capital Partners, L.P.

External Investment Managers *(continued)*

Private Equity - Limited Partnerships: *(continued)*

Nautic V
Nautic VI
Nautic VII
Oaktree European Principal Fund III, L.P.
Olympus Growth Fund IV
Olympus Growth Fund V
Olympus Growth Fund VI
P123 Ltd
Peninsula Fund V, L.P.
Permira IV
Phoenix Equity Partners 2010 Fund
Pine Brook Capital Partners, L.P.
Pine Brook Capital Partners II, L.P.
Rhone Partners IV, L.P.
Riverstone/Carlyle Global Energy and Power Fund IV
Silver Lake Partners II
Silver Lake Partners III
Silver Lake Partners IV, L.P.
Spark Capital Partners IV, L.P.
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
President (Retired)
Equitable Real Estate/Lend Lease
Atlanta, Georgia

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

Maureen A. Ehrenberg
Global Director of Facilities Management
CBRE Inc.
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.
Blackstone Real Estate Advisors
Capri Capital Advisors, LLC
Carbon Capital Inc.
C-III Capital Partners LLC
Latitude Management Real Estate Investors, Inc.
Madison Realty Capital
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:

Abacus Capital Group, LLC
Angelo, Gordon & Co.
Apollo Global Real Estate
Artemis Real Estate Partners
BlackRock, Inc.
Blackstone Real Estate Advisors
Brookfield Properties Corporation
Cabot Properties, Inc.
CBRE Global Investors
Cerberus Capital Management, L.P.
Clarion Partners
Cornerstone Real Estate Advisers LLC
DLJ Real Estate Capital Partners, Inc.
Essex Property Trust, Inc.
Exeter Property Group
Federal Capital Partners
Gaw 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

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Actuarial

On average, a New York State public educator retires with more than a quarter century of service.

Actuarial

Actuarial Certification Letter

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395
(800) 348-7298 or (518) 447-2900
NYSTRS.org
Thomas K. Lee, Executive Director & Chief Investment Officer

Office of the Actuary
(518) 447-2692

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

October 11, 2013

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, 2012. 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, 2012 the System's market value rate of return on assets for the year was 2.8%. The System's five-year annualized rate of return decreased to 1.1%, the lowest five-year rate of return the System has had since return statistics have been kept. The 25-year annualized return stood at 8.5%. The June 30, 2012 actuarial valuation produced a required employer contribution rate of 16.25% of payroll, representing an increase of approximately 37% over the prior year's rate of 11.84%. 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 combined with fiscal year 2012's low return is the primary reason for the increase in the rate.

Looking ahead, as detailed in the Investments Section of this report, the capital markets overall produced strong returns during the fiscal year ended June 30, 2013, with double-digit returns achieved in the domestic and international equity, real estate, and private equity asset classes. The System achieved an annual net rate of return of 13.7% for the fiscal year. This will raise the System's five-year rate of return substantially to 5.2%. Additionally the System's 10-year rate of return has increased to 7.5%, and the 25-year rate of return to 9.1%. While the System's five-year rate of return has improved, it is likely that the next employer contribution rate will represent an increase, although with a much lower percentage increase than in the past year. Looking out even further, barring very poor investment returns or significant demographic changes, the employer contribution rate should begin to level off. Additionally over time, as older-tier members retire and are replaced by newer members, the less-expensive Tier 5 and 6 plans will provide a dampening effect on the plan's employer costs.

Actuarial Certification Letter *(continued)*

Chapter 57 of the Laws of 2013 allowed the NYSTRS Board to provide eligible school districts with a seven-year Stable Contribution Option (SCO). The SCO will allow eligible employers who elect to participate to pay a stable contribution rate in lieu of the Actuarially Required Contribution (ARC) rate for seven years beginning with the ’13-’14 fiscal year. The SCO rate would be equal to 14% (plus Group Life Insurance Rate) in Year 1, and could be increased to 16% (plus Group Life Insurance Rate) in Year 3, and to 18% (plus Group Life Insurance Rate) in Year 5. Any deficiencies between the ARC and the SCO rate must be paid back with interest in future years. After Year 7 all employers return to paying the ARC. Details of the program can be found on the System’s website and in the most recent Actuarial Valuation Report. Eligible employers have until June 30, 2014 to elect to participate. With approximately half of all eligible employers having filed their election forms, only one employer has elected to participate in the SCO. Given that at this point it appears very few employers will elect to participate, and the SCO rate is not significantly different from the ARC, the overall financial impact of the SCO should be negligible.

The plan’s funded ratio as of June 30, 2012, calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 50, was 89.8%. Although this funded ratio has fallen below 100% in recent years, the System remains well funded, especially in comparison to the majority of its peers. The primary reason for this healthy funded ratio is that the System has collected the actuarially-required contribution annually from employers. The significance of this cannot be overstated. 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, 2012

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 Tier 1-5) (10/12 Tier 6)

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	Tier 6
55	31.18%	3.46%	1.73%	1.73%	1.73%
60	22.55	4.72	2.36	20.12	2.36
65	17.43	-	-	-	18.70
70	13.43	-	-	-	21.14
Female Age					
55	31.18%	4.22%	2.11%	2.11%	2.11%
60	19.06	4.85	2.42	17.31	2.42
65	20.06	-	-	-	16.37
70	16.91	-	-	-	22.20

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, 2012 and June 30, 2011
(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 NYSTRS 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.

	2012	2011
Present Value of Benefits Presently Being Paid:		
Service Retirement Benefits	$ 50,434,852	$ 49,049,453
Disability Retirement Benefits	279,173	272,752
Death Benefits	2,697	3,945
Survivor Benefits	686,872	637,374
Cost-of-Living Allowance	4,634,175	4,536,243
Total Present Value of Benefits Presently Being Paid	56,037,769	54,499,768
Present Value of Benefits Payable in the Future to Present Active Members:		
Service Retirement Benefits	48,417,710	47,911,909
Disability Retirement Benefits	220,231	217,523
Termination Benefits	1,797,499	1,793,953
Death and Survivor Benefits	438,738	438,029
Cost-of-Living Allowance	1,021,289	1,020,253
Total Active Member Liabilities	51,895,466	51,381,667
Present Value of Benefits Payable in the Future to Present Inactive (Vested) Members:		
Retirement Benefits	228,637	208,241
Death Benefits	291	236
Cost-of-Living Allowance	4,823	4,435
Total Vested Liabilities	233,751	212,911
Unclaimed Funds	9,740	9,211
Total Actuarial Present Value of Future Benefits	**$108,176,726**	**$106,103,558**

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.

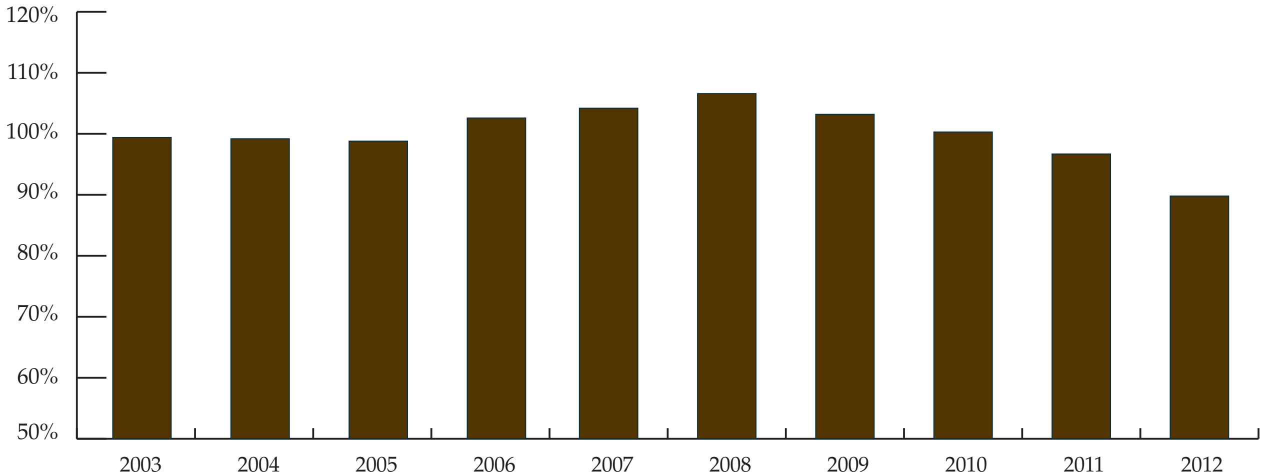
The Retirement System's funding method has allowed the accumulation of assets appropriate for the funding of its liabilities in a systematic and reasonable manner.

Analysis of Funding Progress

(in millions)

Fiscal Year Ended	Actuarial Value of Assets[1]	Actuarial Accrued Liability[2]	Percent Funded
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
2012	82,871.4	92,250.9	89.8

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)
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%
2012	4,256.4	56,197.6	31,796.9	82,871.4	100.0%	100.0%	70.5%

**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, 2012
Salary/Service:	-0.52%
Net Investment Loss:	+4.80
New Entrants:	-0.02
Withdrawal:	+0.01
Mortality:	+0.02
Retirement:	-0.04
Pension Payments:	+0.18
Cost-of-Living Adjustment:	-0.02
Total Change in Employer Contribution Rate	**+4.41%**

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)
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	74,922	11.11
2013	273,328	14,647.8	0.0	N/A	11.84

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
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
2013	6,776	3,766	327,889,400	104,595,554	152,822	6,272,678,556	3.69	41,046

**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

September 30, 2013

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, 2011 and the resultant employer contribution rate of 11.84% applied to the payroll for the fiscal year ended June 30, 2013.

- A review of the methodology used to estimate the payroll as of June 30, 2013, and the employer and employee contributions receivable as of June 30, 2013.

- A review of the System's Experience Studies as of June 30, 2011 and 2012, 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, 2013, 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

Over 80% of the more than $6 billion in benefits NYSTRS pays out annually is distributed to New York State residents.

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.

Demographic & Economic Information

The schedules on pages 95-107 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:

Financial Trends Information

The schedules on pages 108-112 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:

Operating Information

The schedules on pages 113-118 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:

Demographic & Economic Information

Active Members:

	Male	Female	Total
June 30, 2012	66,156	211,117	**277,273**
Changes During Year:			
Added	1,863	6,215	**8,078**
Withdrawn	1,427	4,096	**5,523**
Retired	1,425	4,905	**6,330**
Died	57	113	**170**
June 30, 2013	65,110	208,218	**273,328**

Members Retired for:

	Service*			Disability			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
June 30, 2012	50,177	92,186	142,363	517	1,558	2,075	**50,694**	**93,744**	**144,438**
Changes During Year:									
Retired	1,393	4,809	6,202	32	96	128	**1,425**	**4,905**	**6,330**
Died	1,254	1,910	3,164	35	80	115	**1,289**	**1,990**	**3,279**
Lump Sum	37	160	197	0	0	0	**37**	**160**	**197**
Restored to Active Membership	0	0	0	1	0	1	**1**	**0**	**1**
June 30, 2013	50,279	94,925	145,204	513	1,574	2,087**	**50,792**	**96,499**	**147,291**

Beneficiaries of Deceased:

	Service Annuitants			Disability Annuitants			Active Members			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
June 30, 2012	1,057	3,887	4,944	87	165	252	30	148	178	**1,174**	**4,200**	**5,374**
Changes During Year:												
Added	134	299	433	6	7	13	0	0	0	**140**	**306**	**446**
Died	73	202	275	2	3	5	1	8	9	**76**	**213**	**289**
June 30, 2013	1,118	3,984	5,102	91	169	260	29	140	169	**1,238**	**4,293**	**5,531**

Summary:

	Male	Female	Total
Active Members	65,110	208,218	**273,328**
Retired Members	50,792	96,499	**147,291**
Beneficiaries	1,238	4,293	**5,531**
Total	117,140	309,010	**426,150**

**Also includes vested retirees.*

***Includes 35 males and 38 females retired for disability who receive a service benefit.*

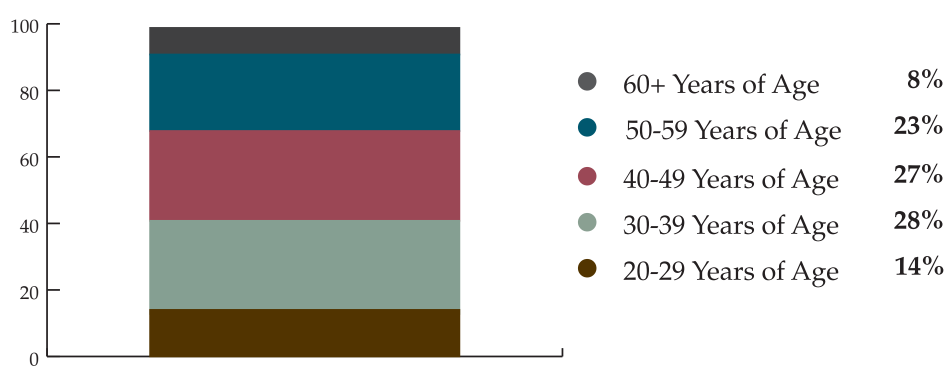
Distribution of Active Members by Age and Years of Service*
— as of June 30, 2012

Age		0-5	6-10	11-15	16-20	21-25
20-24	**Number of Members**	**7,234**	**1**	**0**	**0**	**0**
	Average Salary	*$34,971*	*$17,196*	*$0*	*$0*	*$0*
25-29	**Number of Members**	**28,627**	**2,584**	**3**	**0**	**0**
	Average Salary	*$47,924*	*$59,861*	*$67,877*	*$0*	*$0*
30-34	**Number of Members**	**18,567**	**18,090**	**2,920**	**1**	**0**
	Average Salary	*$52,908*	*$65,848*	*$74,238*	*$94,879*	*$0*
35-39	**Number of Members**	**9,747**	**11,370**	**16,085**	**1,206**	**1**
	Average Salary	*$52,188*	*$68,806*	*$79,214*	*$88,628*	*$36,807*
40-44	**Number of Members**	**8,482**	**8,194**	**12,455**	**10,175**	**850**
	Average Salary	*$49,247*	*$65,105*	*$80,051*	*$88,679*	*$88,916*
45-49	**Number of Members**	**7,604**	**6,361**	**6,852**	**6,479**	**7,106**
	Average Salary	*$43,239*	*$59,010*	*$74,000*	*$88,508*	*$92,923*
50-54	**Number of Members**	**6,224**	**5,629**	**6,307**	**4,354**	**5,155**
	Average Salary	*$42,281*	*$54,195*	*$67,050*	*$79,873*	*$92,044*
55-59	**Number of Members**	**4,012**	**3,409**	**4,888**	**4,450**	**4,142**
	Average Salary	*$45,737*	*$55,287*	*$67,034*	*$77,694*	*$88,176*
60-64	**Number of Members**	**2,208**	**1,614**	**2,309**	**2,635**	**3,227**
	Average Salary	*$48,588*	*$55,137*	*$66,148*	*$77,294*	*$86,983*
65-69	**Number of Members**	**835**	**363**	**442**	**506**	**561**
	Average Salary	*$49,273*	*$59,857*	*$62,603*	*$80,135*	*$85,093*
70+	**Number of Members**	**367**	**115**	**109**	**102**	**114**
	Average Salary	*$26,744*	*$47,314*	*$56,328*	*$62,337*	*$73,540*
Total	**Number of Members**	**93,907**	**57,730**	**52,370**	**29,908**	**21,156**
	Average Salary	*$48,364*	*$63,574*	*$75,370*	*$84,601*	*$90,409*

**Average salary data is for the 186,650 members who earned a full year of service.*

The average salary for all active members, full-time and part-time, is $64,204.

Distribution of Active Members by Age
— as of June 30, 2012



Averages
— as of June 30, 2012

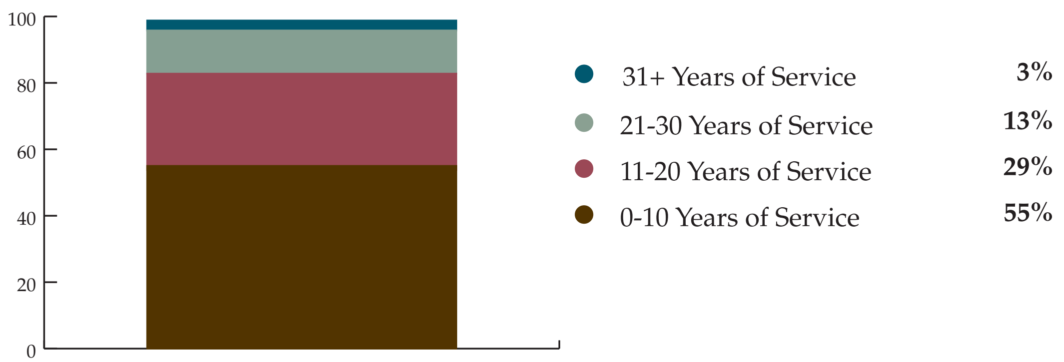
Gender	Age	Years of Service
Female	43	11
Male	42	11

Distribution of Active Members by Age and Years of Service* *(continued)*

— as of June 30, 2012

26-30	31-35	36-40	41-45	46-50	51+	Total
0	**0**	**0**	**0**	**0**	**0**	**7,235**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$34,952*
0	**0**	**0**	**0**	**0**	**0**	**31,214**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$50,127*
0	**0**	**0**	**0**	**0**	**0**	**39,578**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$63,827*
0	**0**	**0**	**0**	**0**	**0**	**38,409**
$0	*$0*	*$0*	*$0*	*$0*	*$0*	*$73,952*
1	**0**	**0**	**0**	**0**	**0**	**40,157**
$107,644	*$0*	*$0*	*$0*	*$0*	*$0*	*$78,272*
1,103	**0**	**0**	**0**	**0**	**0**	**35,505**
$93,930	*$0*	*$0*	*$0*	*$0*	*$0*	*$78,834*
6,054	**789**	**0**	**0**	**0**	**0**	**34,512**
$97,808	*$100,091*	*$0*	*$0*	*$0*	*$0*	*$78,899*
4,257	**3,472**	**348**	**0**	**0**	**0**	**28,978**
$98,642	*$104,385*	*$108,244*	*$0*	*$0*	*$0*	*$82,830*
2,404	**1,245**	**1,009**	**138**	**1**	**0**	**16,790**
$97,649	*$107,310*	*$115,095*	*$122,938*	*$143,570*	*$0*	*$85,482*
467	**281**	**145**	**171**	**13**	**0**	**3,784**
$92,277	*$108,757*	*$118,197*	*$121,033*	*$128,940*	*$0*	*$86,281*
89	**64**	**52**	**27**	**50**	**22**	**1,111**
$79,476	*$93,286*	*$108,378*	*$89,178*	*$120,602*	*$121,288*	*$77,631*
14,375	**5,851**	**1,554**	**336**	**64**	**22**	**277,273**
$97,444	*$104,521*	*$113,622*	*$119,345*	*$122,687*	*$121,288*	*$74,922*

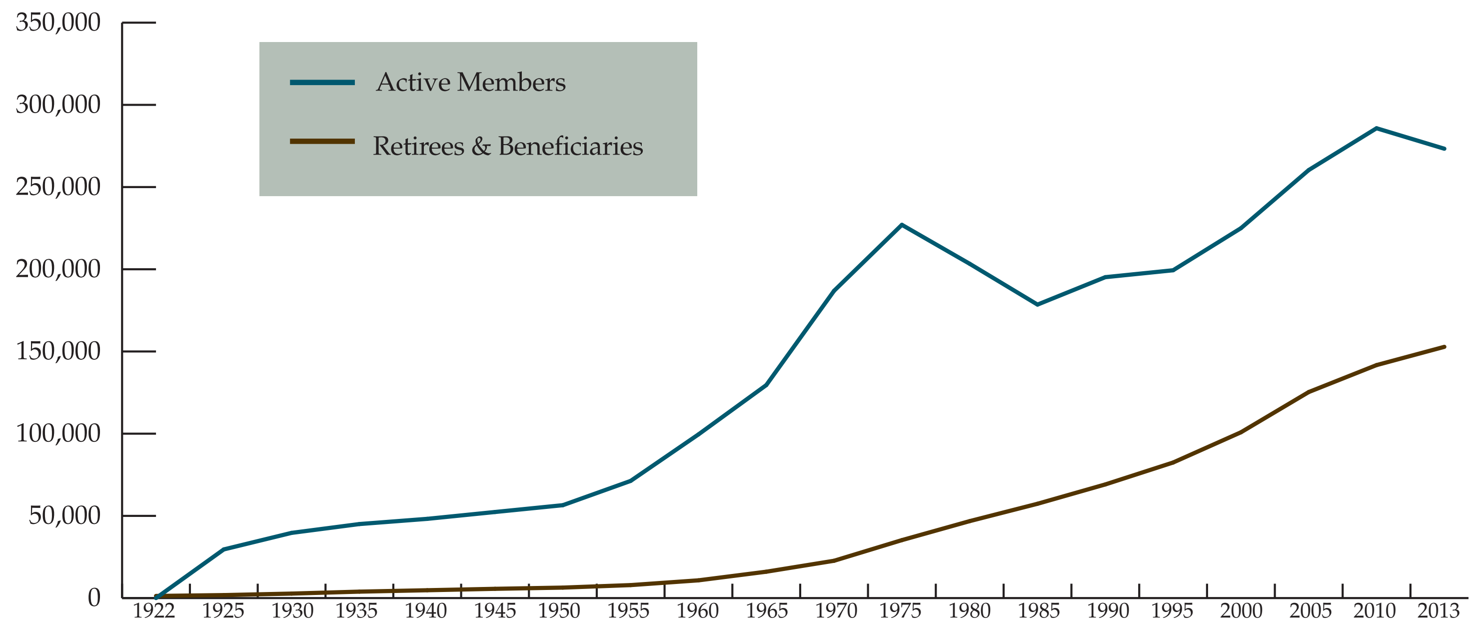
Distribution of Active Members by Service — as of June 30, 2012



Active Members and Annuitants 1922-2013

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	2013	273,328	152,822

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
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
2013	1,968	2,447	9,450	231,258	19,452	8,753	273,328

Members Retired in 2012-2013 for:

	Service*	Disability
Number Retired	**6,203**	**127**
Age at Retirement:		
Average	60 yrs., 10 mos.	51 yrs., 1 mo.
Median	60 yrs., 10 mos.	51 yrs., 9 mos.
Years of Service:		
Average	25 yrs., 6 mos.	17 yrs., 6 mos.
Median	27 yrs., 0 mos.	16 yrs., 2 mos.
**Benefit:		
Average	$44,768	$25,468
Median	$45,099	$24,394
Final Average Salary (FAS):		
Average	$81,987	$72,586
Median	$81,874	$67,764
***Benefit as % of FAS:		
Average	48.26%	34.42%
Median	52.67%	33.33%

Members Retired in 2012-2013 for Service* With:

	Less Than 20 Yrs. N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**1,558**	**3,703**	**942**
Age at Retirement:			
Average	60 yrs., 10 mos.	60 yrs., 5 mos.	62 yrs., 1 mo.
Median	61 yrs., 0 mos.	60 yrs., 7 mos.	61 yrs., 5 mos.
Years of Service:			
Average	11 yrs., 7 mos.	28 yrs., 1 mo.	39 yrs., 2 mos.
Median	11 yrs., 5 mos.	29 yrs., 4 mos.	39 yrs., 0 mos.
**Benefit:			
Average	$8,610	$50,009	$83,970
Median	$5,945	$49,548	$77,567
Final Average Salary (FAS):			
Average	$45,399	$90,264	$109,965
Median	$38,611	$88,089	$101,294
***Benefit as % of FAS:			
Average	17.28%	54.22%	76.06%
Median	16.67%	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, 2013 Retired for:

	Service*	Disability
Number Retired	**145,277**	**2,014**
Age at Retirement:		
Average	58 yrs., 5 mos.	49 yrs., 6 mos.
Median	57 yrs., 3 mos.	50 yrs., 3 mos.
Years of Service:		
Average	28 yrs., 4 mos.	18 yrs., 8 mos.
Median	30 yrs., 5 mos.	18 yrs., 2 mos.
**Benefit:		
Average	$39,534	$18,858
Median	$39,296	$17,100
Final Average Salary (FAS):		
Average	$66,245	$51,126
Median	$65,768	$49,967
***Benefit as % of FAS:		
Average	55.10%	36.03%
Median	60.83%	33.33%

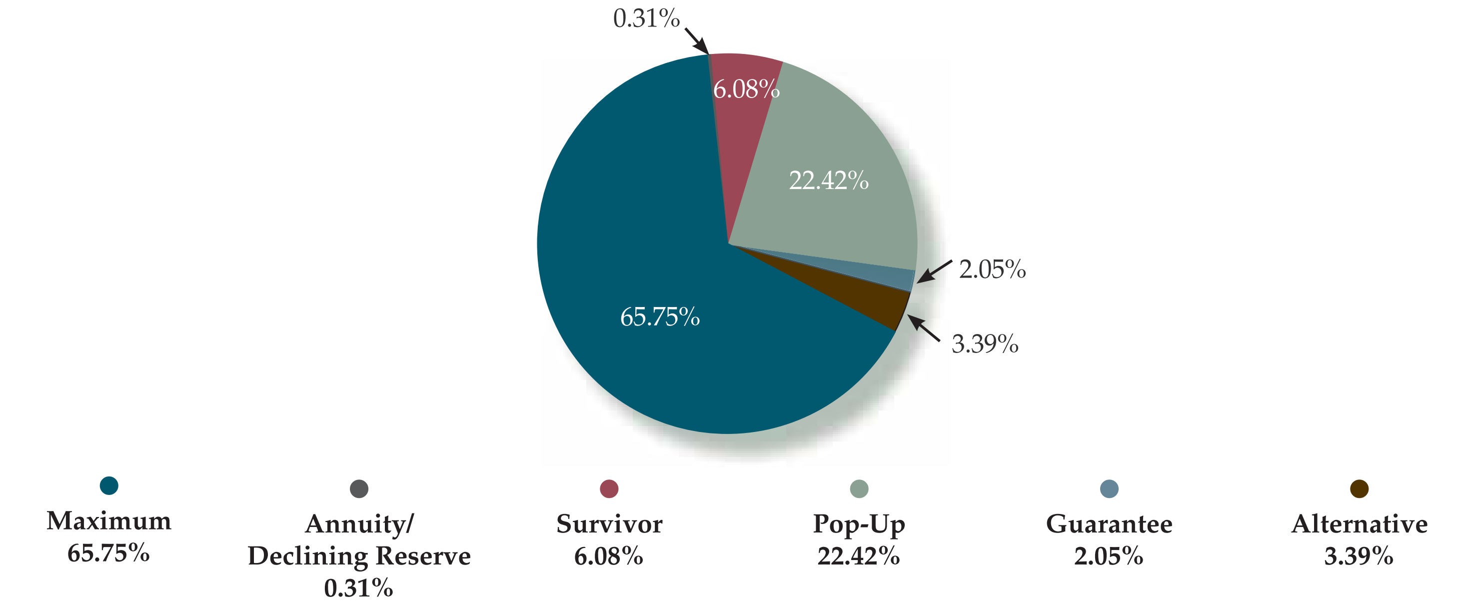
All Retirees as of June 30, 2013 Retired for Service* With:

	Less Than 20 Years N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	**24,082**	**85,926**	**35,269**
Age at Retirement:			
Average	58 yrs., 8 mos.	58 yrs., 2 mos.	58 yrs., 9 mos.
Median	57 yrs., 0 mos.	56 yrs., 10 mos.	58 yrs., 2 mos.
Years of Service:			
Average	13 yrs., 8 mos.	28 yrs., 7 mos.	37 yrs., 4 mos.
Median	14 yrs., 0 mos.	30 yrs., 0 mos.	36 yrs., 8 mos.
**Benefit:			
Average	$7,772	$38,782	$63,057
Median	$5,845	$37,871	$59,592
Final Average Salary (FAS):			
Average	$36,022	$67,143	$84,693
Median	$29,418	$65,669	$80,686
***Benefit as % of FAS:			
Average	21.23%	56.76%	74.21%
Median	19.91%	59.70%	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

2009-2013 Retirees



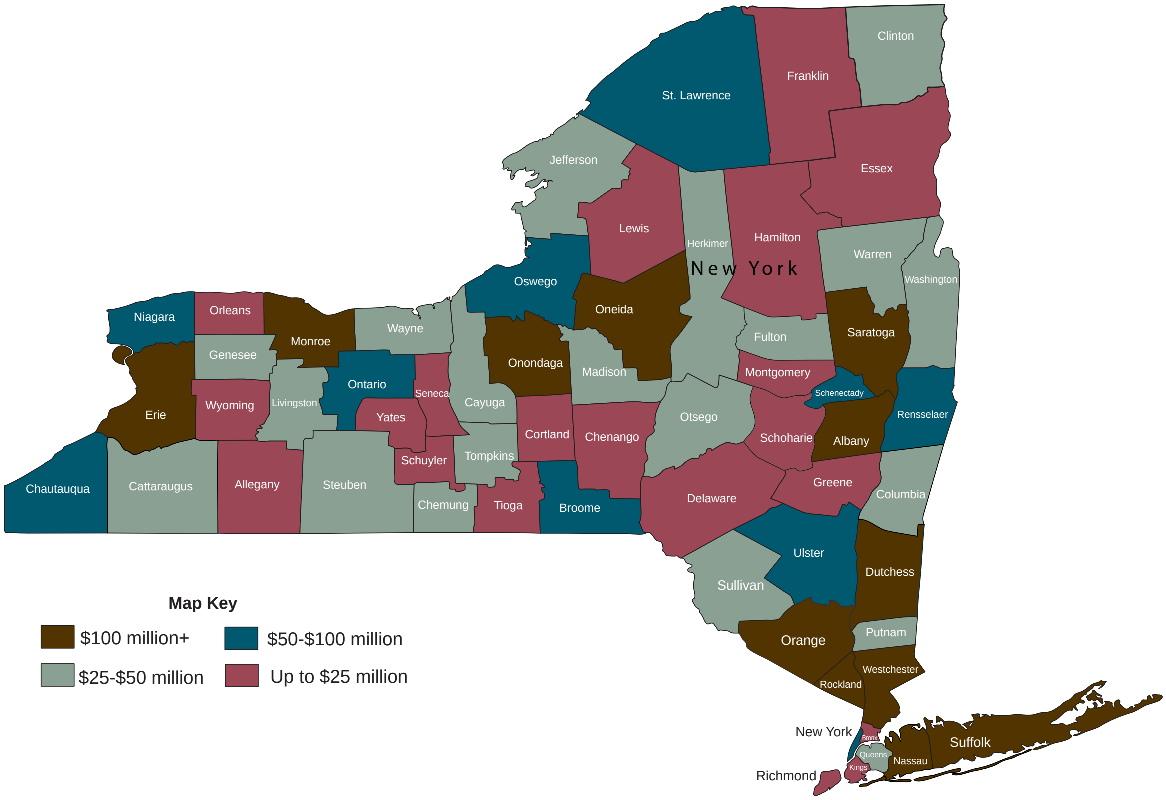
Retired Members' Characteristics*

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
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
2013	6,330	60-10	25-6	81,987	44,768

**Averages are for service and vested retirees.*

Distribution of Benefits Paid by County* — as of June 30, 2013



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	2,806	$106,065,853	Jefferson	1,196	$41,238,441	St. Lawrence	1,551	$51,455,229
Allegany	602	$19,037,872	Kings	212	$8,577,161	Saratoga	3,019	$118,738,162
Bronx	223	$10,589,444	Lewis	317	$10,614,356	Schenectady	1,634	$60,641,051
Broome	2,173	$76,576,262	Livingston	848	$30,821,905	Schoharie	381	$13,298,251
Cattaraugus	881	$31,645,465	Madison	878	$31,247,325	Schuyler	242	$7,351,940
Cayuga	928	$32,611,474	Monroe	7,841	$301,526,819	Seneca	405	$13,658,498
Chautauqua	1,827	$67,375,679	Montgomery	535	$18,892,589	Steuben	1,289	$43,920,647
Chemung	1,042	$35,418,690	Nassau	8,771	$452,217,747	Suffolk	15,770	$863,033,274
Chenango	633	$19,900,003	New York	1,210	$51,960,635	Sullivan	726	$29,871,947
Clinton	1,116	$39,184,852	Niagara	2,188	$89,095,822	Tioga	530	$18,503,080
Columbia	708	$26,647,737	Oneida	2,940	$104,540,392	Tompkins	924	$28,847,513
Cortland	663	$22,270,703	Onondaga	5,914	$211,173,628	Ulster	2,338	$96,449,325
Delaware	569	$18,479,978	Ontario	1,657	$61,085,491	Warren	1,282	$47,618,215
Dutchess	2,844	$121,464,748	Orange	2,875	$127,030,929	Washington	721	$25,030,108
Erie	10,024	$414,906,236	Orleans	434	$17,282,635	Wayne	1,172	$41,764,389
Essex	585	$18,850,154	Oswego	1,495	$51,864,415	Westchester	6,020	$303,182,265
Franklin	640	$21,744,901	Otsego	1,052	$33,449,356	Wyoming	469	$16,792,758
Fulton	758	$27,511,521	Putnam	866	$43,273,548	Yates	424	$14,263,847
Genesee	711	$26,849,488	Queens	834	$40,206,285			
Greene	461	$16,284,233	Rensselaer	1,474	$55,293,225	Out of State	36,849	$1,181,881,975
Hamilton	140	$4,930,830	Richmond	40	$1,714,220			
Herkimer	982	$32,183,166	Rockland	2,183	$103,532,727	Grand Total	152,822	$6,053,471,414

Computed on the optional annual benefit including supplementation and COLA.

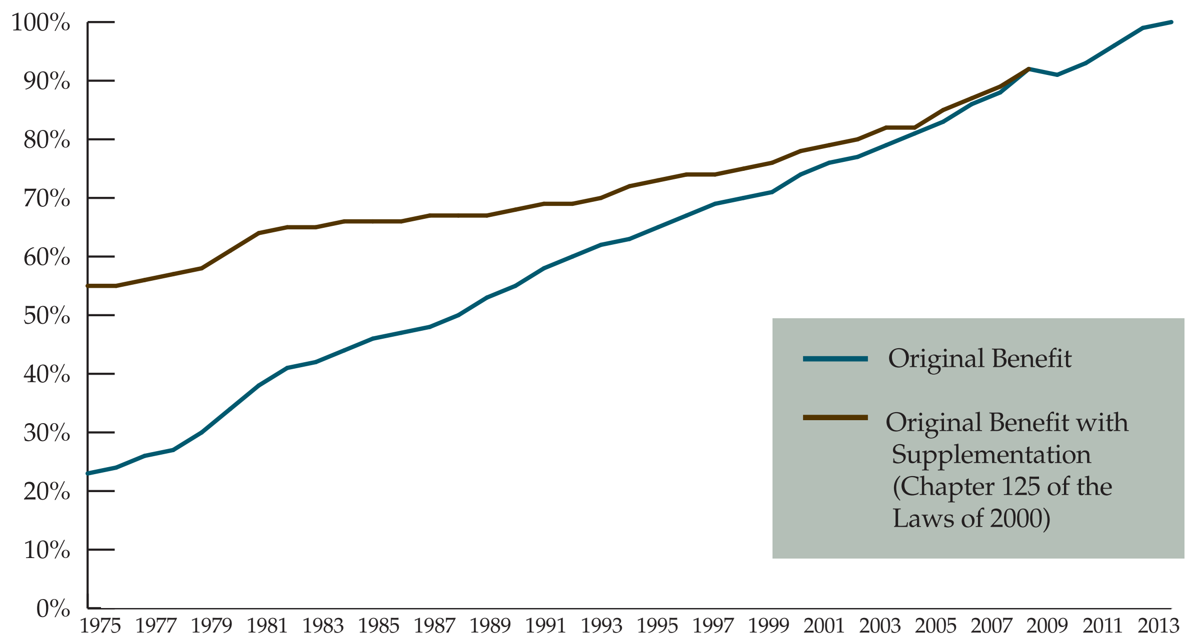
Distribution of Retired Members and Beneficiaries by Tier
— as of June 30, 2013

	Tier 1	Tier 2	Tier 3		Tier 4	Total
Members Retired for:						
Service*	101,044	15,663	12,839	(248)**	15,658	145,204
Disability	851	199	270	(34)**	767	2,087
Beneficiaries of Deceased:						
Service Annuitants	4,615	207	152	(3)**	128	5,102
Disability Annuitants	177	23	26	(5)**	34	260
Active Members	166	2	1	(0)**	0	169
Total	106,853	16,094	13,288	(290)**	16,587	152,822

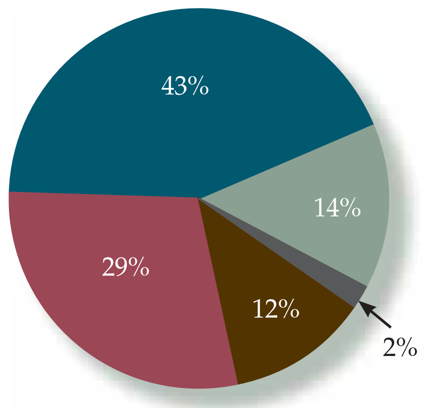
**Also includes vested retirees.*
***Those receiving an Article 14 (Tier 3) benefit. The remainder are receiving an Article 15 (Tier 4) benefit. Tier 3 members receive the better of the two benefits.*

Retired Members — Remaining Purchasing Power Through 2013

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 2013 in accordance with Chapter 125 of the Laws of 2000.



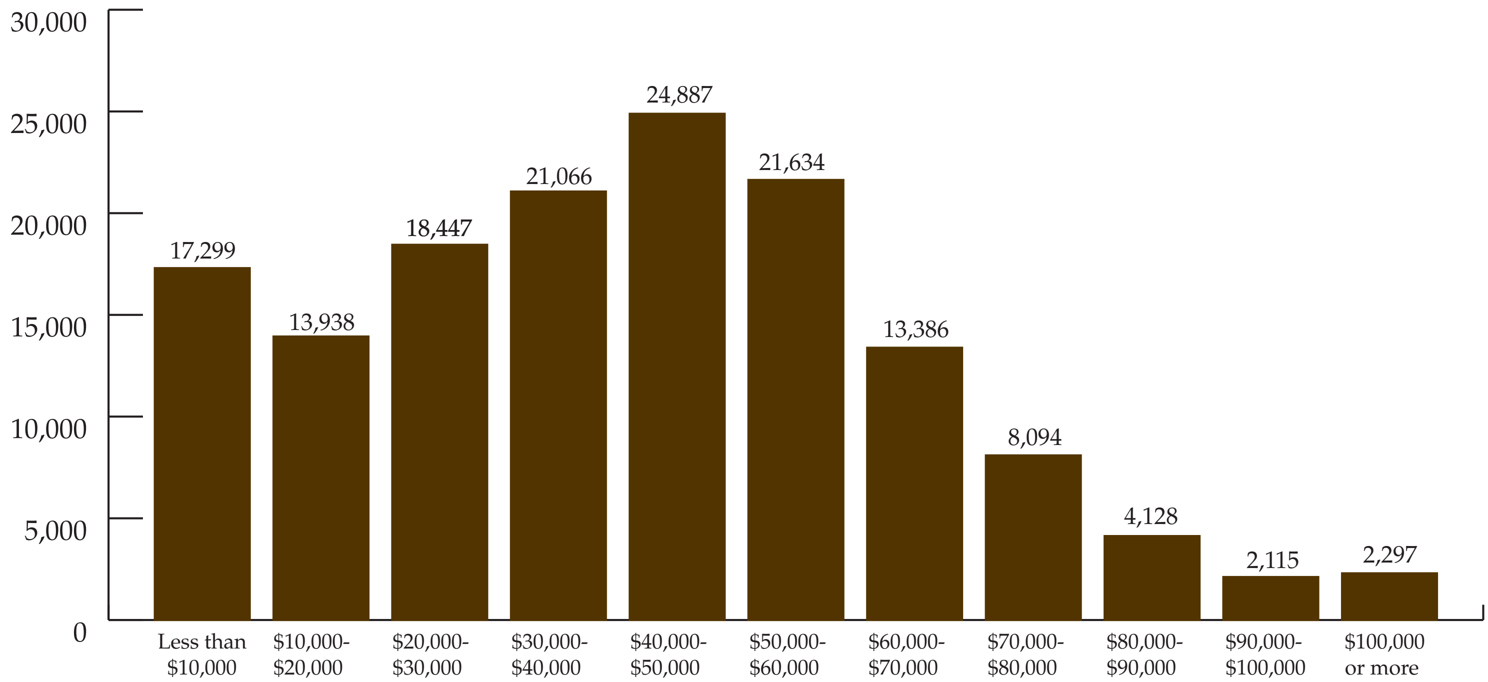
Retired Members and Beneficiaries with Monthly Benefits By Decade of Retirement — as of June 30, 2013



1979 and earlier	1980-1989	1990-1999	2000-2009	2010-2013
3,462 (2%)	**17,816 (12%)**	**44,187 (29%)**	**66,218 (43%)**	**20,970 (14%)**
$812*	$1,495*	$2,853*	$3,860*	$4,021*
$1,560**	$1,985**	$3,105**	$3,932**	$4,021**

**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, 2013



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

Distribution of Monthly COLA Increase Commencing September 2013

Monthly COLA Increase	Number of Retired Members and Beneficiaries
$15.00	95,429
$12.50 - $14.99	3,389
$10.00 - $12.49	3,118
$7.50 - $9.99	7,220
$5.00 - $7.49	4,006
$2.50 - $4.99	5,634
$0.01 - $2.49	3,113
$0 (currently ineligible)	30,913
Total	**152,822**

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
2013	1.47%	1.0%	$18,000	$15.00	$267.00	$13.30	$231.38

Distribution of Cumulative Monthly COLA Commencing September 2013

Cumulative Monthly COLA	Number of Retired Members and Beneficiaries
$267.00	32,432
$222.50 - $266.99	11,456
$178.00 - $222.49	12,704
$133.50 - $177.99	16,921
$89.00 - $133.49	17,224
$44.50 - $88.99	17,739
$0.01 - $44.49	13,433
$0 (currently ineligible)	30,913
Total	**152,822**

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Financial Trends Information

Changes in Plan Net Position

Last Ten Fiscal Years

(dollars in thousands)

Additions:	**2004**	**2005**	**2006**	**2007**
Net investment income (loss)	$11,360,077	$7,951,926	$9,893,833	$16,863,349
Employer contributions	306,782	695,735	997,032	1,104,010
Member contributions	155,916	158,354	161,738	168,462
Transfers	38,277	17,155	15,807	7,260
Total additions (reductions) to plan net position	11,861,052	8,823,170	11,068,410	18,143,081
Deductions: (See Benefits and Return of Contributions by Type on pages 110-111)				
Benefit payments	3,920,645	4,138,122	4,426,416	4,661,665
Return of contributions	16,744	12,466	15,600	16,819
Administrative expenses	38,937	40,309	42,668	43,893
Total deductions from plan net position	3,976,326	4,190,897	4,484,684	4,722,377
Change in net position	$7,884,726	$4,632,273	$6,583,726	$13,420,704

Changes in Plan Net Position *(continued)*

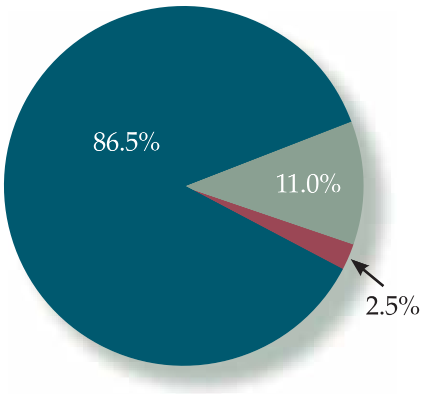
Last Ten Fiscal Years

(dollars in thousands)

2008	2009	2010	2011	2012	2013
$(5,531,807)	$ (19,363,140)	$8,702,215	$17,250,415	$2,375,262	$11,636,480
1,188,140	1,096,117	925,506	1,389,415	1,628,491	1,734,908
177,959	181,723	139,369	154,327	138,583	128,903
2,349	5,665	6,037	2,144	4,188	4,522
(4,163,359)	(18,079,635)	9,773,127	18,796,301	4,146,524	13,504,813
4,908,446	5,151,463	5,333,788	5,681,007	5,907,795	6,118,849
22,792	17,080	17,071	20,348	19,732	20,869
49,016	49,401	49,088	50,159	52,457	54,338
4,980,254	5,217,944	5,399,947	5,751,514	5,979,984	6,194,056
$(9,143,613)	$(23,297,579)	$4,373,180	$13,044,787	$(1,833,460)	$ 7,310,757

Breakdown of Income Sources

Fiscal Years Ended 1994-2013



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	2004	2005	2006	2007
Age and service benefits:				
Retirees	$3,836,904	$4,054,051	$4,335,475	$4,579,829
Survivors	33,046	31,787	37,232	26,964
Death in service benefits	21,491	21,039	17,321	17,033
Disability benefits:				
Ordinary	28,956	31,015	36,079	37,544
Accidental	248	230	309	295
Total benefits	$3,920,645	$4,138,122	$4,426,416	$4,661,665
Type of Return of Contributions				
Death	$ 1,447	$ 1,742	$1,394	$ 1,609
Separation from service	15,297	10,724	14,206	15,210
Total return of contributions	$ 16,744	$ 12,466	$15,600	$ 16,819

Benefits and Return of Contributions by Type *(continued)*

Last Ten Fiscal Years

(dollars in thousands)

2008	2009	2010	2011	2012	2013
$4,817,594	$5,045,738	$5,237,032	$5,593,968	$5,811,739	$6,023,506
30,500	27,674	38,516	28,237	29,153	32,879
21,382	38,119	20,244	22,852	29,266	23,666
38,671	39,565	37,628	35,667	37,350	38,507
299	367	368	283	287	291
$4,908,446	$5,151,463	$5,333,788	$5,681,007	$5,907,795	$6,118,849
$ 1,735	$ 1,905	$ 2,287	$ 2,240	$ 2,393	$ 2,434
21,057	15,175	14,784	18,108	17,339	18,435
$ 22,792	$ 17,080	$ 17,071	$ 20,348	$ 19,732	$ 20,869

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Operating Information

Average Benefit Payments — July 1, 2003-June 30, 2013

	Years of Credited Service							
Retirement Effective Dates	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30-35**	**35+**
Period 7/1/2003 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
Period 7/1/2012 to 6/30/2013								
Average monthly benefit	$201	$326	$782	$1,513	$2,721	$3,910	$5,285	$7,061
Average final average salary	$33,171	$34,780	$47,730	$62,797	$76,501	$89,200	$100,095	$110,455
Number of retired members	48	501	705	452	1,061	954	1,709	900

Retired Members by Type of Benefit — as of June 30, 2013

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6
$1 - $500	13,406	8,406	4,364	176	302	27	131
$501 - $1,000	12,499	7,754	3,584	461	601	81	18
$1,001 - $1,500	11,509	8,173	2,018	465	778	67	8
$1,501 - $2,000	11,104	8,299	1,756	370	641	34	4
$2,001 - $2,500	11,372	9,146	1,426	288	484	25	3
$2,501 - $3,000	11,704	9,914	1,146	155	475	10	4
$3,001 - $3,500	13,105	11,762	823	88	423	8	1
$3,501 - $4,000	14,539	13,556	555	45	381	2	0
$4,001 - $4,500	14,068	13,370	353	23	317	5	0
$4,501 - $5,000	11,169	10,703	227	9	230	0	0
over $5,000	28,347	27,573	296	7	470	1	0
Total	**152,822**	**128,656**	**16,548**	**2,087**	**5,102**	**260**	**169**

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, 2013 *(continued)*

Option Selected					
1	2	3	4	5	6
10,026	734	974	656	773	243
8,533	936	1,525	628	716	161
7,743	944	1,606	532	547	137
7,731	917	1,538	439	348	131
8,094	886	1,611	383	263	135
8,188	979	1,822	335	224	156
9,107	1,078	2,223	349	136	212
9,958	1,110	2,753	342	142	234
9,416	1,064	2,898	304	116	270
7,256	950	2,420	226	78	239
17,201	2,645	6,861	544	157	939
103,253	**12,243**	**26,231**	**4,738**	**3,500**	**2,857**

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

	2013		
Participating Employer	Covered Employees	Rank	Percentage of Total System**
Buffalo Public Schools	4,613	1	1.69%
Rochester City School District	4,037	2	1.48%
Syracuse City School District	2,669	3	0.98%
Yonkers Public Schools	1,993	4	0.73%
Brentwood Union Free Schools	1,755	5	0.64%
Sachem Central Schools	1,520	6	0.56%
Greece Central Schools	1,444	7	0.53%
Newburgh City School District	1,313	8	0.48%
Wappingers Central Schools	1,239	9	0.45%
Clarkstown Central Schools	1,229	10	0.45%
All Other*	251,516		92.02%
Total	**273,328**		**100.00%**

*In 2013, "All Other" consisted of:

Type	Number	Covered Employees
Public School Districts	672	230,089
BOCES	37	13,817
SUNY	31	2,272
Community Colleges	30	2,992
Charter Schools	25	1,257
Special Act Districts	13	715
Other	9	374
Total "All Other"	817	251,516
Top 10 Participating Employers	10	21,812
Total	**827**	**273,328**

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

Principal Participating Employers *(continued)*

Current Year and Nine Years Ago

	2004		
Participating Employer	**Covered Employees**	**Rank**	**Percentage of Total System****
Buffalo Public Schools	5,127	1	2.01%
Rochester City School District	4,811	2	1.89%
Syracuse City School District	3,595	3	1.41%
Yonkers Public Schools	2,522	4	0.99%
Nassau BOCES	2,256	5	0.89%
Eastern Suffolk 1 BOCES	2,172	6	0.85%
Brentwood Union Free Schools	2,038	7	0.80%
Sachem Central Schools	1,870	8	0.73%
Greece Central Schools	1,768	9	0.69%
Clarkstown Central Schools	1,416	10	0.56%
All Other	226,940		89.17%
Total	**254,515**		**100.00%**

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

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NYS Teachers' Retirement System

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

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Finance
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Investment Analytics Support
Investment Operations
Member Relations
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