Teachers' Retirement System of the City of New York

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2001
New York, New York

A Pension Trust Fund of the City of New York

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR FISCAL YEAR ENDED JUNE 30, 2001

Prepared by Accounting Units

QUALIFIED PENSION PLAN

MR. DONALD S. MILLER
Executive Director
Teachers' Retirement System

MR. PAUL J. RAUCCI
Chief Accountant
Teachers' Retirement System

MR. ROBERT C. NORTH, JR.
Chief Actuary

TEACHERS' RETIREMENT SYSTEM
OF THE CITY OF NEW YORK
40 Worth Street
New York, NY 10013

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1. Introduction

The City of New York

TEACHERS' RETIREMENT BOARD
TEACHERS' RETIREMENT SYSTEM
40 WORTH STREET, NEW YORK, N.Y. 10013

December 28, 2001

Dear Members of the Board of Trustees:

We are pleased to present herewith the Comprehensive Annual Financial Report of the Teachers' Retirement System of the City of New York (TRS) for the Fiscal Year ended June 30, 2001. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with TRS. To the best of our knowledge, the enclosed data is accurate in material respects and is reported in a manner designed to present fairly the financial position and results of the operations of TRS. All disclosures necessary to enable the reader to gain an understanding of the financial activities of TRS have been included.

The Comprehensive Annual Financial Report is presented in five sections: Introduction, Financial, Investment, Actuarial, and Statistical. The Introduction includes this transmittal letter, an organization chart, and a list of TRS' principal officials. The Financial Section includes Statements of Plan Net Assets Available for Pension Benefits, Statements of Changes in Plan Net Assets Available for Pension Benefits, the Independent Auditor's Report on the financial statements and schedules, and Management's Discussion and Analysis. The Investment Section includes investment information and tables that track investment yields and performance. The Actuarial Section contains the Actuary's certification letter, the Actuary's statements, a summary of actuarial assumptions and methods, and the actuarial tables. The Statistical Section includes financial and demographic information.

ECONOMIC CONDITION AND OUTLOOK—The performance of the Pension Fund yielded a negative annual return of 8.20%. The monthly Unit Value for the Variable A Annuity Program decreased from $73.669 (July 2000) to $61.900 (July 2001). The Variable A annual return declined from 10.10% to a negative return of 12.62%. The Unit Value for the Variable B Annuity Program increased from $19.115 (July 2000) to $19.527 (July 2001), for an annual return of 6.24%. The annual returns include a 4% rate for the variable increment factor. The July Unit Value was based on the portfolio's return as of June 30.

HISTORY OF THE PLAN—TRS was established as of August 1, 1917 under Chapter 303 of the Laws of 1917 and is governed by the Administrative Code of the City of New York and the New York State Retirement and Social Security Law. TRS covers all the teachers and administrative personnel employed by the Board of Education and certain employees of the City University of New York.

MAJOR INITIATIVES REALIZED—During Fiscal Year 2001, TRS expanded our website to allow members access to their TRS account information on-line. In-service members, those who have been on leave for less than three years, and members with TDA Deferral status may obtain monthly updates of their Qualified Pension Plan (QPP) and Tax-Deferred Annuity (TDA) Program funds. Retirement-eligible members may also obtain on-line estimates of their TRS retirement benefits for the first time.

In addition to improving our website, TRS continues to enhance the performance of our comprehensive computer system, the Unified Pension System (UPS). In Fiscal Year 2001, TRS engaged in a data integrity project to ensure that our UPS maintains the most accurate data. The enhancements will continue in the next fiscal year when we launch a new service that will enable members nearing retirement to receive a personalized retirement benefits projection.

FINANCIAL INFORMATION—The management of TRS is responsible for establishing and maintaining an internal control structure designed to ensure that TRS' assets are protected from loss, theft, or misuse, and to guarantee that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that [1] the cost of a control should not exceed the benefits likely to be derived from it; and [2] the valuation of costs and benefits requires estimates and judgment by management.

SOURCE OF REVENUES—The funds needed to finance retirement benefits are accumulated through the collection of employer and member contributions and through income from investments. Contributions and investment income for Fiscal Year 2001 amounted to a negative total of $3,209,035,000.

REVENUES

In Thousands

	Fiscal Year 2001 Amount	Fiscal Year 2000 Amount	Increase (Decrease)
Member Contributions	**$ 129,783**	$ 118,155	$ 11,628
Employer Contributions	**444,965**	181,770	263,195
Other Employer Contributions	**21,324**	20,988	336
Investment Income	**(3,805,107)**	3,704,203	(7,509,310)
Other	**9,706**	20,630	(10,924)
TOTAL	**$ (3,199,329)**	**$4,045,746**	**$(7,245,075)**

EXPENDITURES—The primary expense of a retirement system relates to the purpose for which it was created, namely, the payment of benefits. Consequently, recurring benefit payments and death benefits prescribed by the Plan and refunds of contributions to terminated employees comprise the major expenses. Expenses for Fiscal Year 2001 totaled $1,949,170,000, reflecting a decrease of $789,097,000 from Fiscal Year 2000. This was namely due to the posting of the balance sheet liability write-off in Fiscal Year 2000. An increase of $37,421,000 in benefit expenses resulted primarily from the increase in the number of new retirees. Administrative expenses totaled $30,575,000, an increase of $843,000 over Fiscal Year 2000's total of $29,732,000. The increase in the administrative expenses is a result of the implemen-

EXPENDITURES

In Thousands

	Fiscal Year 2001 Amount	Fiscal Year 2000 Amount	Increase (Decrease)
Benefits Paid & Refunds	**$1,928,301**	$1,890,880	$37,421
Administrative	**30,575**	29,732	843
BSL write-off balance	**—**	838,285	(838,285)
TOTAL	**$1,958,876**	**$2,758,897**	**$(800,021)**

tation of our new automated system and the expansion of TRS functions.

INVESTMENTS—The Administrative Code of the City of New York authorizes the investments of plan assets subject to the terms, conditions, limitations, and restrictions imposed by law for investments by savings banks and domestic life insurance companies. The New York State Retirement and Social Security Law and the Administrative Code establish the criteria for permissible equity investments. Details concerning the criteria for TRS' investments may be found in the Notes to the Financial Statements.

PROFESSIONAL SERVICES— Consultants are appointed by the Teachers' Retirement Board to perform professional services that are essential to the effective and efficient operation of TRS. The Office of the Comptroller also provides investment services for the pension portfolio through independent advisors.

Actuarial services are provided by the Office of the Actuary of the City of New York, which is employed by the City's five major pension systems. The Chief Actuary's report and certifications are included in this Report.

The City's Corporation Counsel provides legal services to TRS in addition to private legal counsel providing services to the Variable Annuity and Tax-Deferred Annuity Programs.

BARRA RogersCasey (BRC) is working as investment consultant to TRS.

All investment decisions are reviewed and approved by the Teachers' Retirement Board.

INDEPENDENT AUDIT— State statutes require an annual audit by independent certified public accountants. The accounting firms of KPMG Peat Marwick LLP and Watson, Rice & Co. were selected by the Teachers' Retirement Board. The Independent Auditor's Report on the financial statements and schedules is included in the Financial Section of this Report.

AWARDS— The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2000. This was the thirteenth consecutive year that TRS was accorded this prestigious award.

In order to be awarded a Certificate of Achievement, TRS published an easily readable and efficiently organized Comprehensive Annual Financial Report. This Report satisfied both the generally accepted accounting principles and the applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

ACKNOWLEDGEMENTS— The compilation of this Report reflects the efforts of the TRS staff under the leadership of the Board of Trustees.

It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

The Report is available to both administrative personnel and members of TRS. We believe they will find this material informative and helpful.

Finally, we would like to take this opportunity to express our gratitude to the staff, the advisors, and the many people who have worked diligently to ensure the successful operation of TRS.

Sincerely,

Donald S. Miller
Executive Director

Paul J. Raucci
Chief Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of the City of New York

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

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

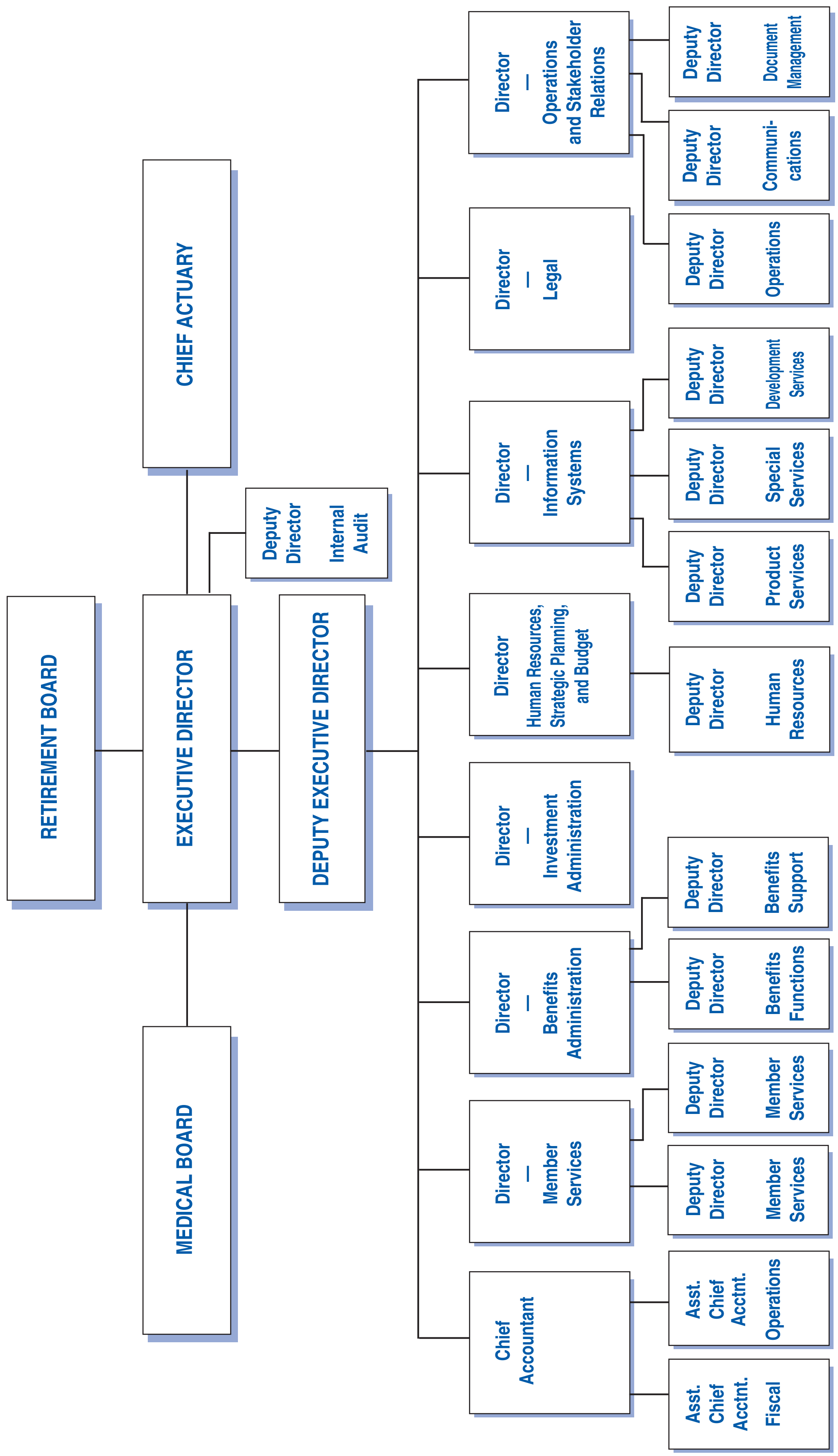
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

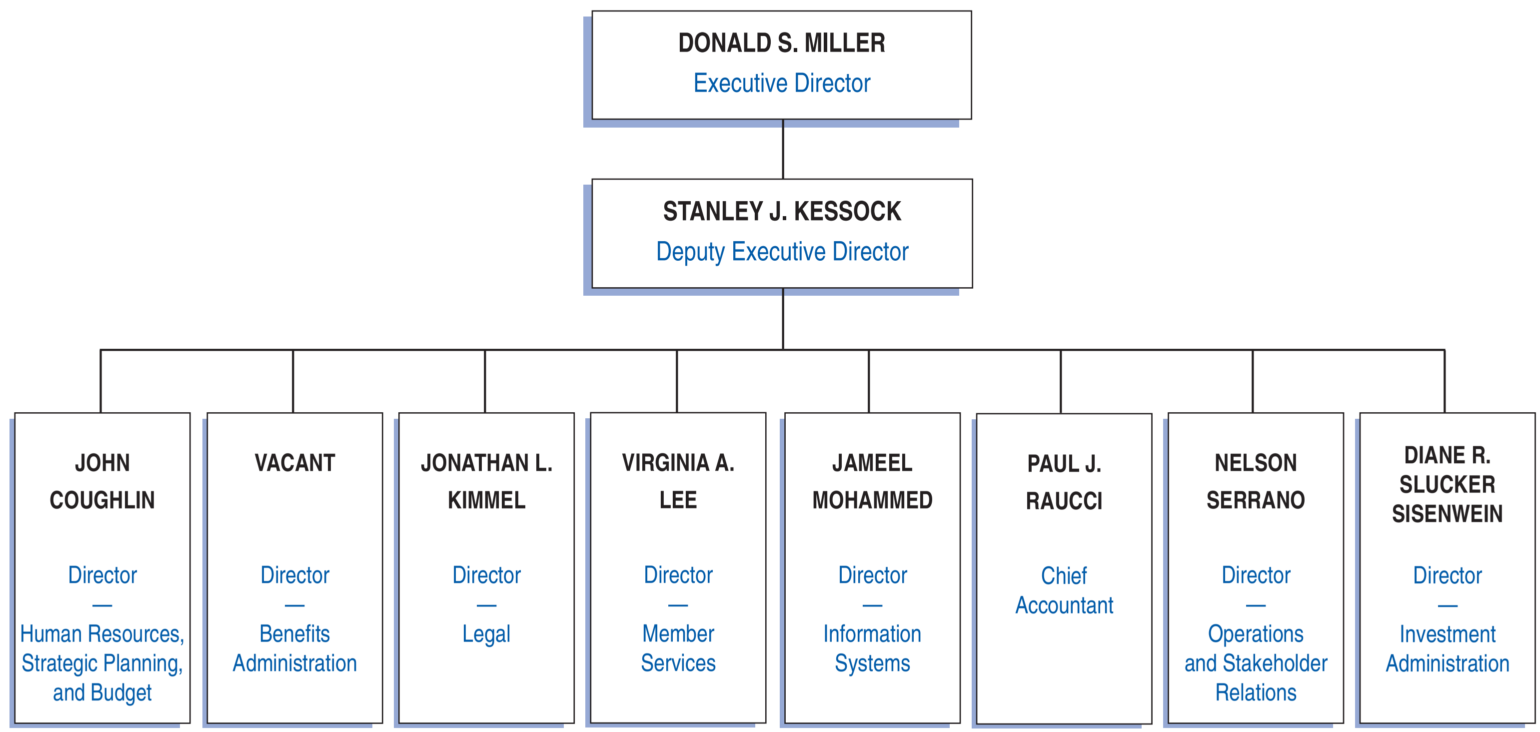
ORGANIZATION CHART

as of June 30, 2001



PRINCIPAL OFFICIALS

as of June 30, 2001



2. Financial Section

SCHEDULE 4: COMMISSIONS AND PAYMENTS TO BROKERS AND CONSULTANTS
Year Ended June 30, 2001

INVESTMENT EXPENSES

Investment Agent	Service	TRS' Share of Fees and Commissions Paid	
FIXED ANNUITY PROGRAM			
Aeltus Investment Mgmt. Inc	Investment Manager	$ 327,000	
Alliance Capital Management L.P.	Investment Manager	446,086	
Bank of Ireland Asset Management (U.S.) Limited	Investment Manager	1,206,813	
Barclays Global Investors, N.A.	Investment Manager	299,000	
Blackrock Corp.	Investment Manager	156,120	
Blackrock Mortgage	Investment Manager	308,214	
BZW Barclays Global Investors	Investment Manager	377,466	
Capital Guardian Trust Company	Investment Manager	1,625,083	
Credit Suisse (BEA Associates) Mgmt.	Investment Manager	550,956	
Credit Suisse (BEA Associates) Corp.	Investment Manager	390,023	
Cypress Associates	Investment Manager	2,737,828	
Delaware International Advisors Ltd.	Investment Manager	1,274,056	
Fisher, Francis Govt.	Investment Manager	502,045	
Fisher, Francis Corp.	Investment Manager	34	
GE Investment Management Inc.	Investment Manager	1,082,271	
Lincoln Capital Management Company	Investment Manager	110,283	
Lincoln Capital Mortgage	Investment Manager	288,572	
Loomis, Sayles & Co., L.P.	Investment Manager	1,649,924	
Mellon Capital Management	Investment Manager	113,000	
Morgan Stanley	Investment Manager	1,085,905	
Pacific Investment Management Company (PIMCO)	Investment Manager	1,167,974	
Putnam Advisory Company, Inc.	Investment Manager	404,915	
Putnam Institutional Management	Investment Manager	623,861	
Rowe Price Fleming International Inc.	Investment Manager	1,461,964	
Schroder Capital Management Int'l., Inc.	Investment Manager	865,650	
Sprucegrove Investment Management Ltd.	Investment Manager	433,894	
T. Rowe Price Associates, Inc.	Investment Manager	305,296	
Taplin, Canida & Habacht	Investment Manager	313,321	
W.R. Huff Asset Management Co., L.L.C	Investment Manager	1,389,940	
Westpeak Investment Advisors L.P.	Investment Manager	258,000	
Consultant Fees		453,351	
TOTAL FIXED ANNUITY PROGRAM			$22,208,845
VARIABLE A ANNUITY PROGRAM			
Alliance Capital Management L.P.	Investment Manager	$ 264,437	
Amalgamated Bank of New York	Investment Manager	37,901	
Barclays Global Investors – Int'l Alpha Tilts	Investment Manager	890,122	
Barclays Global Investors – Int'l EAFE	Investment Manager	117,312	
Barclays Global Investors – Russell 3000	Investment Manager	88,050	
Barclays Global Investors – Tactical Asset	Investment Manager	518,817	
Brinson Partners, Inc.	Investment Manager	280,907	
Fidelity Management Trust Company	Investment Manager	866,544	
Freedom Capital Management Corp.	Investment Manager	78,853	
Goldman Sachs Asset Management	Investment Manager	1,043,463	
INTECH (Enhanced Investment Technologies, Inc.)	Investment Manager	969,456	
Mellon Capital Management Corporation – Russell 3000	Investment Manager	92,076	
Mellon Capital Mgmt. Corp. – Enhanced Asset Allocation	Investment Manager	920,414	
New South Capital Management	Investment Manager	214,797	
Panagora Asset Management, Inc.	Investment Manager	515,737	
Paradigm Asset Management Co. L.L.C.	Investment Manager		
Small Capital Value		4,018	
Large Capital Value		10,777	
Small Core		49,755	
Large Core		246,499	
Small Growth		6,165	
Large Growth		16,633	

Continued on page 2.25

SCHEDULE 4: COMMISSIONS AND PAYMENTS TO BROKERS AND CONSULTANTS *(Continued)*
Year Ended June 30, 2001

INVESTMENT EXPENSES

Investment Agent	Service	TRS' Share of Fees and Commissions Paid	
VARIABLE A ANNUITY PROGRAM			
Putnam Advisory Company, Inc.	Investment Manager	851,560	
Scudder, Stevens & Clark, Inc.	Investment Manager	281,145	
Sound Shore Management, Inc.	Investment Manager	364,003	
Trust Company of the West	Investment Manager	257,408	
State Street Bank & Trust Co	Custodial Bank	150,422	
Consultant Fees		124,545	
TOTAL VARIABLE A ANNUITY PROGRAM			$ 9,261,816
VARIABLE B ANNUITY PROGRAM			
Certus Asset Advisors	Funding Advisor	$ 118,025	
State Street Bank & Trust Co.	Custodial Bank	6,070	
Consultant Fees		33,724	
TOTAL VARIABLE B ANNUITY PROGRAM			$ 157,819
TOTAL INVESTMENT EXPENSES*			**$ 31,628,480**

** See Notes of Financial Statements No. 8 for the Corpus Expenses.*

SCHEDULE 5: PROFESSIONAL FEES
Year Ended June 30, 2001

PROFESSIONAL	NATURE OF SERVICE	
BARRA RogersCasey	Consulting	$ 405,286
Citibank	Banking Service	213,351
TOTAL		**$ 618,637**

SCHEDULE 6: ADMINISTRATIVE EXPENSES
Year Ended June 30, 2001

PERSONNEL SERVICES			
Staff Salaries	12,562,977		
Social Security	765,109		
Insurance (Health)	752,423		
Welfare Benefit Fund	335,951		
TOTAL PERSONNEL SERVICES		$14,416,460	
PROFESSIONAL SERVICES			
Data Processing Services and Supplies		$13,261,329	
COMMUNICATION			
Telephone	156,997		
Postage	170,325		
Traveling Expenses	61,466		
TOTAL COMMUNICATION		$ 388,788	
RENTALS			
Office Space	1,205,740		
Equipment Leasing	378,503		
TOTAL RENTALS		$ 1,584,243	
MISCELLANEOUS			
Utilities	54,162		
Supplies and Materials	93,631		
Maintenance, Repairs, and Services	91,046		
Office Equipment and Furniture	83,474		
Advertising Expenses	120,706		
Storage	51,498		
Printing	345,826		
Training Program	74,357		
Books	9,027		
TOTAL MISCELLANEOUS		$ 923,727	
TOTAL ADMINISTRATIVE EXPENSES*			**$ 30,574,547**

** Other administrative expenses of $3,133,140 were paid on our behalf under Regulation 85 of the New York State Superintendent of Insurance Regulations.*

See Notes of Financial Statements No. 8 for the Corpus Expenses.

3. Investment Section

BARRA ROGERSCASEY

Comprehensive Annual Financial Report
Teachers' Retirement System of the City of New York

Introduction to Report on Investment Activity

Prepared by BARRA RogersCasey, Investment Consultant
to the Teachers' Retirement System of the City of New York

TRS maintains three investment programs: the Fixed Annuity Program, the Variable A Annuity Program and the Variable B Annuity Program. Each one of these programs' structure differs, depending upon its investment objective, but all three programs are well-diversified multi-manager portfolios that are carefully monitored based upon well-defined guidelines and expectations.

The Pension Fund includes a) all funds that Tier I/II members invested in the Fixed Annuity Program and b) all Tier III/IV QPP funds. The Fixed Annuity Program currently provides Tier I/II participants with an 8.25% return. This rate is guaranteed through June 30, 2004, and may then be continued or reset based on action by the New York State Legislature. Tier III/IV members are credited 5% in their QPP accounts. The QPP assets within the Pension Fund totaled $24.150 billion as of June 30, 2001 and earned a return of -8.20% for the fiscal year. This Fund has as its target a mix of 55% U.S. equity investments, 15% non-U.S. equity investments and 30% fixed income investments. This asset allocation policy is based on the fund's long-term investment horizon of more than 20 years. The investment structure has a significant emphasis on risk control and, as of June 30, 2001, all U.S. equity and 30% non-U.S. equity assets were invested in indexed or enhanced index strategies. This emphasis on indexed and enhanced index strategies also enables the program to more effectively control costs. The Fund's fixed income holdings are very high quality U.S. securities, with a small (5%) allocation to enhanced yield securities.

The Variable A Fund has as its objective to provide participants with a very diversified equity investment portfolio. As of June 30, 2001, Variable A had $8.293 billion in assets and had a total return of -12.62% for the fiscal year. This portfolio has as its target a mixture of U.S. equities (70%), non-U.S. equities (15%), and tactical asset allocation strategies (15%), which shift between U.S. stocks, bonds and cash depending upon the managers' analysis of market conditions. The diversification of this portfolio beyond U.S. equities is intended to protect participants against significant market downturns within a single asset class (*i.e.,* U.S. stocks). Again, risk control and cost-effectiveness are a very important focus of the investment structure, and at June 30, 2001, about 73% of Variable A's portfolios were managed in indexed or enhanced index strategies.

The Variable B Fund is structured to preserve participants' capital and to provide current income with a low level of volatility. At June 30, 2001, Variable B's assets totaled $0.376 billion and the portfolio earned a return of 6.24% for the fiscal year. This portfolio is diversified among investment contracts provided by insurance companies and high quality bond portfolios. These bond portfolios are all covered by insurance contracts, which ensure that participants will not receive less than book value or cost on any withdrawals from this Fund. As the Fund's investments mature or make principal payments, the proceeds are re-invested so as to ensure that the Fund maintains a level of current income which tracks short-term interest rates.

In summary, as of June 30, 2001, each of TRS' three investment programs were well defined and appropriately invested. These portfolios continue to receive intensive scrutiny and on-going monitoring to ensure that the investment policies and strategies are consistent with the Funds' objectives and that the programs are being managed in line with the investment guidelines and benchmarks.

BARRA RogersCasey
One Parklands Drive
Darien, Connecticut 06820
203-656-5900

U.S. MARKETS

The U.S. economy experienced a downturn during the fiscal year ending June 30, 2001. A significant slowdown in capital spending, especially in corporate technology and telecommunication budgets, combined with the Federal Reserve's tightening stance in the first six months of the fiscal year, contributed to a reversal of the economic growth experienced in the previous three years. Recognizing the broad decline in the majority of economic indicators, the Federal Reserve reversed its hawkish stance and began to rapidly lower interest rates. Contrary to optimistic opinions of a quick recovery by the end of the fiscal year, the economic slowdown appeared far deeper than first expected.

The U.S. equity markets reflected the overall economy during the fiscal year ending June 30, 2001, as the Russell 3000 Index declined 13.9%. Given the broad declines within the technology industry, growth stocks overwhelmingly underperformed their value counterparts across the capitalization spectrum. As evidence, the S&P 500/BARRA Value Index and the S&P SmallCap/BARRA Value Index led their growth counterparts by 2,451 basis points and 2,093 basis points, respectively, for the fiscal year ending June 30, 2001.

The U.S. fixed income markets concluded the fiscal year ending June 30, 2001 with a very strong performance as the Lehman Brothers (LB) Aggregate Bond Index, a broad measure of the U.S. fixed income market, returned 11.2%. For the first three months of the fiscal year, rates shifted slightly upward as the Federal Reserve tightened the Federal Funds rate in an effort to slow growth. This tightening bias, combined with the effects of the Treasury buyback efforts, produced a rare inversion of the yield curve in the third quarter of 2000. However, as the U.S. economy began to show evidence of a dramatic slowdown, the fourth quarter of 2000 witnessed a dramatic decline in yields across all parts of the yield curve. As a result, short rates declined precipitously compared to longer rates, thereby restoring the upward sloping yield curve. Faced with rapidly declining economic indicators, the Federal Reserve reversed course and began easing the Federal Funds rate. Through the first half of 2001, the Fed lowered interest rates six times, reducing the Federal Funds rate to 3.75% from 6.50% at the beginning of the year. For the fiscal year ending June 30, 2001, the credit sector's strong performance of 12.2% was only surpassed by the commercial mortgage backed sector return of 13.2%. The asset backed, mortgages and agencies sectors returned 11.9%, 11.2% and 11.6%, respectively, while treasuries lagged with a return of 9.8% for the fiscal year.

INTERNATIONAL MARKETS

During the fiscal year ending June 30, 2001, the global economy was broadly affected by the slowing U.S. economy. Consequently, international equity markets declined precipitously during the fiscal year. Similar to the dynamics of the U.S. markets, growth stocks dramatically underperformed value stocks as investors sold technology, media and telecommunications stocks.

Developed international markets, as measured by the MSCI EAFE Index, declined 23.6% for the fiscal year. The impact was felt across the entire international marketplace as both the European and Asian markets declined broadly, as evidenced by the MSCI Europe and MSCI Pacific Basin indexes declining 21.8% and 27.3%, respectively. Finally, impacted by the broad slowdown in the developed markets, the emerging markets declined 25.9%, as measured by the MSCI EMF Index.

INVESTMENT SUMMARY

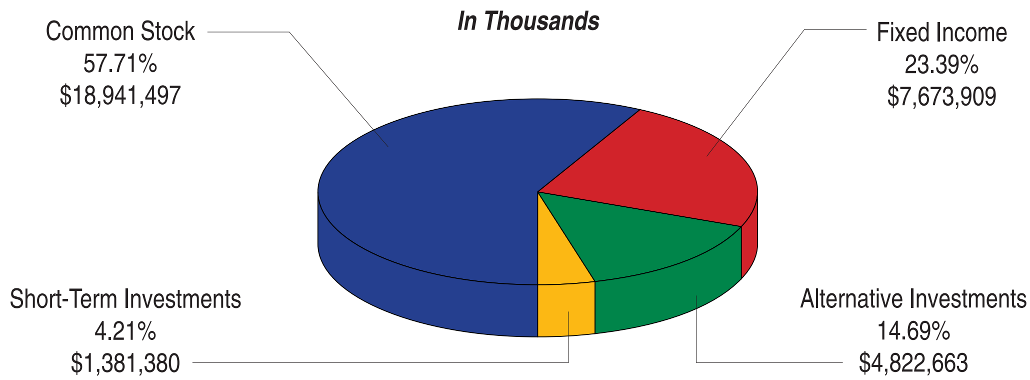
As of June 30, 2001

Type of Investment	Market Value *In Thousands*	Percent of Total Market Value
Fixed Income:		
Government Bonds	$4,194,005	12.78%
Corporate Bonds	3,097,418	9.44
Foreign Bonds	376,876	1.15
Preferred Stock	5,610	0.02
Total Fixed Income	$7,673,909	23.39%
Common Stock:		
Financial & Utility	$8,890,092	27.09%
Basic Industry	2,652,756	8.08
Consumer & Service	4,823,254	14.69
Technological	2,575,395	7.85
Total Common Stock	$18,941,497	57.71%
Alternative Investments:		
Guaranteed Investment Contracts (GICs)	$195,000	0.59%
Managed Investment Contracts	97,517	0.30
International	4,529,552	13.80
Mortgages	594	0
Total Alternative Investments	$4,822,663	14.69%
Short-Term Investments:		
Short-Term Investment	$1,102,221	3.36%
Commercial Paper	279,159	0.85
Total Short-Term Investments	$1,381,380	4.21%
Total	**$32,819,449***	**100.00%**

TOTAL ASSET ALLOCATION*

As of June 30, 2001

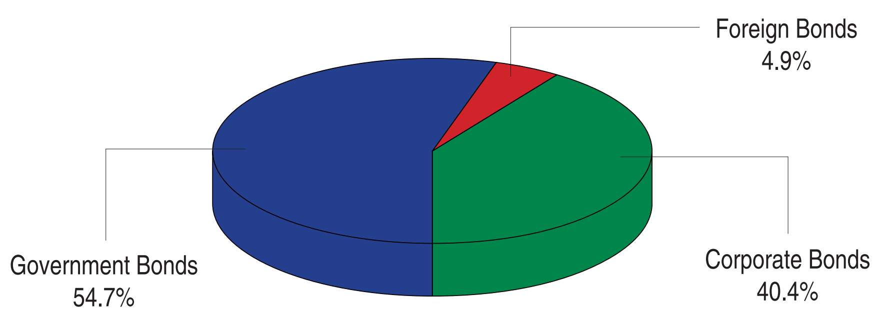
In Thousands



* Excludes $3,198,767 in securities-lending.

FIXED-INCOME MANAGERS ASSET ALLOCATION*

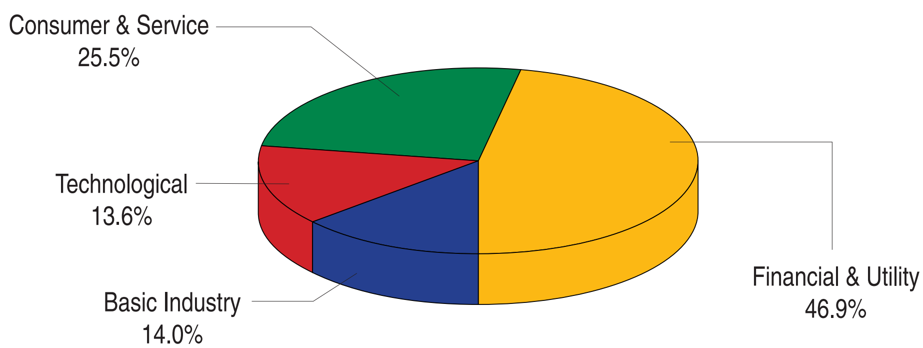
As of June 30, 2001



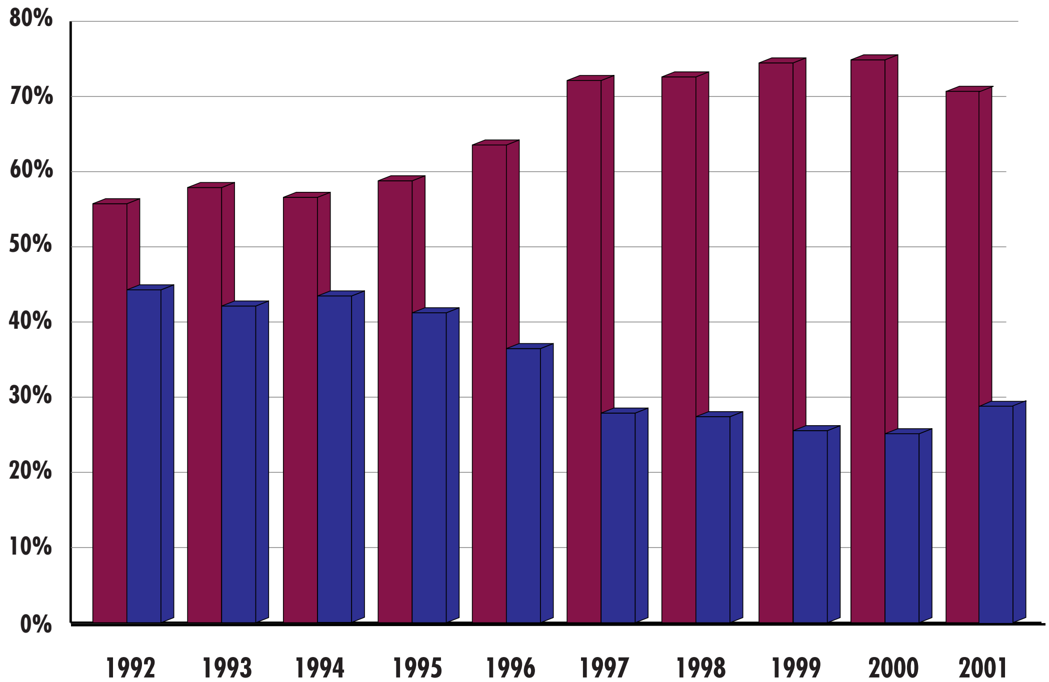
*Note: Preferred stock investments (0.03%) are not reflected in this pie.

EQUITY MANAGERS ASSET ALLOCATION

As of June 30, 2001



CHANGES IN ASSET ALLOCATION FOR EQUITY AND FIXED-INCOME ASSETS OVER 10-YEAR PERIOD



Year	Equity	Fixed Income
1992	55.73%	44.27%
1993	57.88	42.12
1994	56.58	43.42
1995	58.78	41.22
1996	63.54	36.46
1997	72.12	27.88
1998	72.60	27.40
1999	74.46	25.54
2000	74.87	25.13
2001	71.53	28.47

ANNUALIZED INVESTMENT RESULTS*

As of June 30, 2001

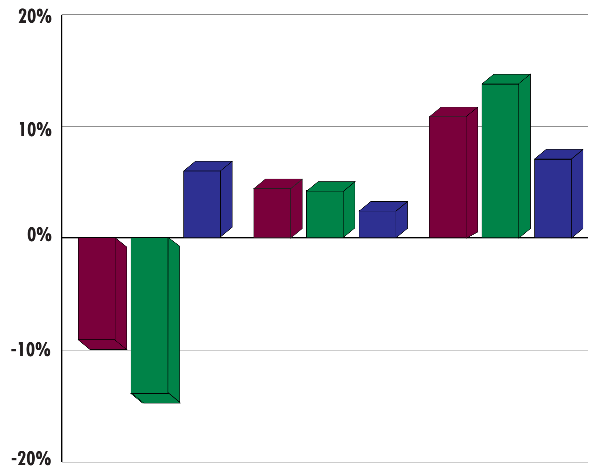
	Current Year 2001	Annualized 3-Year	Annualized 5-Year
Total Portfolio (TRS)	-9.15%	4.43%	10.85%
Benchmark A (Russell 3000)	-13.94	4.24	13.76
Benchmark B (30-Year Treasury Notes)	5.97	2.44	7.02
Equity Segment (TRS)	-13.93	3.77	11.58
Benchmark A (Standard & Poor's 500)	-14.83	3.88	14.48
Benchmark B (Russell 3000)	-13.94	4.24	13.76
Fixed-Income Segment (TRS)	9.86	5.39	7.45
Benchmark A (5-Year Treasury Notes)	10.36	5.75	6.58
Benchmark B (30-Year Treasury Notes)	5.97	2.44	7.02
Guaranteed Investment Contracts (GICs) (TRS)	6.24	5.87	5.90
Benchmark A (GICs —2-Year Treasury Notes)	8.54	6.95	6.80
Benchmark B	–	–	–
Cash-Equivalents Segment (TRS)	8.66	6.56	6.30
Benchmark A (30-Year Treasury Notes)	5.97	2.44	7.02
Benchmark B	–	–	–

* The calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management & Research's (AIMR's) Performance Presentation Standards.

ANNUALIZED INVESTMENT RESULTS

As of June 30, 2001

Total Portfolio

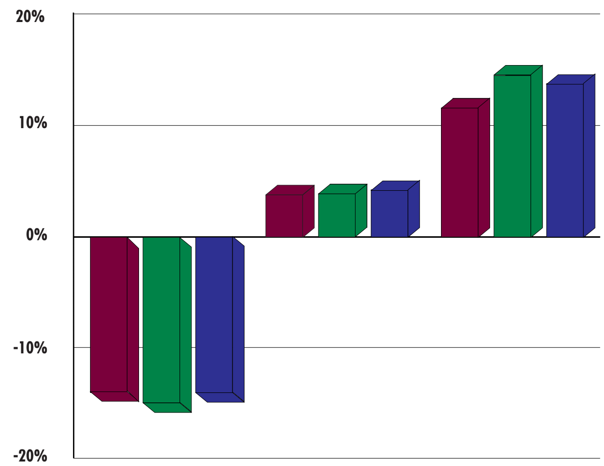


NUMBER OF YEARS	1	3	5
TRS	-9.15%	4.43%	10.85%
Benchmark A (Russell 3000)	-13.94	4.24	13.76
Benchmark B (30-Year Treasury Notes)	5.97	2.44	7.02

ANNUALIZED INVESTMENT RESULTS *(Continued)*

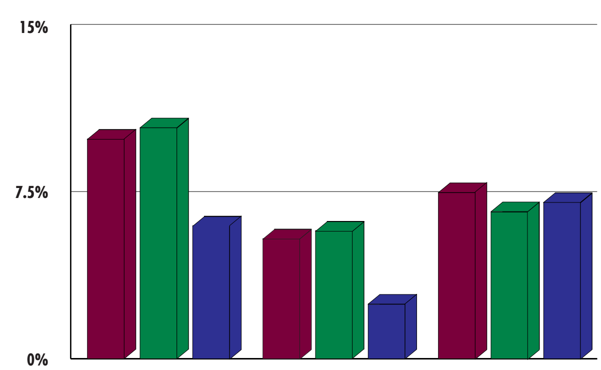
As of June 30, 2001

Equity Segment



NUMBER OF YEARS	1	3	5
TRS	-13.93%	3.77%	11.58%
Benchmark A (Standard & Poor's 500)	-14.83	3.88	14.48
Benchmark B (Russell 3000)	-13.94	4.24	13.76

Fixed-Income Segment

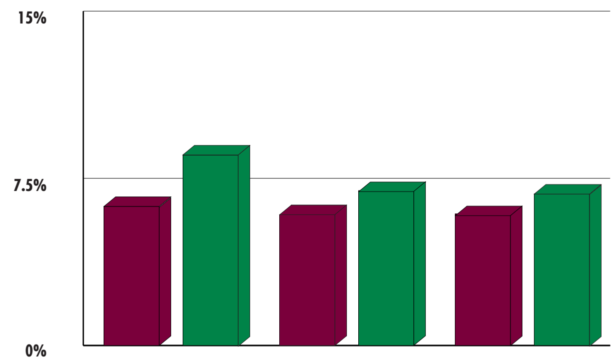


NUMBER OF YEARS	1	3	5
TRS	9.86%	5.39%	7.45%
Benchmark A (5-Year Treasury Notes)	10.36	5.75	6.58
Benchmark B (30-Year Treasury Notes)	5.97	2.44	7.02

ANNUALIZED INVESTMENT RESULTS *(Continued)*

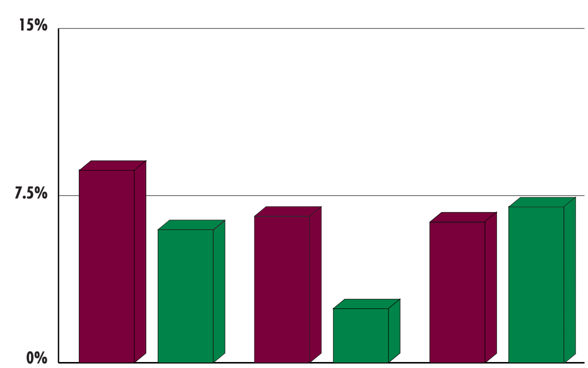
As of June 30, 2001

Guaranteed Investment Contracts (GICs)



NUMBER OF YEARS	1	3	5
TRS	6.24%	5.87%	5.90%
Benchmark A (GICs–2-Year Treasury Notes)	8.54	6.95	6.80

Cash-Equivalents Segment



NUMBER OF YEARS	1	3	5
TRS	8.66%	6.56%	6.30%
Benchmark A (30-Year Treasury Notes)	5.97	2.44	7.02

LIST OF LARGEST BOND ASSETS HELD (BY MARKET VALUE)

As of June 30, 2001

Par Value		Interest Rate	Due Date	Market Value
$125,180,000	United States Treasury Bonds	6.375%	08/15/27	$132,690,800
129,500,000	Federal Nat Mtg Assn Gtd Pass Ctf Pool #T/B/A	7.500	07/16/31	132,197,485
113,520,000	Federal Home Ln Mtg Corp Part Group #T/B/A	6.500	07/01/31	111,863,743
103,850,000	Federal Nat Mtg Assn Gtd Pass Ctf Pool #T/B/A	6.500	07/01/31	102,270,442
60,750,000	United States Treasury Bonds	8.125	08/15/19	75,642,863
66,000,000	Federal Home Ln Mtg Corp PC Gold Group #T/B/A	6.000	07/16/31	63,442,500
56,000,000	Federal Nat Mtg Assn Gtd Pass Ctf Pool #T/B/A	6.000	07/16/31	53,771,200
51,175,000	Federal Nat Mtg Assn Gtd Pass Ctf Pool #T/B/A	7.000	07/01/31	51,435,992
44,100,000	Govt Nat Mtg Assn Reg Pool #T/B/A	6.500	07/15/31	43,678,845

LIST OF LARGEST EQUITY ASSETS HELD (BY MARKET VALUE)

As of June 30, 2001

Shares	Equity	Market Value
2,055,587	General Electric Co.	$100,209,871
1,325,715	Citigroup Inc.	70,050,763
1,591,206	Pfizer Inc.	63,727,799
871,240	Microsoft Corp.	63,600,492
591,732	Exxon Mobil Corp.	51,684,759
964,121	AOL Time Warner Inc.	51,098,400
1,427,308	Intel Corp.	41,748,765
577,852	Merck & Co. Inc.	36,930,492
323,129	International Business Machines	36,513,566
424,813	Federal Nat'l. Mtg. Assn.	36,172,812
399,728	American Int'l Group Inc.	34,376,594
854,256	SBC Communications Inc.	34,221,493
1,835,223	Cisco Systems Inc.	33,401,055
615,439	Verizon Communications	32,925,998
584,113	Wells Fargo & Co. New	27,120,353
664,375	BellSouth Corp.	26,754,390
513,135	Johnson & Johnson	25,656,769
422,717	Bank America Corp	25,375,716
476,478	Philip Morris Companies Inc.	24,181,262
493,781	Wal-Mart Stores Inc.	24,096,515

Note: The above tables reflect assets of both the Qualified Pension Plan (QPP) and Tax-Deferred Annuity (TDA) Program. The complete list of the assets held by TRS' three investment programs is included in the publication *Investment Portfolios under the Qualified Pension Plan and the Tax-Deferred Annuity Program.*

SCHEDULE OF INVESTMENT MANAGERS AND OTHER SERVICE FEES (BY CATEGORY)

For The Fiscal Year Ended June 30, 2001
(In Thousands)

	Assets under Management	Fees	Percent of Fees Over Assets
INVESTMENT MANAGERS' FEES			
Fixed Income managers	$7,668,892	$ 9,069	.118%
Equity managers	23,476,659	21,673	.092%
Other	292,518	143	.049%
TOTAL INVESTMENT MANAGERS' FEES	$31,438,069*	$30,885	.098%
OTHER INVESTMENT SERVICE FEES			
Custodian fees	$32,819,449**	$ 371	
Investment Consultant fees	36,018,216	405	.001%
TOTAL INVESTMENT SERVICE FEES		$ 776	.001%

* Excludes $1,381,380 in short-term and $3,198,767 in securities-lending.

** Excludes $3,198,767 in securities-lending.

PARTICIPATING EMPLOYERS

Board of Education
City University of New York

SUMMARY OF INVESTMENT MANAGERS

PENSION FUND INVESTMENT MANAGERS

Equity

Aeltus Investment Mgmt. Inc.
Bank of Ireland Asset Management (U.S.) Limited
Barclays Global Investors, N.A.
BZW Barclays Global Investors
Capital Guardian Trust Company
Delaware International Advisors Ltd.
GE Investment Management Inc.
Mellon Capital Management
Putnam Institutional Management
Rowe Price Fleming International Inc.
Schroder Capital Management Int'l., Inc.
Sprucegrove Investment Management Ltd.
Westpeak Investment Advisors L.P.

Fixed Income

Alliance Capital Management L.P.
Blackrock Financial Management
Credit Suisse (BEA Associates)
Fisher, Francis, Trees & Watts, Inc.
Lincoln Capital Management Company
Loomis, Sayles & Co., L.P.
Miller, Anderson & Sherrerd, L.L.P.
Pacific Investment Management Company (PIMCO)
T. Rowe Price Associates, Inc.
Taplin, Canida & Habacht
W.R. Huff Asset Management, Co. L.L.C.

Enhanced Yield/Alternative

Allegra Capital Partners IV, L.P.
Carlyne Partners III
Cypress Advisors
FDG Capital Partners L.L.C.
Lincolnshire Equity Fund
SCP Private Equity Partners

VARIABLE A INVESTMENT MANAGERS

Alliance Capital Management L.P.
Amalgamated Bank of New York
Bank of Ireland Asset Management (U.S.) Limited
Barclays Global Investors, N.A.
Brinson Partners, Inc.
Enhanced Investment Technologies, Inc. (INTECH)
Fidelity Management Trust Company
Freedom Capital Management Corp.
Goldman Sachs Asset Management
Mellon Capital Management Corp.
New South Capital Management
Pacific Investment Management Company (PIMCO)
Panagora Asset Management, Inc.
Paradigm Asset Management Co. L.L.C.
Putnam Fiduciary Trust Company
Scudder, Stevens & Clark, Inc.
Sound Shore Management, Inc.
Trust Company of the West

VARIABLE B INVESTMENT MANAGERS

Certus Asset Advisors
Credit Suisse Asset Management, L.L.C.
Putnam Fiduciary Trust Company

4. Actuarial Section

OFFICE OF THE ACTUARY

220 CHURCH STREET • NEW YORK, N.Y. 10013-6301
(212) 442-5775 • FAX: (212) 442-5777

ROBERT C. NORTH, JR.
CHIEF ACTUARY

December 8, 2000

Teachers' Retirement Board
Teachers' Retirement System of the City of New York
40 Worth Street
New York, NY 10013

Re: Actuarial Information For The Comprehensive Annual Financial Report ("CAFR") For The Fiscal Year Ended June 30, 2000

Dear Members:

The financial objective of the Teachers' Retirement System of the City of New York—Qualified Pension Plan (the "Plan") is to fund members' retirement benefits during their active service and to establish employer normal contribution rates which, expressed as a percentage of active member annualized covered payroll, will remain approximately level over the future working lifetimes of those active members.

Employer contributions to the Plan are made on a statutory basis consistent with generally accepted actuarial principles. Actuarial valuations are performed annually as of June 30.

Actuarial Assumptions And Methods In Effect June 30, 1999

Provided in this Actuarial Section of the CAFR is a "Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1999." These actuarial assumptions and methods were employed in the June 30, 1999 actuarial valuation that was used to determine Fiscal Year 2000 employer contributions to the Plan.

These actuarial assumptions and methods differ from those employed in the June 30, 1998 actuarial valuation that was used to determine Fiscal Year 1999 employer contributions to the Plan.

The revised actuarial assumptions and methods were proposed by the Actuary, adopted by the Retirement Board and, where required, enacted by the New York State Legislature and Governor as Chapter 85 of the Laws of 2000 ("Chapter 85/00").

Teachers' Retirement Board
Page 2

Benefits And Census Data

A summary of the benefits available under the Plan is shown later in this Actuarial Section of the CAFR.

Census data are submitted by the Plan's administrative staff, by the employers' payroll facilities, and by the Comptroller of the City of New York, and are reviewed by the Office of the Actuary for consistency and reasonability.

A summary of the census data as of June 30, 1999 is included in this CAFR. A summary of the census data used in the June 30, 1998 actuarial valuation of the Plan is available in the June 30, 1999 CAFR.

Funded Status

With respect to the funded status of the Plan, included in the Financial Section of the CAFR is a Schedule of Funding Progress (Schedule 1).

Included in the Actuarial Section of the CAFR is a Solvency Test (*i.e.*, Comparative Summary Of Actuarial Values And Percentages Covered By Actuarial Value of Assets) as prescribed by the Government Finance Officers Association ("GFOA"). This Solvency Test represents an alternative approach to describing progress toward funding objectives.

Presentation Style And Sources Of Information

The actuarial information herein is being presented in a manner believed to be consistent with the requirements of the GFOA and with Governmental Accounting Standards Board Statement Number 25 ("GASB 25"), which was adopted for financial reporting purposes beginning Fiscal Year 1995.

As prescribed by GASB 25, included in the Financial Section of the CAFR are the following schedules:

1. Schedule Of Funding Progress—prepared by the Office of the Actuary.
2. Schedule Of Employer Contributions—prepared by the Plan's Administrative Staff.
3. Actuarial Methods And Assumptions—prepared by the Office of the Actuary.

The following supporting schedules in the Actuarial Section of the CAFR were prepared by the Office of the Actuary:

- Summary Of Actuarial Assumptions And Methods In Effect As Of June 30, 1999.
- Schedule Of Active Member Valuation Data.
- Schedule Of Retirants And Beneficiaries Added To And Removed From The Rolls.
- Comparative Summary Of Actuarial Values And Percentages Covered By Actuarial Value Of Assets—Solvency Test.
- Schedule Of Actual Vs. Required Contributions.

Respectfully Submitted

Robert C North Jr

Robert C. North, Jr., F.S.A.
Chief Actuary

cc: Mr. D. S. Miller

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT AS OF JUNE 30, 1999

1 The assumed investment return rate is 8.0% per annum (4.0% per annum for benefits payable under the Variable Annuity Programs).

2 The mortality tables for service and disability pensioners were developed from an experience study of the Plan's pensioners. Sample probabilities are shown in Table 1.

3 Active Service tables are used to predict various withdrawals from active service. Sample probabilities are shown in Table 2 for members withdrawing from active service other than for Service Retirement and in Table 3 for members withdrawing from active service on account of Service Retirement.

4 A Salary Scale is used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The Salary Scale includes an assumed General Wage Increase rate of 3.0% per annum.

5 The economic assumptions (*i.e.*, the assumed investment return rate and the General Wage Increase rate) were developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

6 The valuation method assumes a closed group. Salaries of members on the valuation date are assumed to increase in accordance with the Salary Scale.

7 The Frozen Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the contributions from the employers. Under this Actuarial Cost Method, the Initial Liability has been established by the Entry Age Actuarial Cost Method but with the Unfunded Actuarial Accrued Liability ("UAAL") not less than $0.

Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the Actuarial Value of Assets plus UAAL, if any, is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

Chapter 85/00 re-established the UAAL and eliminated the Balance Sheet Liability ("BSL") as of June 30, 1999. The schedules of payment toward the re-established UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first annual payment equals 103% of its preceding annual payment.

8 The Actuarial Asset Valuation Method ("AAVM") was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

This AAVM recognizes expected investment returns immediately and phases in investment returns greater or less than expected (*i.e.*, Unexpected Investment Returns ("UIR")).

Under this AAVM, any UIR for Fiscal Years 2000 and later will be phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25%, and 30% per year (or at a cumulative rate of 10%, 25%, 45%, 70%, and 100% over five years).

For assets of the Variable Annuity Programs, current Market Value is used.

9 The actuarial assumptions and methods described herein were adopted by the Retirement Board to

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT AS OF JUNE 30, 1999 (*Continued*)

be effective for Fiscal Years beginning on and after July 1, 1999 and, where required, enacted by the New York State Legislature and Governor as part of Chapter 85/00. These assumptions and methods are generally based upon recommendations made by the Actuary in a Report dated January 20, 2000. The Actuary's Report took into account an actuarial experience study and recommendations made by the independent actuarial auditor, Watson Wyatt and Company, in a report entitled **Report On The Experience Study Of The New York City Retirement Systems For The Four Years Ended June 30 1997,** dated October 1999.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT AS OF JUNE 30, 1999
(Continued)

TABLE 1
DEATHS AMONG SERVICE AND DISABILITY PENSIONERS
Percentage Of Pensioners Dying Within Next Year

	SERVICE PENSIONERS		DISABILITY PENSIONERS	
AGE	MALE	FEMALE	MALE	FEMALE
40	.1151%	.0645%	1.5101%	2.9247%
50	.2631%	.1543%	1.8462%	2.5618%
60	.6163%	.3832%	2.2326%	1.4957%
70	1.8461%	1.0802%	3.1342%	1.9287%
80	4.6919%	3.0798%	6.0619%	4.8143%
90	12.9028%	10.3790%	12.9554%	11.4430%
100	30.1977%	28.6331%	30.1977%	28.6331%
110	100.0000%	100.0000%	100.0000%	100.0000%

TABLE 2
WITHDRAWALS FROM ACTIVE SERVICE (OTHER THAN FOR SERVICE RETIREMENT)
Percentage Of Active Members Separating Within Next Year

	WITHDRAWAL*		ACCIDENT DISABILITY		ORDINARY DISABILITY		DEATH	
AGE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
20	2.40%	1.80%	.00%	.00%	.02%	.01%	.0351%	.0183%
25	2.30%	1.80%	.00%	.00%	.02%	.01%	.0432%	.0245%
30	2.20%	1.80%	.01%	.00%	.02%	.01%	.0565%	.0332%
35	2.00%	1.80%	.01%	.01%	.03%	.02%	.0800%	.0462%
40	1.80%	1.80%	.01%	.01%	.04%	.06%	.1151%	.0645%
45	1.40%	1.40%	.02%	.01%	.05%	.09%	.2030%	.0980%
50	1.00%	1.00%	.03%	.02%	.07%	.10%	.3635%	.1598%
55	1.00%	1.00%	.04%	.02%	.12%	.13%	.5702%	.2465%
60	1.00%	1.00%	.05%	.03%	.17%	.15%	.8517%	.4114%
65	1.00%	1.00%	.06%	.04%	.24%	.17%	1.4501%	.6852%
70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

** These probabilities are utilized until active member becomes eligible for a Service Retirement benefit.*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT AS OF JUNE 30, 1999
(Continued)

TABLE 3
WITHDRAWALS FROM ACTIVE SERVICE (FOR SERVICE RETIREMENT)

Percentage Of Eligible Active Members Retiring Within Next Year

MALE					FEMALE			
WITH REDUCED BENEFITS	WITH UNREDUCED BENEFITS YEARS OF SERVICE SINCE ELIGIBILITY				WITH REDUCED BENEFITS	WITH UNREDUCED BENEFITS YEARS OF SERVICE SINCE ELIGIBILITY		
	0–1	1–2	MORE THAN 2	AGE		0–1	1–2	MORE THAN 2
2.00%	0.00%	0.00%	0.00%	**50**	2.00%	0.00%	0.00%	0.00%
2.00%	12.00%	0.00%	0.00%	**55**	2.00%	10.00%	0.00%	0.00%
5.00%	12.00%	10.00%	10.00%	**60**	5.00%	10.00%	8.00%	8.00%
0.00%	30.00%	30.00%	30.00%	**65**	0.00%	30.00%	30.00%	30.00%
N/A	100.00%	100.00%	100.00%	**70**	N/A	100.00%	100.00%	100.00%

TABLE 4
SALARY SCALE

*Assumed Annual Percentage Increase Within Next Year**

AGE	MALE	FEMALE
20	9.50%	9.50%
25	8.50%	8.50%
30	7.50%	7.50%
35	6.00%	6.00%
40	5.50%	5.50%
45	5.00%	5.00%
50	4.75%	4.75%
55	4.75%	4.75%
60	4.75%	4.75%

**Salary scale includes an assumed General Wage Increase rate of 3.0% per annum.*

SCHEDULE OF ACTIVE MEMBER VALUATION DATA
JUNE 30, 1994 TO JUNE 30, 1999

As of June 30	Number	Annual Payroll	Annual Average Salary	Percentage Increase (Decrease) In Average Salary
1994	76,034	$3,305,656,614	$43,476	2.6%
1995	78,180	3,592,991,788	45,958	5.7
1996	76,672	3,507,775,452	45,750	(.5)
1997	78,335	3,556,940,495*	45,407	(.7)
1998	83,940	3,873,154,740	46,142	1.6
1999	86,682	4,217,560,016	48,656	5.4

** Beginning June 30, 1997, the Annual Payroll includes salaries for summer pay, which became pensionable as a consequence of Chapter 683 of the Laws of 1986 ("Chapter 683/86")*

SCHEDULE OF RETIRANTS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS
FISCAL YEARS 1994-1999

	ADDED TO THE ROLLS	REMOVED FROM THE ROLLS	ROLLS—END OF YEAR			
Fiscal Year Ended June 30	Number	Number	Number	Annual Allowances	% Increase (Decrease) In Annual Allowances	Average Annual Allowances
1994	1,581	1,305	43,387	$ 960,425,003	(1.67)%	$22,136
1995	1,690	1,421	43,656	1,009,488,338	5.11	23,124
1996	4,832	1,319	47,169	1,188,798,485	17.76	25,203
1997	4,600	1,461	50,308	1,414,392,627	18.98	28,115
1998	1,483	1,523	50,268	1,493,972,061	5.63	29,720
1999	1,794	1,537	50,525	1,604,299,434	7.38	31,753

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED BY ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST

(In Thousands)

	AGGREGATE ACCRUED LIABILITIES FOR						
As Of June 30	Accumulated Employee Contributions	Current Retirants and Beneficiaries	Active Members' Employer-Financed Portion	Actuarial Value of Assets	Percentage of Actuarial Values Covered by Actuarial Value of Assets		
	(A)	*(B)*	*(C)*	*(D)*	*(A)*	*(B)*	*(C)*
1994	$1,738,878	$ 8,433,535	$ 8,018,208	$17,981,775	100%	100%	97%
1995*	2,036,476	9,256,495	9,318,636	20,412,808	100	100	98
1996	2,142,463	11,319,076	9,005,355	22,176,110	100	100	97
1997	2,351,730	13,409,951	8,764,743	24,354,924	100	100	98
1998	2,761,476	14,368,020	9,753,926	27,069,759	100	100	100
1999*	3,111,019	15,748,859	11,373,460	34,626,062	100	100	100

** As of June 30, 1995 and June 30, 1999, economic and non-economic assumptions were revised due to experience review, and the Actuarial Values of Assets were reset to Market Value.*

Also, see following "SOLVENCY TEST—NOTES."

COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED BY ACTUARIAL VALUE OF ASSETS

SOLVENCY TEST—NOTES

The ultimate test of financial soundness in a retirement system is its ability to pay all of its promised benefits when due. The retirement system's progress in accumulating assets to pay all promised benefits can be measured by comparing the Valuation Assets of the retirement system with the Aggregate Accrued Liabilities for:

- *(A) Accumulated Employee Contributions;*
- *(B) Current Retirants and Beneficiaries; and*
- *(C) Active Members' Employer-Financed Portion.*

The Aggregate Accrued Liabilities are the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service. The Aggregate Accrued Liabilities were calculated in accordance with previously issued Governmental Accounting Standards Board Statement No. 25.

This comparative summary allocates assets as if they were priority groups, somewhat similar to (but not identical with) the priority categories of Section 4044 of the Employee Retirement Income Security Act of 1974.

The values in the table are dependent upon census data, benefit levels (which have changed on occasion over the past years), and the actuarial assumptions and methods employed at each valuation date. These underlying bases can be found within the Comprehensive Annual Financial Report for each respective year.

To fully evaluate trends in financial soundness, changes in assumptions need to be evaluated. The economic assumptions used in the actuarial calculations are as follows:

Valuation Date June 30	Assumed Annual Rate Of Return On Investments	Merit And Promotion Increases Plus An Assumed General Wage Increase Per Year Of
1994	9.00%	5.5%
1995	8.75	4.0
1996	8.75	4.0
1997	8.75	4.0
1998	8.75	4.0
1999	8.00	3.0

SCHEDULE OF ACTUAL VS. REQUIRED CONTRIBUTIONS
FISCAL YEARS 1995-2000

Fiscal Year Ended June 30	Actual Employer Contribution*	Required Employer Contribution	Employer Rate Of Contribution**
1995	$369,726,776***	$369,726,776	11.185%
1996	397,471,082****	397,471,082	11.062
1997	364,172,052	364,172,052	10.382
1998	441,892,829	441,892,829	12.423
1999	460,515,983	460,515,983	11.890
2000	181,769,965*****	181,769,965	4.310

* *Equals Total Employer Contributions accrued for Fiscal Year.*

** *The Employer Rates of Contribution represent a percentage of the salaries of members who were on payroll as of the preceding June 30th adjusted, where applicable, to be consistent with collective bargaining agreements estimated to be achieved.*

*** *Represents Total Employer Contributions made during Fiscal Year 1995 including $11,041,094 received in Fiscal Year 1994 for Fiscal Year 1995 and $25,009 received during Fiscal Year 1996 for Fiscal Year 1995.*

**** *Represents Total Employer Contributions made during Fiscal Year 1996 net of $25,009 for Fiscal Year 1995.*

***** *Represents Total Employer Contributions made during Fiscal Year 2000 net of $176,700,260 deferred to Fiscal Year 2001.*

CHRONOLOGY OF PLAN

The Teachers' Retirement Law, Title 13, Chapter 4 of the Administrative Code of the City of New York, provides that the Actuary of the Teachers' Retirement System ("TRS") shall make an actuarial valuation of the various TRS funds at such times as (s)he shall determine. A valuation was made as of June 30, 1999, and the results are presented in this report.

TRS was established as of August 1, 1917 and, at the outset, the Teachers' Retirement Board adopted the mortality tables, service tables, and other tables necessary for calculating contribution rates and for preparing valuation figures. Periodic comparisons of the actual experience with the expected experience, as obtained by calculations from the latest adopted tables, have been made since August 1, 1917.

SUMMARY OF KEY BENEFIT AND FUNDING CHANGES

2000 Chapter 85 of the Laws of 2000 amends the Administrative Code of the City of New York to implement changes in actuarial assumptions and methods that require legislation.

Chapter 86 of the Laws of 2000 authorizes a retirement incentive for certain members in eligible titles.

Chapter 110 of the Laws of 2000 amends the language of legislation that later became Chapter 126 of the Laws of 2000, which provides for benefit enhancements for certain members of the City of New York retirement systems.

Chapter 125 of the Laws of 2000 provides eligible retirees with a permanent Cost-of-Living Adjustment.

Chapter 126 of the Laws of 2000 provides for benefit enhancements (*i.e.*, elimination of member contributions for Tier III/IV members with more than 10 years of membership, additional pension credit for Tier I/II members of up to a maximum of 24 months of additional service retirement credit, and allows Tier III/IV members to retire at age 55 with reduced benefits under the same formula as used for Tier II members) for certain members of the City of New York retirement systems.

Chapter 548 of the Laws of 2000 permits certain members to purchase up to 3 years of credit for certain U.S. Military Service by paying 3% of imputed salary.

Chapter 552 of the Laws of 2000 permits Tiers II/III/IV members with at least 2 years of credited service to receive credit for certain previous service in a New York State Public Retirement System ("NYSPRS").

Chapter 553 of the Laws of 2000 lowers the reduction factors for Tier IV members who retire before age 62 with less than 30 years of service.

Chapter 554 of the Laws of 2000 provides that Tiers II/III/IV members who joined prior to January 1, 2001 and who elected Death Benefit One will receive the greater of Death Benefit 1 or Death Benefit 2 coverage. New members on and after January 1, 2001 will only receive coverage under Death Benefit 2.

All the above Laws of 2000 except Chapter 85 are not reflected in the actuarial values presented in this report.

1999 Chapter 70 of the Laws of 1999 authorizes a retirement incentive for certain persons in eligible titles.

Chapter 409 of the Laws of 1999 amends Chapter 616 of the Laws of 1998 to include the death gamble benefit of Tier I.

Chapter 575 of the Laws of 1999 re-opens Chapter 666 of the Laws of 1990, which allows a retroactive transfer of pension credit under certain circumstances.

Chapter 581 of the Laws of 1999 allows Tier II members to receive service credit while under a leave of absence for union activities.

Chapter 628 of the Laws of 1999 provides Tier I and II members the opportunity to switch their retirement plans.

Chapter 646 of the Laws of 1999 provides active and future members the right to reinstate earlier membership by repaying prior member contributions with 5% interest.

Chapter 659 of the Laws of 1999 reduces the amount of service credit needed for Tier III/IV vested members to receive benefits at age 55 to 5 years.

1998 Chapter 7 (as amended by Chapter 47) of the Laws of 1998 authorized a retirement incentive for certain persons in eligible titles who are public employees and Plan members.

Chapter 266 of the Laws of 1998 amended the Retirement and Social Security Law to reduce the service required for Tier IV normal retirement benefits from 25 years to 20 years and to permit certain Tier III retirees to receive Tier IV benefits.

Chapter 366 of the Laws of 1998 increased the period of absence before loss of membership from 5 years to 7 years, provided member contributions are not withdrawn.

Chapter 388 of the Laws of 1998 provided a pre-retirement death benefit for certain vested members of the Plan.

Chapter 389 of the Laws of 1998 allowed members of the Plan to become vested after five years of service.

Chapter 390 of the Laws of 1998 ("Chapter 390/98") provided additional benefits for cost-of-living increases for certain retirees of the Plan. An initial increase for members who retired on or before Calendar Year 1992 is effective as of September 1998 as elected by the City Council on August 27, 1998. A subsequent increase for members who retired on or before Calendar Year 1993 is effective as of September 1999 as elected by the City Council on August 27, 1998.

Chapter 616 of the Laws of 1998 allowed Plan members who are terminally ill and eligible for disability retirement to elect advance payment of ordinary death benefit.

1997 Chapter 41 of the Laws of 1997 authorized a retirement incentive for certain persons in eligible titles who are public employees and who are members of the Plan.

Chapter 601 of the Laws of 1997 amended the Administrative Code of the City of New York and the Retirement and Social Security Law ("RSSL") to bring the Plan into compliance with the requirement of the Federal Older Workers' Benefit Protection Act of 1990 ("OWBPA").

1996 Chapter 30 of the Laws of 1996 established an Early Retirement Incentive ("ERI") for certain employees and was enacted by a Board Resolution.

Chapter 249 of the Laws of 1996 amended the schedules of payments toward the Unfunded Actuarial Accrued Liability ("UAAL") and Balance Sheet Liability ("BSL") to provide that the UAAL and BSL as of June 30, 1995 be amortized over a period of 15 years beginning Fiscal Year 1996, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

Chapter 592 of the Laws of 1996 permitted excess earnings of annuity fund to reduce employer contribution to the Plan.

Chapter 593 of the Laws of 1996 permitted corpus funding of administrative expenses after July 1, 1996.

Chapter 712 of the Laws of 1996 permitted the increase in investment of Plan assets in equities to 70%.

1995

Chapter 12 of the Laws of 1995 established an Early Retirement Incentive ("ERI") for certain CUNY employees and was enacted by a resolution of CUNY's Board.

Chapter 74 of the Laws of 1995 amended Chapter 12 to offer the ERI to certain Board of

Education employees.

Chapter 119 of the Laws of 1995 amended the General Municipal Law and the Administrative Code of the City of New York and provides for Supplemental Retirement Allowances for certain retirees.

Chapter 642 of the Laws of 1995 amended the Administrative Code of the City of New York in relation to the rate of regular interest used in calculating contributions to TRS, as well as to the crediting of special and additional interest to members and the allowance of supplementary interest on TRS funds.

1994

Chapter 633 of the Laws of 1994 amended the schedules of payments toward the UAAL and BSL to provide that the UAAL and BSL of June 30, 1993 be amortized over a period of 17 years beginning Fiscal Year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

Chapter 675 of the Laws of 1994 amended the Retirement and Social Security Law in relation to the maximum amount of compensation that may be used in the determination of pension benefits. The annual compensation of each employee taken into account under the plan for any year may not exceed $150,000 for plan years beginning after June 30, 1996. This figure is subject to cost-of-living adjustment. The State legislation grandfathers those who become members prior to July 1, 1996. This new law brings the New York City Retirement Systems into compliance with certain portions of the Tax Reform Act of 1986 and Internal Revenue Service regulations issued thereunder.

1992

Chapter 221 of the Laws of 1992 amended the Administrative Code of the City of New York, in relation to treatment of surplus, deficits and investment earnings of TRS' Tax-Deferred Annuity ("TDA") Program.

Chapter 494 of the Laws of 1992 provided an early retirement incentive for certain City University professional staff members of TRS.

1991

Chapter 178 of the Laws of 1991 became law on June 17, 1991. This law provided for a retirement incentive for eligible employees of the Board of Education; this incentive granted up to three years of retirement credit.

Chapter 607 of the Laws of 1991 amended the funding provisions effective June 30, 1990. This law provided that the Consolidated UAAL and BSL as of June 30, 1990 be amortized over 20 years with non-level payments for the first five years. The schedule of payments for the combined UAAL and BSL components for the first five years is to be comparable in pattern to the schedule of payments that was in effect under the amortization schedules immediately prior to the change in funding provisions. The balance of the combined UAAL and BSL components at the end of five years is to be amortized using level payments over the remaining 15 years. The BSL component is to be amortized using level payments over 20 years from June 30, 1990.

1990

Chapter 210 became a law on June 6, 1990. This law provides for a retirement incentive for eligible employees of CUNY, effective September 1, 1991.

Chapter 357 became a law on July 12, 1990. This law amended Chapter 835 of the Laws of 1987 in relation to medical review as provided by §13-522.1 of the Administrative Code of the City of New York. These provisions, which had been scheduled to expire on June 30, 1989, were made permanent.

Chapter 483 became a law on July 18, 1990. This law amended Chapter 296 of the Laws of 1984 by extending the elimination of mandatory retirement to tenured employees of CUNY.

Chapter 666 became a law on July 22, 1990. This law amended §13-503 of the Administrative Code of the City of New York in relation to the availability of additional pension benefits to certain retirees of other New York City retirement systems as the result of their joining TRS for an extended second public employment.

Chapter 878 became a law on July 25, 1990. This law amended the Administrative Code of the City of New York in relation to the rate and method of payment of regular interest, special interest, additional interest and supplementary interest to be credited by TRS.

Chapter 919 became a law on July 30, 1990, with an effective date of July 1, 1991. This law amended §§517 and 613 of the Retirement and Social Security Law by permitting Tier III/IV members to borrow up to 75% of their accumulated contributions.

Chapter 948 of the Laws of 1990 became law on December 26, 1990. This law amended the funding provisions of the Retirement System effective June 30, 1990. The funding provisions were amended in relation to the interest rates used in the actuarial valuation of liabilities and amortization payments, for the purpose of calculating employer contributions. This law provided that an actuarial interest rate assumption of 9% per annum for TRS (4% per annum for benefits payable under the variable annuity programs) would be in effect for that purpose with respect to employer contributions due for Fiscal Years 1991-1995. However, this law was superseded by Chapter 607 of the Laws of 1991 before it was scheduled to take effect on June 30, 1990.

1989

Chapter 580 of the Laws of 1989 amended the funding provisions of the pension systems effective June 30, 1988 in relation to eliminating the deferred charge account.

Chapter 581 of the Laws of 1989 amended the funding provisions of the pension systems effective June 30, 1988 in relation to the interest rate used in the actuarial valuation of liabilities for the purpose of calculating employer contributions. The law provided that an 8¼% interest rate will be in effect for that purpose with respect to employer contributions due for Fiscal Years 1989 and 1990.

1988

Chapter 8 became a law on February 29, 1988. This law superseded many provisions of §13-680 of the Administrative Code of the City of New York in relation to the payment of supplemental retirement allowances to certain retirees.

Chapter 182 became a law on June 27, 1988. This law amended §13-582 of the Administrative Code of the City of New York in relation to permitting deferral of the distribution of a member's TDA account to the latest date allowable by the Internal Revenue Code.

Chapter 273 became a law on July 19, 1988. This law amended §§13-568, 571, 581, and 582 of the Administrative Code of the City of New York in relation to the extent and frequency of participation in elections made by members and beneficiaries with respect to the Variable Annuity and TDA Programs.

Chapter 454 became a law on August 1, 1988, effective immediately, providing for the payment of monthly supplemental retirement allowances to certain spouses of deceased members or retirees. Generally, spouses of deceased members or retirees who are designated annuitants (*i.e.*, beneficiaries covered under Option I or Option IV-b, who, upon the death of the members or retirees, elect a monthly form of payment of the death benefit, rather than a lump sum) will be eligible to collect an extra $50 per month as supplemental retirement allowance, provided the member or retiree died prior to January 1, 1980. However, any spouse who may become eligible to receive, or who is already receiving, a supplemental retirement allowance is not eligible for this benefit. Payments to an eligible spouse will be effective on the later of either [a] the month following the one in which the member's or retiree's death occurred, or [b] July 1, 1983.

Chapter 522 became a law on August 2, 1988. This law amended the Retirement and Social Security Law in relation to TRS membership. Generally, any Tier III/IV member who was employed by the Board of Education as a regular substitute for at least one term during one of the three school years immediately prior to July 27, 1976 would have the same rights and privileges as a Tier II member, provided (s)he filed the appropriate application prior to July 1, 1989.

Chapter 523 became a law on August 2, 1988. This law amended the Retirement and Social Security Law in relation to TRS membership. Generally, any Tier II member who was employed by the Board of Education as a regular substitute for at least one term during one of the three school years immediately prior to July 1, 1973 would have the same rights and privileges as a Tier I member, provided (s)he filed the appropriate application prior to July 1, 1989.

Chapter 548 became a law on August 11, 1988. This law provided that pension service credit be granted to Tier III/IV members on leave of absence without pay for the purpose of conducting labor relations activity.

Chapter 768 became a law on December 26, 1988 to become effective January 1, 1990. This law amended the Retirement and Social Security Law to include a new Article 15-A (§620) which provides that all TRS members and those who join TRS after this date will receive benefits payable subject to certain limitations of §415 of the Internal Revenue Code. The benefits payable will be subject to the greater of either [a] the limitations of §415 of the Internal Revenue Code, or [b] the accrued benefit of the member without regard to any benefit increases in accordance with plan amendments adopted after October 14, 1987.

Chapter 773 became a law on December 29, 1988. This law amended §13-521 of the Administrative Code of the City of New York in relation to providing certain benefits involving supplemental annuity contributions on behalf of certain Tier III/IV members.

Chapter 782 became a law on December 29, 1988. This law amended §§517 and 613 of the Retirement and Social Security Law in relation to the treatment of Tier III/IV member contributions for income tax purposes under the provisions of the Internal Revenue Code.

Chapter 783 became a law on December 29, 1988. This law made certain technical changes to Chapter 782 of the Laws of 1988.

1986

Chapter 617 of the Laws of 1986 amended the Retirement and Social Security Law by repealing the Article 14 and the Article 15 Ordinary Death Benefits provisions and replacing them with provisions nearly identical to the Death Benefits applicable to Article 11 TRS members.

Chapter 630 of the Laws of 1986, which amended §B20-37.0 and §13-540 of the Administrative Code of the City of New York, increased the insurance for loans taken by TRS members from $2,000 to $10,000, effective July 1, 1986.

Chapter 683 of the Laws of 1986 amends §4402-§4406, §4408, §3030, §3202, §3602 and §3635 of the Education Law and §236 of the Family Court Act to provide additional educational opportunity in the months of July and August in and after Fiscal Year 1988 for severely handicapped children. In addition, this law established the "Additional Employer Specific Skills Training Grant Program" to conduct summer employer-specific skill training in coordination with participating employers. Also, the bill covers allocations of costs and educational services required of youths incarcerated in a correctional facility.

Chapter 793 of the Laws of 1986 amended §6214 of the Education Law and §13-630 of the Administrative Code of the City of New York in relation to the new members of the instructional staff at community colleges within the City University of New York, who will be eligible to become TRS members. In addition, present members of the New York City Employees' Retirement System who are employed on the instructional staff at community colleges within the City University of New York will have the right, until June 30, 1987, to transfer to TRS.

1984

Chapter 910 of the Laws of 1985 made it possible for TRS to use modernized actuarial tables in computing pension benefits. The Teachers' Retirement Board approved a resolution adopting new mortality tables for the purpose of determining certain benefits. The implementation of such a resolution was contingent upon the enactment of State legislation increasing regular interest from 4% to 7%. Chapter 910 was signed into law on August 19, 1985.

Chapter 911 of the Laws of 1985 authorized TRS to continue to assume an 8% rate of return on investments. The Teachers' Retirement Board approved a resolution adopting new actuarial assumptions for the purpose of determining employer contributions to TRS for Fiscal Year 1986. The implementation of such a resolution was contingent upon the enactment of State legislation which would maintain the assumed rate of return on investments at 8%. Chapter 911 of the Laws of 1985 was signed into law on August 19, 1985. As a result, the new actuarial assumptions were utilized to determine pension expenses for Fiscal Year 1986 and thereafter.

1984

Chapter 371 of the Laws of 1984 amended the Administrative Code of the City of New York in relation to the payment of supplemental retirement allowances to spouses of certain deceased retirees.

Chapter 658 of the Laws of 1984 amended §D49-40.0 of the Administrative Code of the City of New York, increasing the amount of Supplemental Retirement Allowance (SRA) payable to every eligible retiree from 3% of the retiree's maximum fixed retirement allowance (*i.e.*, the "base amount") for post-1971 retirees to 42% for pre-1959 retirees. In addition, the retirement allowance ceiling on which SRA is based was raised from $8,000 to $10,500. These benefit increases began in September 1986, and the increase in percentages occurred over a two-year period.

1983

Chapter 414 of the Laws of 1983 amended the Retirement and Social Security Law by adding a new article—Article 15. This Law established a new state-wide pension plan, the Coordinated Retirement Plan, effective September 1, 1983, covering most employees joining on or after July 27, 1976. This Plan, which sets a normal retirement age of 62 and mandates 3% contributions by members, superseded the Plan (CO-ESC) enacted as Chapter 890 of the Laws of 1976. However, members who joined from July 27, 1976 through August 31, 1983 may elect to receive a benefit from CO-ESC or the Coordinated Plan, whichever provides greater benefits.

1982

Chapter 914 of the Laws of 1982 amended the Administrative Code of the City of New York in relation to employer contributions, the actuarial valuation, the determination and appraisal of the liabilities, the disposition of TRS' investment earnings, the crediting of special interest and additional interest to members, and the allowance of supplementary interest on TRS' funds. It further provided for the determining of obligations of the State, the City University of New York, and TRS in relation to certain employer contributions payable to TRS on account of employees of the senior colleges of the City University of New York.

1981

Chapter 422 of the Laws of 1981 provided new or additional supplemental pensions for certain pensioners and made the funding of these benefits the obligation of TRS.

1977

Chapter 976 of the Laws of 1977 amended TRS' funding provisions, effective July 1, 1977.

1973

Chapter 1046 of the Laws of 1973 established Article 11 of the Retirement and Social Security Law, which imposed certain limitations on the benefits available to members joining TRS after June 30, 1973 and created Plans C and D, which are modifications of Plans A and B.

1970

Legislation in 1970 substantially revised TRS provisions. Chapter 274 established two new retirement plans effective July 1, 1970. Members who joined TRS on or after the effective date were required to choose either [1] The Twenty-Year Pension Plan (Plan A), or [2] The Age-55-Increased-Benefits Pension Plan (Plan B).

A member who joined TRS prior to the effective date could continue under his/her existing plan, or could elect one of these new plans, providing such election was made before the member had rendered two years of service after June 30, 1970.

Chapter 581 of the Laws of 1970 made it possible for the Teachers' Retirement Board to adopt Rules and Regulations establishing a Group Term Life Insurance Plan. In accordance with these Rules and Regulations, the first $50,000 of benefits on account of each death in active service will be payable from the funds of the Group Term Life Insurance Plan rather than from those of TRS. With respect to the Group Term Life Insurance Plan, the Teachers' Retirement Board adopted premium rates computed to be necessary to fund the benefits payable.

SUMMARY OF PLAN PROVISIONS

This section summarizes TRS' principal benefit provisions. The benefits available under the Coordinated Retirement Plan are provided by Article 15 of the Retirement and Social Security Law. The benefits available under the Twenty-Year Pension Plan and Age-55-Increased-Benefits Pension Plan are provided by Chapter 274 of the Laws of 1970 as well as the restrictions prescribed by Article 11 of the Retirement and Social Security Law.

COORDINATED RETIREMENT PLAN

A member whose date of membership is July 27, 1976 or later belongs to the Coordinated Retirement Plan.

SERVICE RETIREMENTS

Normal Service Retirement

Eligibility: A member is eligible to retire at age 62 with immediate payability after 5 or more years of service, subsequent to the date of membership.

Benefits:

{1} For a member with fewer than 20 years of service, the benefit is $1/60$ of FAS *(see note below)* multiplied by years of service.

{2} For a member with at least 20 but fewer than 30 years of service, the benefit is $1/50$ of FAS multiplied by years of service.

{3} For a member with 30 or more years of service, the benefit is $1/50$ of FAS for each of the first 30 years of service plus $3/200$ of FAS for each additional year.

Note: In the Coordinated Retirement Plan, Final Average Salary (FAS) is the average wages earned during any three consecutive years providing the highest average wage. However, if wages earned during any year included in the three-year period exceed that of the average of the previous two years by more than 10%, the amount in excess of 10% will be excluded from the computation of FAS. Wages are defined as the regular compensation earned by, and paid to, a member.

Early Service Retirement

Eligibility: A member is eligible to retire at age 55 or later with immediate payability, after 5 or more years of service, subsequent to the date of membership.

Benefits: The pension is calculated similarly to the pension of a Normal Service Retirement, but it is reduced as follows:

{1} For a member with fewer than 30 years of service, the reduction is equal to $1/15$ for each of the first two years by which the early retirement precedes age 62, plus a further reduction of $1/20$ for each year by which early retirement precedes age 60.

{2} A member with 30 or more years of service receives no reduction in benefits because of early retirement.

Deferred Vested Benefit

Eligibility: A member who has 5 or more years of credited service upon termination of employment, including 5 years of membership service subsequent to July 26, 1976, is entitled to a deferred vested benefit payable at age 62 or later. A member who has upon termination of employment, 5 years of membership service subsequent to July 26, 1976, is entitled to a deferred vested benefit payable at age 55 or later. If such years of service include purchased service credited in a former membership, the purchased service is not limited to post-July 27, 1976 service.

Benefits: The benefit formulas are the same as those set forth under a Normal Service Retirement and an Early Service Retirement. Should a member who elected to receive a vested deferred retirement allowance die before the attainment of payability age and had at least 10 years of service, the death benefit is ½ of the Ordinary Death Benefit in force on the last day of service.

DISABILITY RETIREMENTS

Eligibility: A member is eligible for Ordinary Disability Retirement benefits if (s)he has completed 10 or more years of service and is incapacitated for performance of gainful employment. If the disability is judged to be the result of an accident in the performance of duty, the 10-year requirement is waived.

Benefits: The benefit is the greater of: (a) ⅓ of FAS; or (b) 1⁄60 of FAS multiplied by the credited service.

ORDINARY DEATH BENEFITS

Benefits: Upon joining TRS, a member must elect one of the following death benefits:

Death Benefit 1:
This benefit provides one month's salary for each year of service up to a maximum of three years' salary. If the member would have been eligible to receive an unreduced retirement allowance at the time of his/her death, the benefit is the reserve on the retirement allowance which would have been payable had the member retired on the day before his/her death, if greater.

Death Benefit 2:
This benefit provides one year's salary for each year of service up to a maximum of three years' salary after three years of service. The benefits reduce after age 60 at the rate of 5% per year, to a maximum reduction of 50% of the benefit in effect at age 60.

A benefit is also payable upon death after retirement and is expressed as follows:

* If death occurs in the first year after retirement, 50% of the benefit in force immediately before retirement.
* If death occurs in the second year following retirement, 25% of the benefit in force immediately before retirement.
* If death occurs subsequently, 10% of the benefit in force at age 60 or immediately before retirement if retirement was earlier than age 60.

If retirement occurs after age 60, the minimum death benefit payable after retirement is 10% of the death benefit in force at age 60.

The Rules and Regulations adopted by the Teachers' Retirement Board in accordance with Chapter 581 of the Laws of 1970 provide that the first $50,000 of each benefit on account of death in active service is payable from the Group Term Life Insurance Plan. Only the amount in excess of $50,000, if any, is payable by TRS.

Members who joined TRS on or after July 27, 1976 and before September 1, 1983 are entitled to the following Article 14 Death Benefits, if greater (by ruling of the Court of Appeals in Public Employees' Federation v. Cuomo, dated June 29, 1984).

THE DEATH BENEFITS UNDER ARTICLE 14 ARE AS FOLLOWS:

IF DEATH OCCURS BEFORE AGE 60 AND SERVICE IS:			MAXIMUM BENEFITS EFFECTIVE	
At Least	**But Not More Than**	**Lump-Sum Benefit**	**4/1/99–3/31/00**	**4/1/00–3/31/01**
1 Year	2 Years	One x Final Rate of Pay, But Not in Excess of:	$36,300	$37,300
2 Years	3 Years	Two x Final Rate of Pay, But Not in Excess of:	$72,500	$74,500
3 Years	Or More	Three x Final Rate of Pay, But Not in Excess of:	$90,600	$93,100

If death occurs at age 60, the benefits determined shall be reduced by 5%. If death occurs after age 60, there is an additional 5% reduction for each year that death occurs thereafter to a maximum of a 50% reduction.

The maximum lump-sum death benefit is subject to increase each April 1st at a maximum rate of 3% per annum based on the Consumer Price Index as of the previous December 31st.

Beneficiaries: The latest named beneficiary, duly designated on a TRS Form filed with TRS, will receive the death benefits. If none is designated, the benefits will be paid to the member's estate.

ACCIDENTAL DEATH BENEFITS

Eligibility: A beneficiary is entitled to the benefit if the member died before the effective date of retirement as a natural and proximate result of an accident sustained in the performance of duty, and if the accident was not caused by the member's willful negligence.

Benefits: The beneficiary receives a pension equal to 50% of the wages the member earned during the last year of actual service, but the application must be filed within 60 days of the member's death.

Other Provision:

{1} If the eligible beneficiary becomes ineligible to continue to receive the benefits, it shall be continued for all other members of the next eligible class of beneficiaries, and if none, to each successive class.

{2} If the benefits paid do not exceed the amount of the ordinary lump-sum death benefit because of the absence of eligible beneficiaries, the difference is to be paid to the last eligible beneficiary, or if none, to the member's estate.

Beneficiaries: Beneficiaries are prescribed in the following order:

{1} A surviving spouse who has not renounced survivorship rights in a separation agreement, or has not remarried;

{2} Surviving children until age 25;

{3} Dependent parents whose eligibility shall be determined in accordance with regulations promulgated by the Teachers' Retirement Board;

{4} Any other person who qualifies as a dependent on the final income tax return the member filed in the year preceding his/her year of death, until such person reaches 21 years of age.

THE TWENTY-YEAR PENSION PLAN AND AGE-55-INCREASED BENEFITS PENSION PLAN

A member who elects the Twenty-Year Pension Plan may cancel such election at any time, in which case (s)he will become eligible for the benefits provided by the Age-55-Increased-Benefits Pension Plan and vice versa.

See page 4.25 for definitions of terms used in these plan descriptions.

SERVICE RETIREMENT

Twenty-Year Pension Plan

Eligibility:

{1} A member who joined TRS prior to July 1, 1973 and who elects the Twenty-Year Pension Plan is eligible to retire after having completed 20 years of service, with benefits to begin on the payability date. Regardless of the number of years of service, such a member who has elected the Twenty-Year Pension Plan and who is at least 55 years of age may retire with benefits payable immediately by canceling his/her election of the Twenty-Year Pension Plan, thereby becoming eligible for the benefits under the Age-55-Increased-Benefits Pension Plan.

{2} A member who joined TRS after June 30, 1973 must also have rendered five years of continuous service immediately prior to retiring and must have attained age 55.

Benefits:

The service retirement allowance for a member who joined prior to July 1, 1973, is the sum of the following:

{1} 50% of the average salary, reduced by an annuity which is the actuarial equivalent of the minimum accumulation;

{2} an annuity which is the actuarial equivalent of the accumulated deductions; and

{3} for service in excess of 20 years, (a) a pension for Increased-Take-Home-Pay which is the actuarial equivalent of the Reserve for Increased-Take-Home-Pay credited in such years, and (b) 1.2% of the average salary for each such year prior to July 1, 1970 and 1.7% of the average salary for each such year beginning on that date.

If a member who joined TRS after June 30, 1973 retires prior to age 62 with less than 30 years of service, his/her pension for service is reduced by 0.5% for each of the first 24 months that the payability date precedes age 62, and by 0.25% for each additional month.

Age-55-Increased-Benefits Pension Plan

Eligibility: {1} A member who joined TRS prior to July 1, 1973 and who either elects the Age-55-Increased-Benefits Pension Plan or who cancels his/her election of the Twenty-Year Pension Plan may retire after having attained age 55 with benefits payable immediately upon retirement.

{2} A member who joined TRS after June 30, 1973 must also have rendered five years of continuous service immediately prior to retiring and must have attained age 55.

Benefits: The service retirement allowance consists of a pension for service, a pension for Increased-Take-Home-Pay, and an annuity.

The pension for service is equal to 1.2% of the average salary multiplied by years of service prior to July 1, 1970, plus 1.53% of the average salary multiplied by years of service after June 30, 1970. The pension for Increased-Take-Home-Pay is the actuarial equivalent of the Reserve for Increased-Take-Home-Pay, and the annuity is the actuarial equivalent of the member's accumulated deductions.

If a member who joined TRS after June 30, 1973 retires prior to age 62 with less than 30 years of service, his/her pension for service is reduced by 0.5% for each of the first 24 months that the payability date precedes age 62, and by 0.25% for each additional month.

ORDINARY DISABILITY RETIREMENT

Eligibility: Regardless of the Plan elected, a member who has completed 10 or more years of City service preceding the occurrence of disability, for causes other than an accident in the actual performance of duty, is entitled to an ordinary disability retirement allowance.

Benefits: If, at the time of becoming disabled, the member could have retired for service with benefits payable immediately, the ordinary disability allowance will be the same as the service retirement allowance without reduction on account of age. For all other members, the ordinary disability allowance is computed in the same manner as though the member had been eligible for service retirement under the Age-55-Increased-Benefits Pension Plan with benefits payable immediately, but never less than the allowance that would have been payable under the provisions in effect prior to July 1, 1970.

ACCIDENT DISABILITY RETIREMENT

Eligibility: A member is entitled to an accident disability retirement allowance upon the occurrence of a disability caused by an accident in the actual performance of duty.

Benefits: The retirement allowance will consist of a pension equal to three-fourths of the average salary in the last five years, a pension for Increased-Take-Home-Pay which is the actuarial equivalent of the Reserve for Increased-Take-Home-Pay, and an annuity purchased with the member's accumulated deductions. The pensions are subject to reduction because of Workers' Compensation benefits granted on the account of the accident.

VESTED DEFERRED RETIREMENT ALLOWANCE

Eligibility: A member who either resigns or is dismissed from service would receive a benefit equal to his/her accumulated deductions. However, a member who is eligible for the benefits under the Age-55-Increased-Benefits Pension Plan and who has at least 5 years of service, immediately preceding resignation, may instead elect to receive a vested allowance.

Benefits: This allowance is computed in the same manner as the retirement allowance for service retirement under the Age-55-Increased-Benefits Pension Plan, except that the allowance is deferred to age 55. Should a member who elected to receive a vested deferred retirement allowance die before the attainment of age 55 and who had 10 years of service, the death benefit is ½ of the Ordinary Death Benefit in force on the last day of service.

ORDINARY DEATH BENEFITS

Benefits: Upon the death of a member in active service, a benefit is paid to his/her estate or to such person(s) as (s)he shall have nominated.

Members who joined TRS before July 1, 1973:

* If a member completed less than 10 years of credited service, the benefit is equal to the compensation earnable by the member in the six months immediately preceding death.
* If the total number of years of City service is greater than 10, but less than 20, the benefit is equal to the compensation earnable by the member during the 12 months immediately preceding death.
* If the total number of years of City service exceeds 20, the benefit is equal to twice the compensation earnable by the member during the 12 months immediately preceding death.
* In addition, the member's accumulated deductions and the Reserve for Increased-Take-Home-Pay are paid to the member's estate or to the designated beneficiary.

The benefits payable on account of such a member who, at the time of his/her death, would have been eligible for service retirement is either the benefit described above or an amount equal to the reserve on the retirement allowance which would have been payable had the member retired on the day before his/her death, whichever is larger.

Members who joined TRS between July 1, 1973 and July 27, 1976 must choose between the two following death benefits so that, upon the member's death, benefits are paid pursuant to the member's election:

Death Benefit 1: This benefit provides one month's salary for each year of service, up to a maximum of three years' salary. In addition, the member's accumulated deductions are payable. If the member would have been eligible to receive an unreduced retirement allowance at the time of his/her death, the benefits are the reserve on the retirement allowance which would have been payable had the member retired on the day before his/her death, if greater.

Death Benefit 2: In addition to a refund of the member's accumulated deductions, this benefit provides one year's salary for each year of service up to a maximum of three years' salary after three years of service. The benefit reduces after age 60 at the rate of 5% per year, to a maximum reduction of 50% of the benefits in effect at age 60.

A benefit is also payable upon death after retirement and is expressed as follows:

* If death occurs in the first year after retirement, 50% of the benefit in force immediately before retirement.
* If death occurs in the second year following retirement, 25% of the benefit in force immediately before retirement.
* If death occurs subsequently, 10% of the benefit in force at age 60 or immediately before retirement if retirement was earlier than age 60.

If retirement occurs after age 60, the minimum death benefit payable after retirement is 10% of the death benefit in force at age 60.

The Rules and Regulations adopted by the Teachers' Retirement Board in accordance with Chapter 581 of the Laws of 1970 provide that the first $50,000 of each benefit on account of death in active service is payable from the Group Term Life Insurance Plan. Only the amount in excess of $50,000, if any, is payable by TRS.

ACCIDENTAL DEATH BENEFITS

Eligibility: A member is entitled to accidental death benefits upon the occurrence of death caused by an accident in the actual performance of duty.

Benefits: The accidental death benefits are (a) a lump-sum equal to the Reserve for Increased-Take-Home-Pay and (b) a pension equal to one-half of the average salary in the last five years payable annually to the widow until remarriage or death, or if there is no widow, to a child or children until the attainment of age 18 of the youngest child, or if there is no widow, or child, to the dependent parents, and (c) a lump-sum equal to the member's accumulated deductions and Reserve for Increased-Take-Home-Pay payable to the member's estate or to the designated beneficiary. Alternatively, if the member joined TRS prior to July 1, 1973, the beneficiary may elect to receive the reserve on the retirement allowance which would have been payable if the member had retired on the day before the member's death, provided that the death occurred after the member became eligible to retire for service. The pension is subject to reduction because of Workers' Compensation benefits granted on account of the accidental death.

SUPPLEMENTAL RETIREMENT ALLOWANCE

Eligibility: A Supplemental Retirement Allowance is payable during the life of certain retired members. One half of the amount is also payable during the life of spousal beneficiaries if such retired member had elected one of the options under the Administrative Code which provides that benefits are to be continued for the life of such spouse after the death of the retired member, and where the death of such retired member occurred or occurs more than thirty days after the effective date of the retirement of such member.

Supplemental Retirement Allowances are payable to members who retired prior to Calendar Year 1994 (see Chapter 390/98). Service retirees who have attained age 62 and all disability retirees are eligible for this supplemental payment.

Benefits: The benefit is equal to a percentage, depending on the Calendar Year of retirement, of the first $14,000 of the non-variable portion of the retirement allowance entitled had the member not elected any optional forms of benefit.

The Supplemental Retirement Allowance described above and the actuarial values presented in this report do not reflect the enhanced supplementation benefits provided by Chapter 125 of the Laws of 2000.

DEFINITIONS

Accumulated Deductions—The total contributions the member made to his/her Annuity Savings Account, with regular and special interest thereon.

Average Salary—{1} For a member who joined prior to July 1, 1973, salary earnable in the last year of the most recent three-year period during which (s)he held no more than one position, or the average annual salary earnable in any five consecutive years designated by the member. {2} For a member who joined after June 30, 1973, the average salary earned during any three consecutive years which provides the highest average salary. However, if the salary earned during any year included in this three-year period exceeds the average of the previous two years by more than 20%, the amount in excess of 20% is excluded from the computation.

City Service—All service as an employee of the City.

Minimum Accumulation—The difference between: {1} the amount of normal contributions during the member's first 20 years of City service accumulated with interest to the member's payability date, and {2} the amount of the Reserve for Increased-Take-Home-Pay on the date such period of 20 years is completed.

New Entrant—With minor exceptions, a teacher appointed to the public schools after August 1, 1917.

Payability Date—For members who elected the Twenty-Year Pension Plan, the date on which the Service Retirement allowance begins, which is the latest of {1} the date when the member retires, or {2} the date when (s)he attains age 55, or {3} the date when the member could have completed 25 years of City service had (s)he remained active. For all other members, the retirement allowance begins on the date of retirement.

Present Teacher—A teacher in the public schools on August 1, 1917 and certain other specified school and college members.

Prior Service—All City service and all teaching and supervisory service in schools maintained by the City prior to September 16, 1917, for the present teachers and, in the case of a new entrant, prior to the date of appointment.

A member, upon retirement, may receive his/her basic retirement allowance in monthly installments

Reserve For Increased-Take-Home-Pay—A reserve of 2½%, 5%, or 8% of the member's salary pursuant to the provisions of §13-546, accumulated with regular and additional interest.

OPTIONS ON RETIREMENT OR DEATH

A member, upon retirement, may receive his/her basic retirement allowance in monthly installments throughout life with all payments ending at death, or may elect to receive the actuarial equivalent in the following optional forms.

Members who joined prior to July 27, 1976:

{1} For members who joined prior to July 1, 1973, a cash refund allowance under which reduced payments will be made during life with a provision that, in case of death before such payments have equaled the present value of the retirement allowance at the date of retirement, the balance shall be paid to the designated beneficiary or estate in a lump sum. For members who joined after June 30, 1973, this option is only available with regard to the benefit derived from accumulated deductions.

{2} A ten-year or five-year certain and life allowance under which reduced payments will be made during life with a provision that in case of death within ten or five years of retirement, the balance that would have been payable had the member survived for ten or five years shall continue to be paid to the designated beneficiary or estate.

{3} A joint-and-survivor allowance under which reduced payments will be made during life with a provision that upon the member's death, the same payments or one-half of such payments shall be continued throughout the life of such other person(s) as the member shall have designated.

{4} Such other forms of actuarial equivalent as may be certified by the Actuary and approved by the Teachers' Retirement Board. By resolution, the Teachers' Retirement Board has approved an option under which reduced payments will be made during life with a provision that, upon the member's death, a sum specified by the member at the time of retirement shall be paid to the designated beneficiary or estate.

Upon a member's death, the beneficiary may elect to receive the actuarial equivalent of the lump-sum otherwise payable in one of the following forms: 1) An annual amount payable for life in monthly installments, all payments ending at death; or 2) A cash refund allowance under which reduced payments will be made during life, with a provision that, in case of death before such payments have equaled the lump-sum payable upon the member's death, the balance shall be paid to the designated beneficiary or estate. This is only available to the beneficiary of a member who joined prior to July 1, 1973.

Members who joined on or after July 27, 1976:

{1} The same five-year or ten-year certain and life allowance as described in #2 above.

{2} A joint-and-survivor allowance under which reduced payments will be made during life with a provision that upon the member's death, 100%, 75%, 50% or 25% of such payments shall be continued throughout the life of such other person(s) as the member shall have designated.

CONTRIBUTIONS

TRS benefits are financed by employee and employer contributions and from earnings on TRS' invested funds.

MEMBER CONTRIBUTIONS

Coordinated Retirement Plan (Article 15):

A member of this Plan is mandated to contribute 3% of annual wages during all the years of coverage. If a member resigns or is otherwise terminated from City service prior to eligibility for a benefit, all of his/her contributions with 5% interest will be refunded upon request.

Twenty-Year Pension Plan:

A member of this Plan is required to contribute a percentage of salary which, if paid from the date of entry until the date of completion of 20 years of City service, would provide at the payability date, an annuity of ⅛ of the member's final salary as of the completion of 20 years of City service.

Age-55-Increased-Benefits Pension Plan:

A member of this Plan is required to contribute a percentage of salary, which if paid to the age for service retirement under the law in effect prior to July 1, 1970, would provide an annuity equal to 1% of the average annual compensation during the last five years of service multiplied by years of service.

Member contributions are accumulated with interest in individually maintained accounts. Except under Article 15, upon retirement, the amount to the member's credit (*i.e.*, accumulated deductions) is used to purchase his/her annuity on the basis of the tables adopted by the Teachers' Retirement Board. Upon death in service, the death benefits, including the accumulated deductions, are paid to the beneficiary and, on termination of employment other than by death or retirement, the accumulated deductions are returned to the member.

Loans: Subject to certain limitations, a member not covered under Article 15 may borrow an amount not exceeding 75% of the member's accumulated deductions. Effective July 1, 1991, subject to certain limitations, a member covered under Article 15 may borrow an amount not exceeding 75% of the member's accumulated deductions, provided it can be repaid with interest within five years by payroll deductions. Beginning 30 days after the inception of the loan, the amount of the unpaid portion of the loan is insured in full. Should the borrower subject to Article 15 retire before the loan is repaid, the actuarial equivalent of the outstanding loan is deducted from his/her retirement allowance.

ITHP: In general, the retirement and death benefits payable to or on account of members are supplemented by the Reserve For Increased-Take-Home-Pay, accumulated from City contributions at a rate equal to the Increased-Take-Home-Pay factor times salary. In general, the total benefit is equal to the benefit that would have been paid if the members' rates of contributions had not been reduced by the Increased-Take-Home-Pay rate. However, the Reserve For Increased-Take-Home-Pay is not payable upon the death of a member who joined after June 30, 1973.

Beginning July 1, 1960, on a year-to-year basis, the required contributions of members were reduced by an Increased-Take-Home-Pay factor initially equal to 2½% of salary. The following tables shows effective periods and Increased-Take-Home-Pay factors.

PERIOD	INCREASED-TAKE-HOME-PAY-FACTOR
Board Of Education Employees	
7/1/60–6/30/61	2½%
7/1/61–8/31/67	5%
9/1/67–9/1/68	8%
Board Of Higher Education Employees	
9/1/67–9/1/68	5%
Twenty-Year and Age-55-Increased Benefits Pension Plan Members	
9/1/68–6/30/70	8%
7/1/70–12/31/75	5%
1/1/76–6/30/99	2½%
Article 15 Members	
1/1/76–6/30/99	0%

EMPLOYER CONTRIBUTIONS

The Frozen Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the contribution from the employers.

Employer contributions are accrued by the Plan and are funded by the employers on a current basis. The contributions amounted to $181,769,965 for the Fiscal Year ended June 30, 2000.

Other contributions consist of payments made by the employer for the benefit of certain members of the Plan who have attained the maximum grade of their salary schedule, in accordance with amendments to the Administrative Code of the City of New York. Teachers at maximum grade have $400 per annum credited on a monthly basis to their accounts, while $550 per annum is credited on a monthly basis to the accounts of supervisory personnel at maximum grade.

VARIABLE ANNUITY PROGRAMS

Variable A: Beginning January 1, 1968, members were given the option to participate in a variable annuity program now known as the Variable A Annuity Program, thereby providing a means which can reasonably be expected to protect a portion of their retirement income against the effect of increases in the cost of living. The monthly Variable A Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments which are almost entirely in common stocks.

On January 1, 1968, the effective date of the Variable A Annuity Program, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the common stock fund during the preceding month. Since January 1, 1968, the value of the Variable A unit varied between a high of $76.533 on April 1, 2000 and a low of $5.453 on October 1, 1974.

Variable B: Beginning July 1, 1983, members were given the option to participate in a second variable annuity program, designated the Variable B Annuity Program. Variable B is income-oriented and is intended to be less volatile than Variable A. Variable B is aimed at positive returns with a minimum of fluctuation. The monthly Variable B payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments, which may include guaranteed investment contracts with insurance companies, long-term bonds, money market instruments, etc.

On July 1, 1983, the effective date of the Variable B Annuity Program, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the changes in market value and income received from the investments in the fund during the preceding month. Since July 1, 1983, the value of the Variable B unit varied between a high of $19.115 on July 1, 2000 and the low of $10 at inception on July 1, 1983.

A member may elect to place part or all of his/her contributions and the City's contributions for Increased-Take-Home-Pay in either variable annuity program. The normal pension for service which is provided by the City will be paid in fixed dollars. Subject to certain prescribed limitations, a member may periodically elect either to participate in the variable annuity programs or to revoke a previous election.

Individual accounts of the members' own contributions are maintained in each variable annuity savings fund. Individual accounts, based on the City's contribution for Increased-Take-Home-Pay, are maintained in the Variable Pension Accumulation Funds. Deposits in these accounts are credited in terms of units, the value of which is determined at the beginning of each month and remains unchanged during that month.

5. Statistical Section

SCHEDULE 1
REVENUE BY SOURCE (UNAUDITED)

In Thousands

Year Ended June 30	Net Member Contributions	Employer Contributions	Net Investment Income	Other	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1992	$ 69,687	$ 341,160	$ 1,927,732	$ 727	$ 2,339,306	11.4%
1993	69,916	403,023	2,277,129	0	2,750,068	12.8
1994	74,824	397,514	647,224	0	1,119,562	11.6
1995	62,283	379,987	3,328,461	0	3,770,731	11.2*
1996	89,615	405,872	3,517,358	0	4,012,845	11.1*
1997	97,261	366,141	5,089,064	0	5,552,466	10.4*
1998	76,570	439,898	5,648,628	0	6,165,096	12.4*
1999	99,903	453,946	4,505,546	0	5,058,795	11.7*
2000	118,155	202,758	3,704,203	20,630	4,045,746	4.8*
2001	129,783	466,289	(3,805,107)	9,706	(3,199,329)	9.9*

Note: *Member contributions are shown net of loans to members.*
** 1995 to 2001 are calculated using active members' salaries on the preceding June 30th.*

SCHEDULE 2
EXPENSE BY TYPE (UNAUDITED)

In Thousands

Year Ended June 30	Benefit Payments	Refunds	Other	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1992	$ 1,049,826	$ 42,373	$ 0	$ 1,092,199	11.4%
1993	1,047,336	13,537	10,856	1,071,729	12.8
1994	1,090,865	16,411	9,252	1,116,528	11.6
1995	1,136,611*	15,101	6,908	1,158,620	11.2**
1996	1,421,614*	62,618	3,584	1,487,816	11.1**
1997	1,612,938*	60,599	(1,552)	1,671,985	10.4**
1998	1,650,368*	31,006	13,051	1,694,425	12.4**
1999	1,779,610*	45,151	(18,617)	1,806,144	11.7**
2000	2,718,101***	40,796	0	2,758,897	4.8**
2001	1,878,760*	80,116	0	1,958,876	9.9**

* *Including Administrative expenses of $7,891 for 1995, $9,085 for 1996, $15,909 for 1997, $25,058 for 1998, $27,005 for 1999, and $30,575 for 2001.*

** *1995 to 2001 are calculated using active members' salaries on the preceding June 30th.*

*** *Including Administrative expenses of $29,732 and BSL of $838,285.*

SCHEDULE OF PARTICIPATING EMPLOYERS

As of June 30, 2000

Employer	Number of Active Members	Annual Payroll
NYC Board Of Education and City University of New York	91,492	$4,721,401,473
NYC School Construction Authority	2	124,836
TOTAL	**91,494***	**$4,721,526,309**

** Includes only current active members receiving salary as of each June 30th.*

AVERAGE SALARIES OF ACTIVE MEMBERS

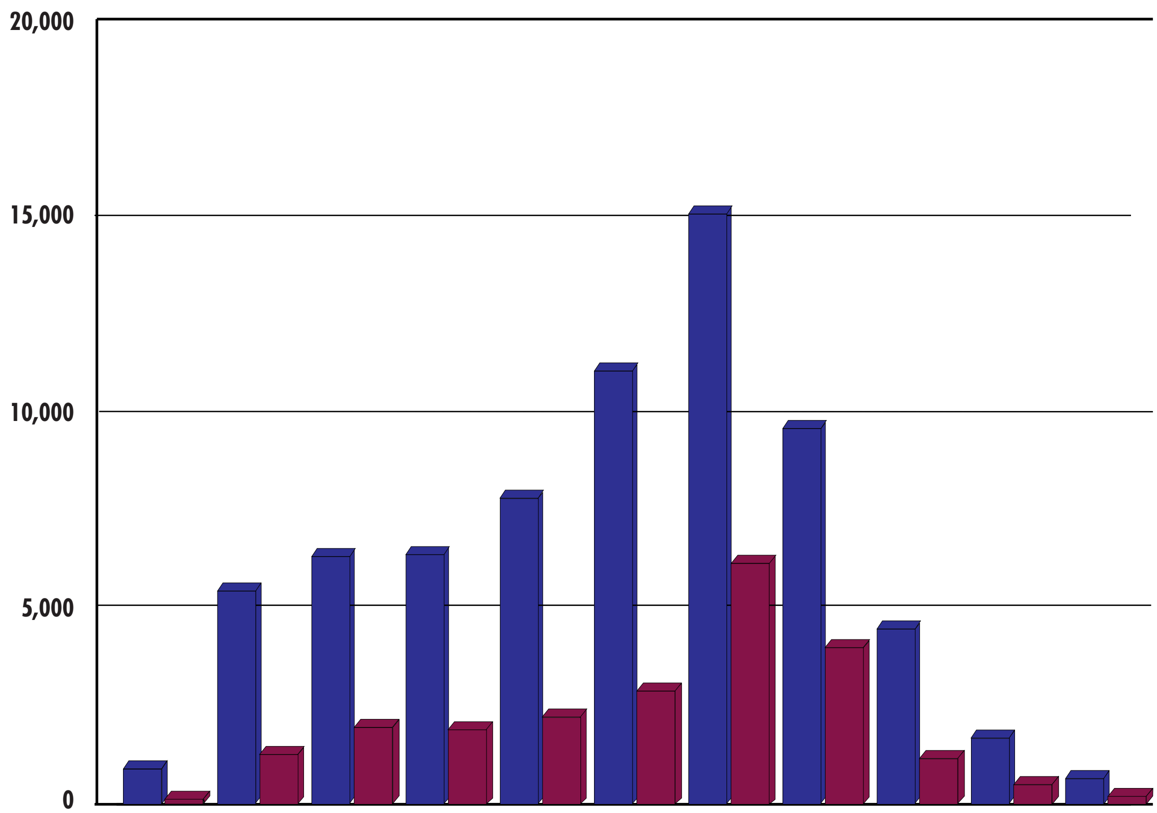
As of June 30, 2000

MEN			WOMEN		
Age	Number of Active Members	Average Salaries	Age	Number of Active Members	Average Salaries
24 & under	108	$ 29,916	24 & under	895	$ 31,373
25–29	1,267	36,453	25–29	5,430	36,023
30–34	1,955	41,816	30–34	6,309	41,101
35–39	1,897	47,183	35–39	6,356	43,866
40–44	2,213	50,985	40–44	7,787	46,152
45–49	2,881	56,264	45–49	11,033	50,194
50–54	6,133	67,458	50–54	15,031	57,213
55–59	3,986	68,522	55–59	9,568	56,161
60–64	1,157	64,049	60–64	4,462	51,766
65–69	495	62,093	65–69	1,678	51,038
70 & over	205	64,522	70 & over	648	49,534
TOTAL	**22,297***	**$ 58,327**	**TOTAL**	**69,197***	**$ 49,439**
TOTAL ANNUAL SALARIES		$ 1,300,514,420	TOTAL ANNUAL SALARIES		$ 3,421,011,889

** The member count and the annual payroll include only those who were on the June 30th payroll.*

ACTIVE MEMBERSHIP ON PAYROLL—DISTRIBUTION BY AGE

As of June 30, 2000



AGE	24 & under	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70 & over
WOMEN	895	5,430	6,309	6,356	7,787	11,033	15,031	9,568	4,462	1,678	648
MEN	108	1,267	1,955	1,897	2,213	2,881	6,133	3,986	1,157	495	205

SCHEDULE OF BENEFIT EXPENSES BY TYPE

In Thousands

Year Ended June 30	Retirement Benefits	Death Benefits	Total Benefit Payments
1995	$ 1,009,488	$ 127,123	$1,136,611
1996	1,188,798	232,816	1,421,614
1997	1,414,393	198,545	1,612,938
1998	1,493,972	156,396	1,650,368
1999	1,604,299	175,311	1,779,610
2000	1,660,118	219,698	1,879,816*

**Total Benefit Payment does not include the BSL of $838,285.*

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

	SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS		SURVIVORS' BENEFITS	
Year Ended June 30	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Allowance
1995	38,802	$ 24,339	1,835	$ 12,125	390	$ 24,207	2,629	$ 12,707
1996	42,187	26,480	1,799	12,828	396	25,364	2,787	13,830
1997	45,171	29,449	1,778	14,407	417	27,047	2,942	16,070
1998	45,000	31,129	1,761	15,341	427	28,481	3,080	17,532
1999	45,215	33,200	1,755	16,960	426	30,019	3,129	19,375
2000	45,586	34,051	1,738	17,264	426	30,625	3,218	20,138

SERVICE RETIREMENT ALLOWANCES

As of June 30, 2000

MEN			WOMEN		
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	—	under 30	0	—
30–34	0	—	30–34	0	—
35–39	0	—	35–39	0	—
40–44	0	—	40–44	0	—
45–49	0	—	45–49	0	—
50–54	72	$38,011	50–54	54	$33,121
55–59	1,742	47,215	55–59	2,220	40,570
60–64	2,623	48,847	60–64	3,874	37,608
65–69	2,902	45,815	65–69	5,506	31,903
70–74	2,858	41,714	70–74	5,982	29,599
75–79	2,172	37,845	75–79	4,870	26,694
80–84	1,185	32,894	80–84	3,466	23,996
85–89	807	32,799	85–89	2,392	23,317
90 & over	477	38,902	90 & over	2,384	25,816
TOTAL	**14,838**	**$42,559**	**TOTAL**	**30,748**	**$29,945**
TOTAL ANNUAL ALLOWANCES PAID		$631,491,540	TOTAL ANNUAL ALLOWANCES PAID		$920,758,934

ORDINARY DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2000

MEN			WOMEN		
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	—	under 30	0	—
30–34	0	—	30–34	0	—
35–39	0	—	35–39	3	$12,377
40–44	8	$12,984	40–44	11	12,967
45–49	17	13,966	45–49	44	14,885
50–54	78	23,200	50–54	130	20,659
55–59	85	23,112	55–59	186	18,377
60–64	55	17,921	60–64	169	13,544
65–69	45	18,417	65–69	130	12,554
70–74	39	17,092	70–74	94	12,845
75–79	29	18,708	75–79	105	14,292
80–84	46	23,179	80–84	137	16,719
85–89	37	28,616	85–89	137	17,392
90 & over	14	26,625	90 & over	139	15,300
TOTAL	**453**	**$21,273**	**TOTAL**	**1,285**	**$15,850**
TOTAL ANNUAL ALLOWANCES PAID		$9,636,794	TOTAL ANNUAL ALLOWANCES PAID		$20,367,453

ACCIDENT DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2000

MEN			WOMEN		
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	—	under 30	0	—
30–34	0	—	30–34	0	—
35–39	0	—	35–39	1	$9,561
40–44	1	$9,901	40–44	3	13,702
45–49	2	24,771	45–49	8	24,355
50–54	40	32,277	50–54	47	31,774
55–59	45	38,310	55–59	52	30,560
60–64	15	33,703	60–64	31	30,087
65–69	19	33,072	65–69	36	23,580
70–74	15	35,766	70–74	29	29,214
75–79	8	27,575	75–79	32	29,307
80–84	7	34,751	80–84	22	28,766
85–89	3	26,236	85–89	9	23,806
90 & over	1	17,232	90 & over	0	—
TOTAL	**156**	**$34,004**	**TOTAL**	**270**	**$28,673**
TOTAL ANNUAL ALLOWANCES PAID		$5,304,683	TOTAL ANNUAL ALLOWANCES PAID		$7,741,726

DEATH BENEFITS

As of June 30, 2000

MEN			WOMEN		
Age	Number of Beneficiaries	Average Annual Allowance	Age	Number of Beneficiaries	Average Annual Allowance
under 30	5	$22,348	under 30	4	$16,168
30–34	3	3,911	30–34	3	11,564
35–39	9	12,826	35–39	7	10,419
40–44	3	12,207	40–44	13	6,726
45–49	18	9,653	45–49	16	14,531
50–54	22	9,608	50–54	52	20,933
55–59	23	26,696	55–59	95	29,907
60–64	45	15,516	60–64	105	29,585
65–69	63	16,977	65–69	176	28,244
70–74	77	19,903	70–74	293	23,054
75–79	127	18,260	75–79	385	21,213
80–84	160	15,946	80–84	434	19,357
85–89	162	13,702	85–89	431	19,889
90 & over	176	15,627	90 & over	311	19,273
TOTAL	**893**	**$16,143**	**TOTAL**	**2,325**	**$21,672**
TOTAL ANNUAL BENEFITS PAID		$14,415,425	TOTAL ANNUAL BENEFITS PAID		$50,388,229

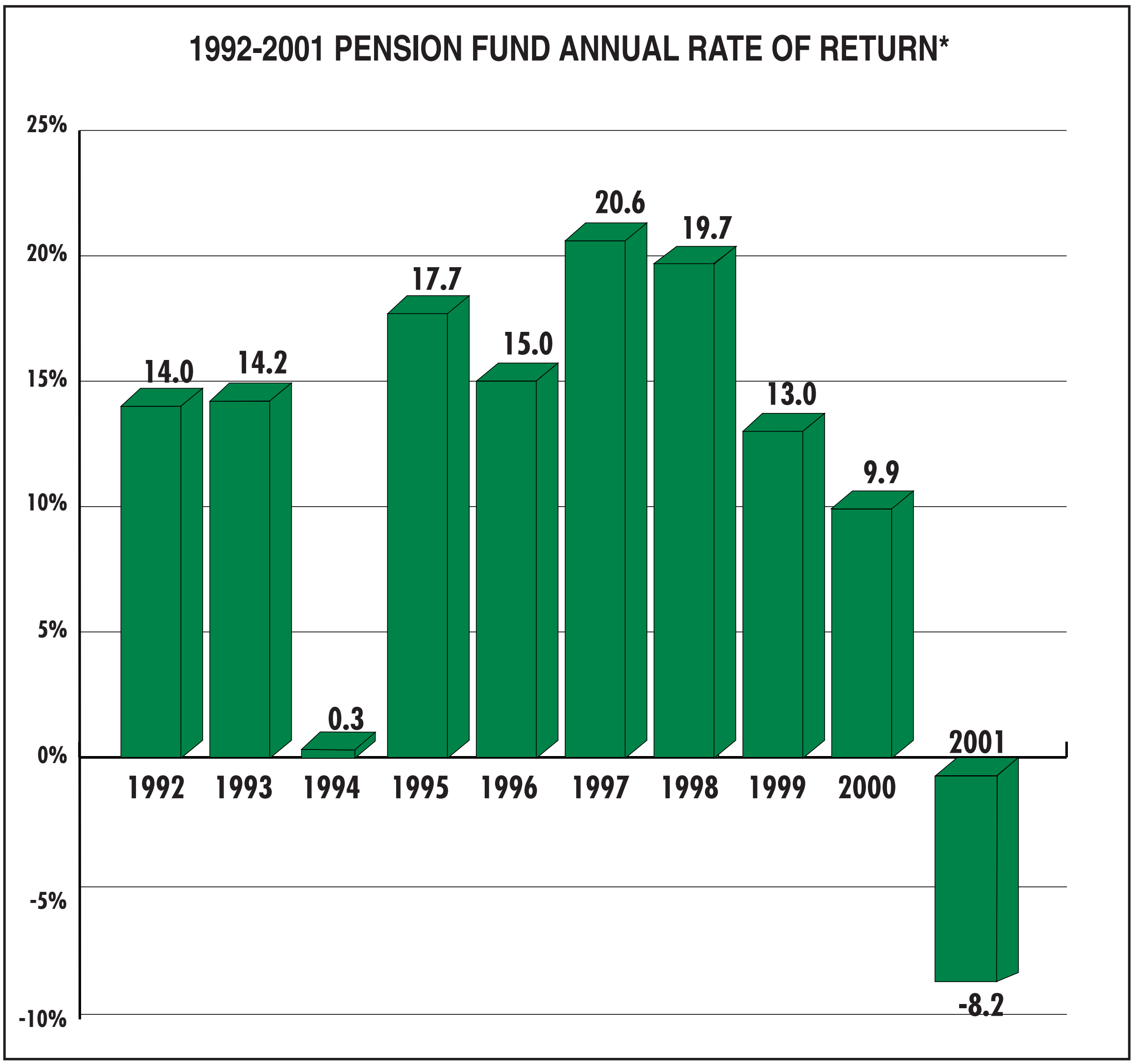
PENSION FUND
Performance Highlights
Fiscal Year 2001

Return: –8.20%
Total Investments: $24.150 Billion

During the 2001 Fiscal Year, the Pension Fund's portfolio, consisting primarily of equities and fixed-income instruments, yielded a –8.20% return after fees. This was a decrease from the 9.92% return for the 2000 Fiscal Year.

The Pension Fund includes all Fixed Annuity Program funds in the Qualified Pension Plan (QPP) and all Tier III/IV QPP funds. The Fixed Annuity Program, which is available to Tier I and Tier II members for their QPP funds, currently provides participants with an 8.25% return. This rate is guaranteed through June 30, 2004; the rate is guaranteed not to fall below 7%.

The Comptroller of the City of New York invests the Pension Fund's holdings in a diversified portfolio, as authorized by the Teachers' Retirement Board. This portfolio consists almost entirely of U.S. and international equities and bonds.



* *After expenses*

VARIABLE A FUND
Performance Highlights
Fiscal Year 2001

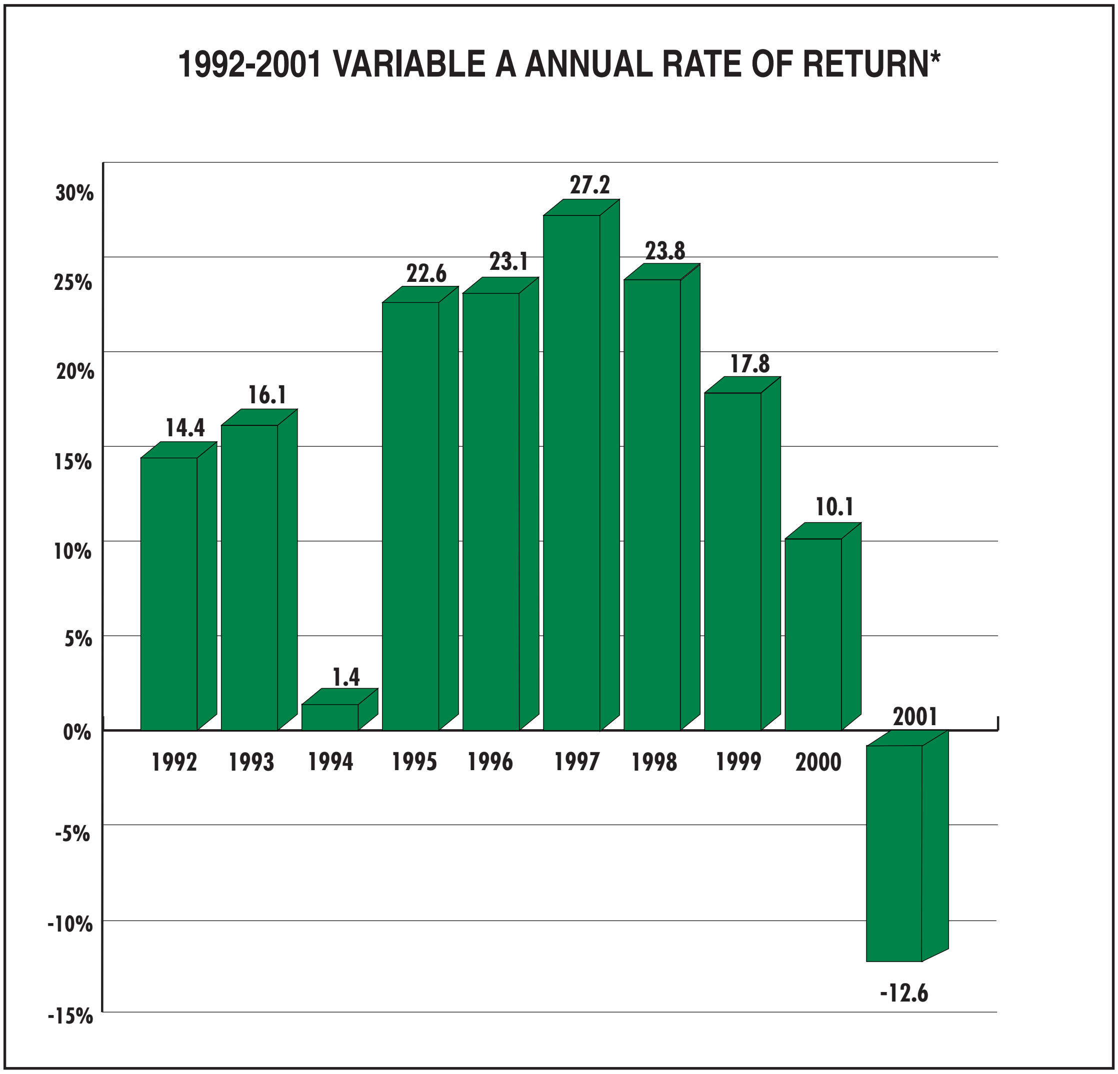
Return: –12.62%
Total Investments: $8.293 Billion

Despite enduring a very difficult market environment, Variable A delivered a relatively strong performance for the fiscal year ending June 30, 2001. After fees and expenses, Variable A returned –12.62%, outperforming the composite benchmark's return of –13.77%. The composite benchmark, which includes no fees or expenses, provides a passive reflection of Variable A's actual asset allocation among domestic stocks, domestic fixed-income securities, and international equities.

As of June 30, 2001, approximately 82.6% of Variable A's portfolio was invested in the U.S. common stock market and 12.1% in international stock markets. This portfolio also included 5.3% in U.S. fixed-income securities, which successfully provided diversification and contributed strongly to Variable A's outperformance of the composite benchmark.

Once again, all sectors outperformed their benchmarks for the year. Returns for all of Variable A's component sectors are as follows:

- The Passive Core sector returned –13.51%, closely tracking the Russell 3000 Index's return of –13.94%.
- The Active Domestic Equity sector returned –11.57%, outperforming the Russell 3000 Index by 237 basis points (2.37%). This sector's two components, risk-controlled and eclectic, returned –13.22% and –5.02%, respectively.
- The Tactical Asset Allocation sector returned –2.16%, outperforming the sector's benchmark (60% S&P 500/40% Lehman Brothers Long Treasury Bond Index) by 304 basis points (3.04%).
- The International Equity sector returned –21.89%, outperforming this sector's benchmark by 174 basis points (1.74%). This sector's outperformance of the benchmark was primarily due to the active managers' stock selection in the U.K. and European markets along with an avoidance of certain struggling areas of the telecommunications, media, and technology sectors.



*After expenses

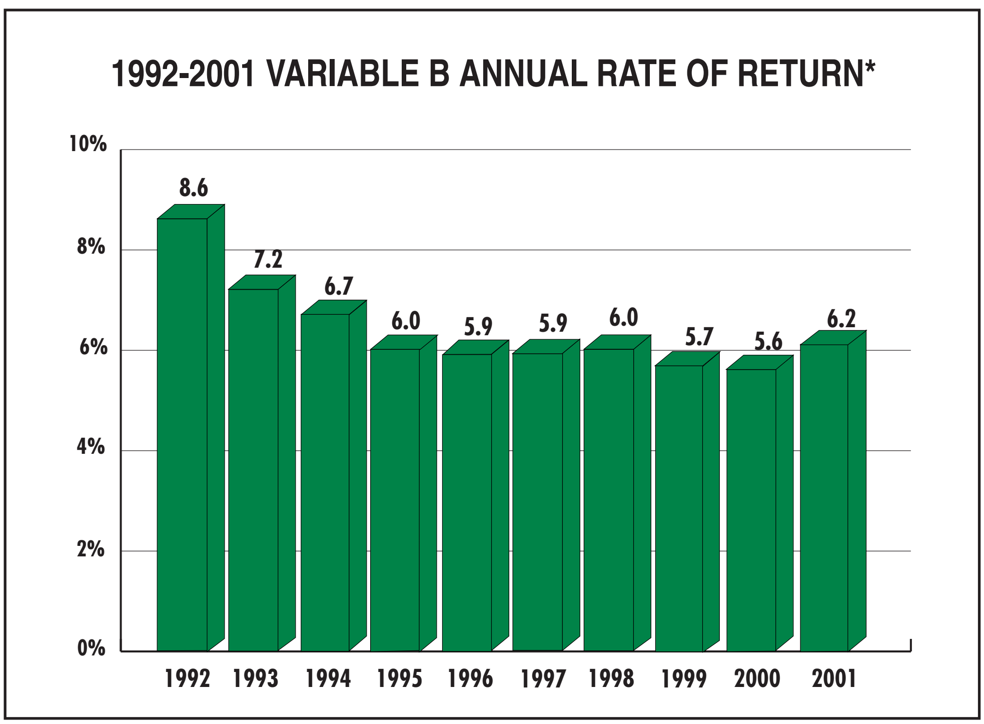
VARIABLE B FUND
Performance Highlights
Fiscal Year 2001

Return: 6.24%
Total Investments: $0.376 Billion

Variable B's portfolio earned 6.24% after fees and expenses for the fiscal year ending June 30, 2001. Variable B's return lagged behind the Ryan Three-Year GIC Index, which yielded a return of 6.41%. This index measures the average of monthly yields for three-year Guaranteed Investment Contracts (GICs) issued by high-quality insurance companies. Likewise, Variable B, which is valued at cost or book value, underperformed a market-valued benchmark, the Merrill Lynch 1-3 Year Treasury Index. This index, with a 9.01% annual return, benefited greatly from declining interest rates during the previous 12 months.

Consistent with its objectives, Variable B's assets are invested in a well-diversified portfolio of stable-value investments, such as conventional and synthetic GICs. Conventional GICs are securities, issued by high-quality life insurance companies, which usually carry a fixed rate of interest for a stated time.

Synthetic GICs are also stable-value investments, but they consist of a single high-quality bond, or a portfolio of high-quality bonds, combined with a "wrapper." A wrapper is an insurance contract, issued by a high-quality financial institution, which ensures that participants can withdraw their money at book value (principal plus interest).



** After expenses*