



Teachers' Retirement System of the City of New York

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004  
New York, New York



A Pension Trust Fund of the City of New York



# **Comprehensive Annual Financial Report**

**Teachers' Retirement Board  
Teachers' Retirement System  
of the City of New York**

**Fiscal Year Ended  
June 30, 2004**



**TEACHERS' RETIREMENT SYSTEM 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, 2004**

Prepared by Accounting Units

**QUALIFIED PENSION PLAN**

**TEACHERS' RETIREMENT BOARD MEMBERS**

**Ms. MARTHA E. STARK**  
Chairperson

**MR. MELVYN AARONSON**  
**MR. PHILIP A. BERRY**  
**MS. KATHLEEN GRIMM**

**MS. MONA ROMAIN**  
**MR. HORATIO H. SPARKES**  
**MS. SANDRA MARCH**

**MR. NELSON SERRANO**  
Acting 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**  
55 Water Street  
New York, NY 10041

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# 1. Introduction



# 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, 2003

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.

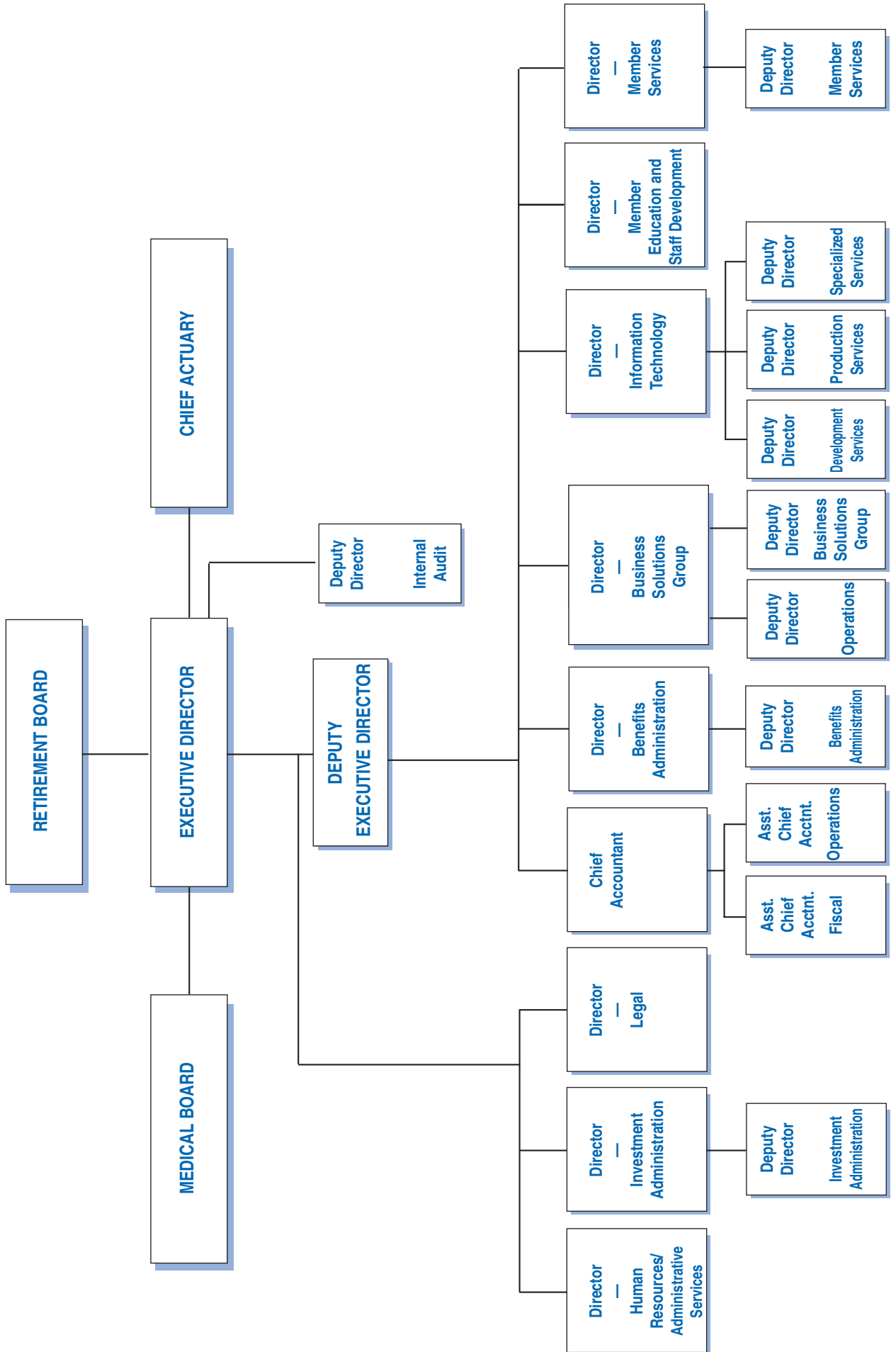


President

Executive Director

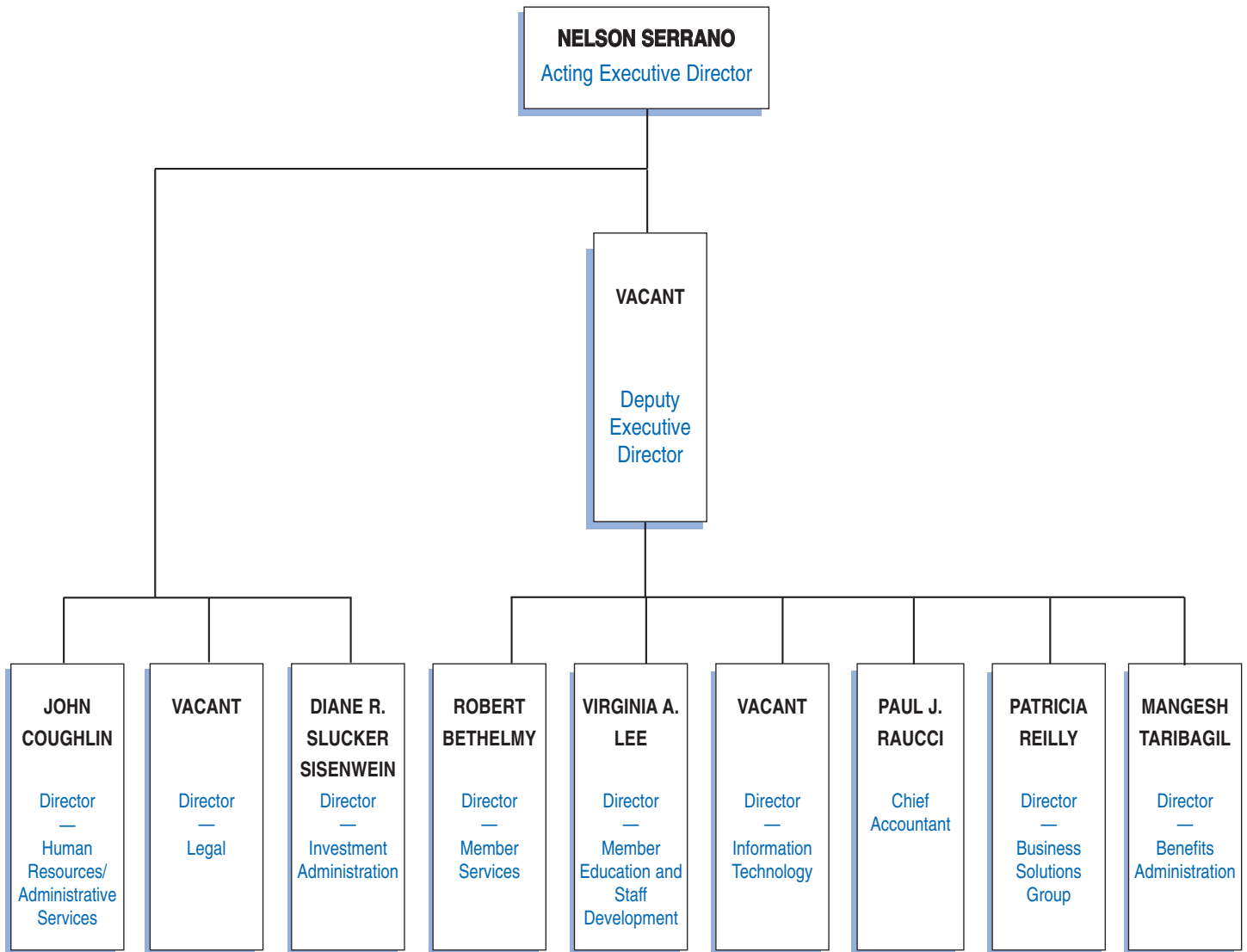
# ORGANIZATION CHART

as of June 30, 2004



# PRINCIPAL OFFICIALS

## as of June 30, 2004







## **2. Financial Section**







Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281  
USA

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Teachers' Retirement System of the City of New York Qualified Pension Plan

We have audited the accompanying statements of Plan Net Assets of the Teachers' Retirement System of the City of New York Qualified Pension Plan (the "Plan") as of June 30, 2004 and 2003, and the related statements of changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets of the Plan as of June 30, 2004 and 2003, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are required by GASB. The required supplemental information is the responsibility of the management of the Plan. Such 2004, 2003 and 2002 information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The required supplemental information for the years ended June 30, 2001, 2000 and 1999 was not subjected to auditing procedures applied in the audit of the basic 2001 financial statements by other auditors whose report dated October 30, 2001, stated that they expressed no opinion on it.

## TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

The supplemental information included in the Other Supplementary Information, Introductory, Investment, Actuarial, and Statistical sections is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Plan. Such additional information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

*Deloitte + Touche LLP*

October 25, 2004



**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE 4: COMMISSIONS AND PAYMENTS  
TO BROKERS AND CONSULTANTS  
Year Ended June 30, 2004(Unaudited)**

| <b>INVESTMENT EXPENSES</b>                       |                    |   |
|--|--------------------|---|
| Investment Agent                                 | Service            | TRS' Share of Fees and Commissions Paid |
| <b>FIXED ANNUITY PROGRAM</b>                     |                    |   |
| Aeltus Investment Mgmt., Inc.                    | Investment Manager | \$ 703,132                              |
| Allegra Capital Partners, L.P.                   | Investment Manager | 400,000                                 |
| Apollo Investment Fund                           | Investment Manager | 858,300                                 |
| ARES Corp.                                       | Investment Manager | 343,485                                 |
| Ariel Capital Mgmt Inc. - Mid. Cap. & Small Cap. | Investment Manager | 924,760                                 |
| Bank of Ireland Asset Management (U.S.) Ltd.     | Investment Manager | 1,255,559                               |
| Bankers Trust                                    | Investment Manager | 370                                     |
| Barclays Global Investors, N.A.                  | Investment Manager | 278,643                                 |
| BDCM OPP   | Investment Manager | 888,737                                 |
| BlackRock Financial Management-Corp.             | Investment Manager | 255,822                                 |
| BlackRock Financial Management-Mortgage          | Investment Manager | 315,315                                 |
| Blackstone Capital                               | Investment Manager | 432,169                                 |
| BZW Barclays Global Investors                    | Investment Manager | 39,904                                  |
| Canyon Johnson                                   | Investment Manager | 284,688                                 |
| Capital Guardian Trust Co. (Domestic Eq.)        | Investment Manager | 309,428                                 |
| Capital Guardian Trust Co. (Int'l.)              | Investment Manager | 1,356,630                               |
| Carlyle Partners                                 | Investment Manager | 450,000                                 |
| Chicago Eq. Partners                             | Investment Manager | 426,910                                 |
| Citi Invest                                      | Investment Manager | 905,556                                 |
| CitiGroup Asset Mgmt.                            | Investment Manager | 516,976                                 |
| Coller Capital                                   | Investment Manager | 367,500                                 |
| Credit Suisse (BEA Associates) Mgmt.             | Investment Manager | 604,526                                 |
| Cypress Associates                               | Investment Manager | 750,000                                 |
| Delaware International Advisors                  | Investment Manager | 1,430,124                               |
| FdG Capital Partners                             | Investment Manager | 575,824                                 |
| Fischer, Francis, Trees & Watts, Inc.-Govt.      | Investment Manager | 262,401                                 |
| Fischer, Francis, Trees & Watts, Inc.-Int'l      | Investment Manager | 315,359                                 |
| Freeman Spogli                                   | Investment Manager | 373,728                                 |
| G.E. Investment Management, Inc.                 | Investment Manager | 923,893                                 |
| Invesco Mid. Cap.                                | Investment Manager | 208,142                                 |
| Lend Lease Rosen                                 | Investment Manager | 1,123,779                               |
| Lincoln Capital Management Company - Govt.       | Investment Manager | 101,742                                 |
| Lincoln Capital Management Company - Mortgage    | Investment Manager | 495,780                                 |
| Lincolnshire Equity Fund II                      | Investment Manager | 300,000                                 |
| Lumina Ventures                                  | Investment Manager | 375,000                                 |
| Mellon Capital Management                        | Investment Manager | 99,156                                  |
| Morgan Stanley (Domestic Eq.)                    | Investment Manager | 1,672,257                               |
| Morgan Stanley (Emerging Mkt.)                   | Investment Manager | 859,852                                 |
| New Mountain Partners                            | Investment Manager | 302,989                                 |
| OCM Re Opp Fund                                  | Investment Manager | 187,500                                 |
| Pacific Investment Management Company (PIMCO)    | Investment Manager | 664,902                                 |
| PIMCO Govt Transition Acct.                      | Investment Manager | 278,621                                 |
| Putnam Institutional Management                  | Investment Manager | 294,214                                 |
| Ripplewood Partners                              | Investment Manager | 300,000                                 |
| Rowe Price Fleming International Inc.            | Investment Manager | 908,134                                 |
| RRE Ventures 111 L.P.                            | Investment Manager | 524,490                                 |
| Schroder Capital Management Int'l., Inc.         | Investment Manager | 881,288                                 |
| SCP Private Equity Partners                      | Investment Manager | 400,000                                 |
| Shenkman Cap.                                    | Investment Manager | 819,919                                 |
| Solera Partners                                  | Investment Manager | 399,440                                 |
| Sprucegrove Investment Management Ltd.           | Investment Manager | 706,299                                 |
| T. Rowe Price Associates, Inc.                   | Investment Manager | 739,920                                 |
| T. Rowe Price - Corp.                            | Investment Manager | 312,420                                 |
| Taplin, Canida, Habacht                          | Investment Manager | 480,658                                 |
| W.R. Huff Asset Management Co., L.L.C.           | Investment Manager | 1,217,408                               |
| Westpeak Investment Advisors L.P.                | Investment Manager | 311,950                                 |
| Consultant fees                                  |                    | 903,368                                 |
| <b>TOTAL FIXED ANNUITY PROGRAM</b>               |                    | <b>\$32,418,967</b>                     |

*Continued on page 2.27*

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE 4: COMMISSIONS AND PAYMENTS  
TO BROKERS AND CONSULTANTS (Continued)  
Year Ended June 30, 2004 (Unaudited)**

| INVESTMENT EXPENSES   |                       |   |
|---|-----------------------|---|
| Investment Agent  | Service               | TRS' Share of Fees and Commissions Paid |
| <b>VARIABLE A ANNUITY PROGRAM</b>   |                       |   |
| Alliance Capital Management L.P.  | Investment Manager    | \$ 162,039                              |
| Amalgamated Bank of New York  | Investment Manager    | 19,146                                  |
| Barclays Global Investors, N.A. – Int'l. Alpha Tilts  | Investment Manager    | 1,045,787                               |
| Barclays Global Investors, N.A. – Int'l. EAFE   | Investment Manager    | 19,663                                  |
| Barclays Global Investors, N.A. – Russell 3000  | Investment Manager    | 54,982                                  |
| Barclays Global Investors, N.A. – Tactical Asset  | Investment Manager    | 316,181                                 |
| Capital Guardian Trust Co.  | Investment Manager    | 347,419                                 |
| Fidelity Management Trust Company   | Investment Manager    | 691,137                                 |
| Freedom Capital Management Corporation  | Investment Manager    | 582,983                                 |
| Goldman Sachs Asset Management  | Investment Manager    | 67,816                                  |
| Enhanced Investment Technologies, Inc. (INTECH)   | Investment Manager    | 761,608                                 |
| Mellon Capital Management Corporation – Russell 3000  | Investment Manager    | 38,538                                  |
| Mellon Capital Mgmt. Corp. – Enhanced Asset Allocation  | Investment Manager    | 625,132                                 |
| Mellon Capital (Short Term A – QPP & TDA)   | Investment Manager    | 61,421                                  |
| New South Capital Management, Inc.  | Investment Manager    | 205,983                                 |
| PanAgora Asset Management, Inc.   | Investment Manager    | 303,956                                 |
| Putnam Fiduciary Trust Company, Inc.  | Investment Manager    | 187,164                                 |
| Sound Shore Management, Inc.  | Investment Manager    | 322,249                                 |
| Trust Company of the West (TCW)   | Investment Manager    | 119,706                                 |
| UBS Global Asset Mgmt. Trust Co.  | Investment Manager    | 504,986                                 |
| Mellon Trust Co.  | Custodial Bank        | 108,572                                 |
| Interactive Data  | Financial Information | 29,580                                  |
| Consultant fees   |                       | 245,125                                 |
| <b>TOTAL VARIABLE A ANNUITY PROGRAM</b>   |                       | <b>\$ 6,821,173</b>                     |
| <b>VARIABLE B ANNUITY PROGRAM</b>   |                       |   |
| Standish Mellon Asset Mgmt./NISA Investment Advisors  | Funding Advisor       | 151,042                                 |
| Mellon Global Securities Services   | Custodial Bank        | 3,886                                   |
| Consultant fees   |                       | 91,854                                  |
| <b>TOTAL VARIABLE B ANNUITY PROGRAM</b>   |                       | <b>\$246,782</b>                        |
| <b>TOTAL INVESTMENT EXPENSES**</b>  |                       | <b>\$ 39,486,922</b>                    |
| **This total does not include \$1,441,581 Variable A & B 2004 Provisions.<br>See Notes of Financial Statements No. 7 for the Corpus Expenses. |                       |   |

**SCHEDULE 5: PROFESSIONAL FEES  
Year Ended June 30, 2004 (Unaudited)**

| PROFESSIONAL                | NATURE OF SERVICE   |                    |
|-----------------------------|---------------------|--------------------|
| Buck Consultants            | Consulting          | \$177,360          |
| Citibank                    | Custody Services    | 47,589             |
| Mellon                      | Custody Services    | 5,271              |
| Pacific Group               | Investment Advisors | 575,775            |
| Rocaton Investment Advisors | Investment Advisors | 434,860            |
| <b>TOTAL</b>                |                     | <b>\$1,240,855</b> |

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE 6: ADMINISTRATIVE EXPENSES**  
**Year Ended June 30, 2004 (Unaudited)**

**PERSONNEL SERVICES**

|                          |                |              |
|--------------------------|----------------|--------------|
| Staff Salaries           | \$ 15,747,022  |              |
| Social Security          | 915,907        |              |
| Insurance (Health)       | 1,255,802      |              |
| Welfare Benefit Fund     | <u>671,483</u> |              |
| TOTAL PERSONNEL SERVICES |                | \$18,590,214 |

**PROFESSIONAL SERVICES**

|  |  |           |
|--|--|-----------|
| Data Processing and Contractual Services |  | 5,966,341 |
|--|--|-----------|

**COMMUNICATION**

|                     |               |         |
|---------------------|---------------|---------|
| Telephone           | 128,015       |         |
| Postage             | 382,314       |         |
| Traveling Expenses  | <u>79,046</u> |         |
| TOTAL COMMUNICATION |               | 589,375 |

**RENTALS**

|                   |                |           |
|-------------------|----------------|-----------|
| Office Space      | 907,498        |           |
| Equipment Leasing | <u>310,476</u> |           |
| TOTAL RENTALS     |                | 1,217,974 |

**MISCELLANEOUS**

|                                    |                |              |
|------------------------------------|----------------|--------------|
| Utilities                          | 255,496        |              |
| Supplies and Materials             | 107,323        |              |
| Maintenance, Repairs, and Services | 199,893        |              |
| Office Equipment and Furniture     | 25,692         |              |
| Advertising Expenses               | 65,895         |              |
| Storage                            | 103,381        |              |
| Printing                           | 1,074,490      |              |
| Training Program                   | 208,670        |              |
| Books                              | 9,526          |              |
| Miscellaneous                      | <u>177,994</u> |              |
| TOTAL MISCELLANEOUS                |                | \$ 2,228,360 |

|                                       |                      |
|---------------------------------------|----------------------|
| <b>TOTAL ADMINISTRATIVE EXPENSES*</b> | <b>\$ 28,592,264</b> |
|---------------------------------------|----------------------|

\* Other administrative expenses of \$3,029,786 were paid on our behalf under Regulation 85 of the New York State Superintendent of Insurance Regulations.

See Notes of Financial Statements No. 7 for the Corpus Expenses.



## **3. Investment Section**





**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**INVESTMENT SUMMARY**

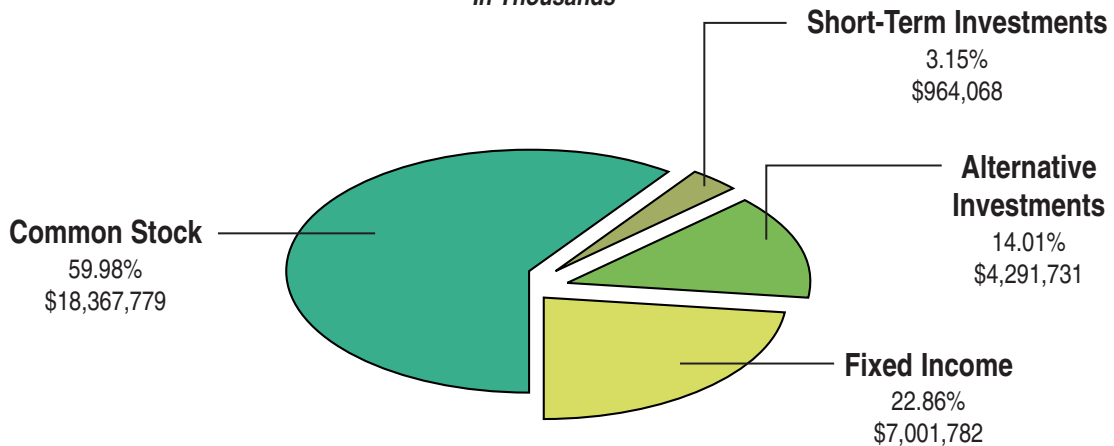
As of June 30, 2004

| <b>Type of Investment</b>              | <b>Market Value<br/>In Thousands</b> | <b>Percent of Total<br/>Market Value</b> |
|--|--------------------------------------|--|
| <b>Fixed Income:</b>                   |                                      |  |
| Government Bonds                       | \$3,665,955                          | 11.97%                                   |
| Corporate Bonds                        | 2,755,584                            | 9.00                                     |
| Foreign Bonds                          | 580,243                              | 1.89                                     |
| <b>Total Fixed Income</b>              | <b>\$7,001,782</b>                   | <b>22.86%</b>                            |
| <b>Common Stock:</b>                   |                                      |  |
| Financial & Utility                    | \$4,294,788                          | 14.02%                                   |
| Basic Industry                         | 8,191,188                            | 26.76                                    |
| Consumer & Service                     | 3,663,476                            | 11.96                                    |
| Technological                          | 2,218,327                            | 7.24                                     |
| <b>Total Common Stock</b>              | <b>\$18,367,779</b>                  | <b>59.98%</b>                            |
| <b>Alternative Investments:</b>        |                                      |  |
| Guaranteed Investment Contracts (GICs) | \$ 120,205                           | 0.39%                                    |
| Managed Investment Contracts           | 138,055                              | 0.45                                     |
| International                          | 4,033,471                            | 13.17                                    |
| <b>Total Alternative Investments</b>   | <b>\$4,291,731</b>                   | <b>14.01%</b>                            |
| <b>Short-Term Investments:</b>         |                                      |  |
| Short-Term Investment                  | \$ 452,631                           | 1.48%                                    |
| Commercial Paper                       | 511,437                              | 1.67                                     |
| <b>Total Short-Term Investments</b>    | <b>\$964,068</b>                     | <b>3.15%</b>                             |
| <b>Total</b>                           | <b>\$30,625,360*</b>                 | <b>100.00%</b>                           |

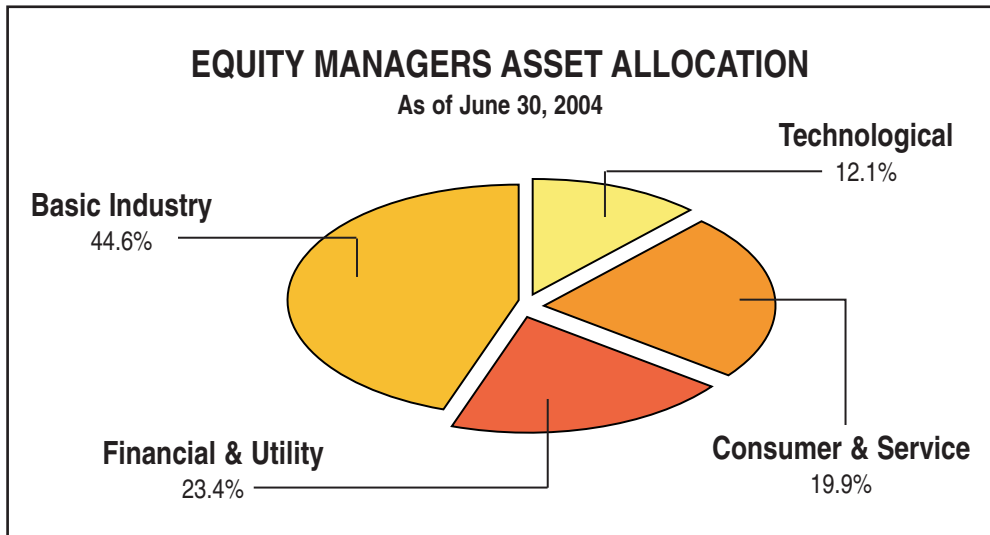
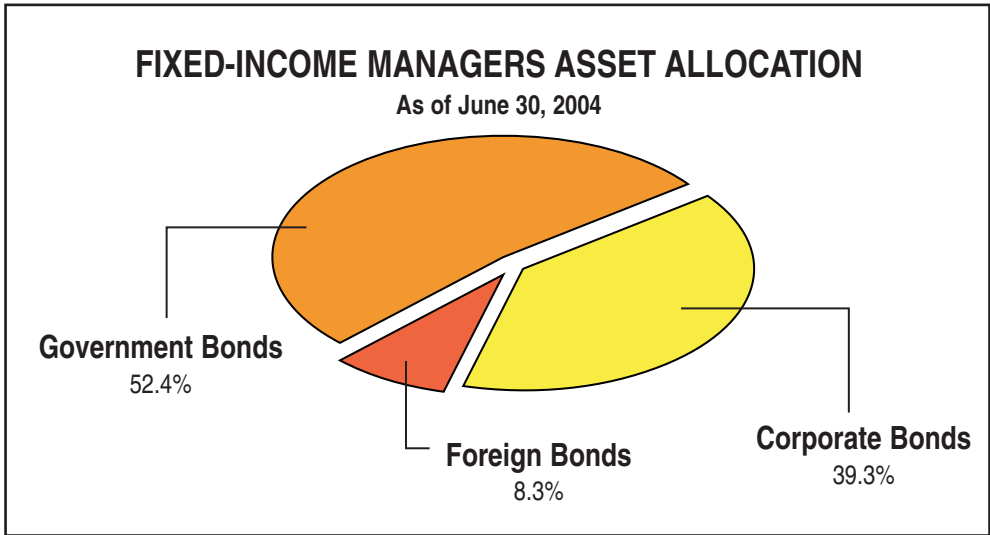
**TOTAL ASSET ALLOCATION\***

As of June 30, 2004

*In Thousands*

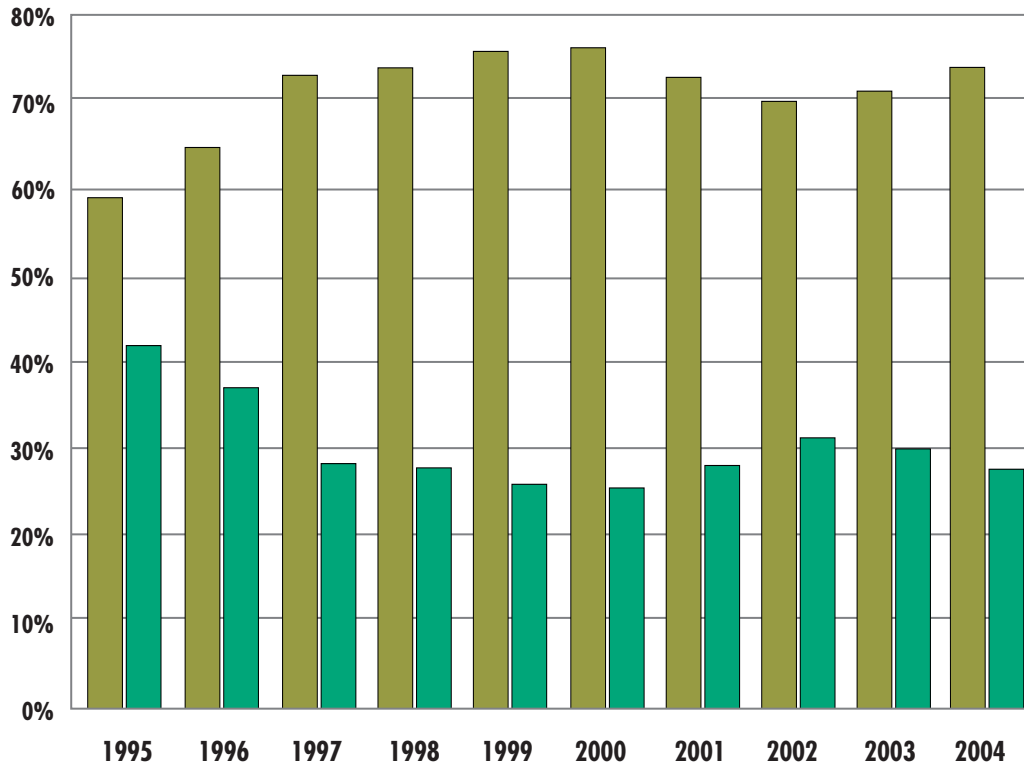


\* Excludes \$5,769,330 in securities-lending.



TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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



| Year | Equity | Fixed Income |
|------|--------|--------------|
| 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        |
| 2002 | 69.06  | 30.94        |
| 2003 | 69.97  | 30.03        |
| 2004 | 72.40  | 27.60        |

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**ANNUALIZED INVESTMENT RESULTS\***

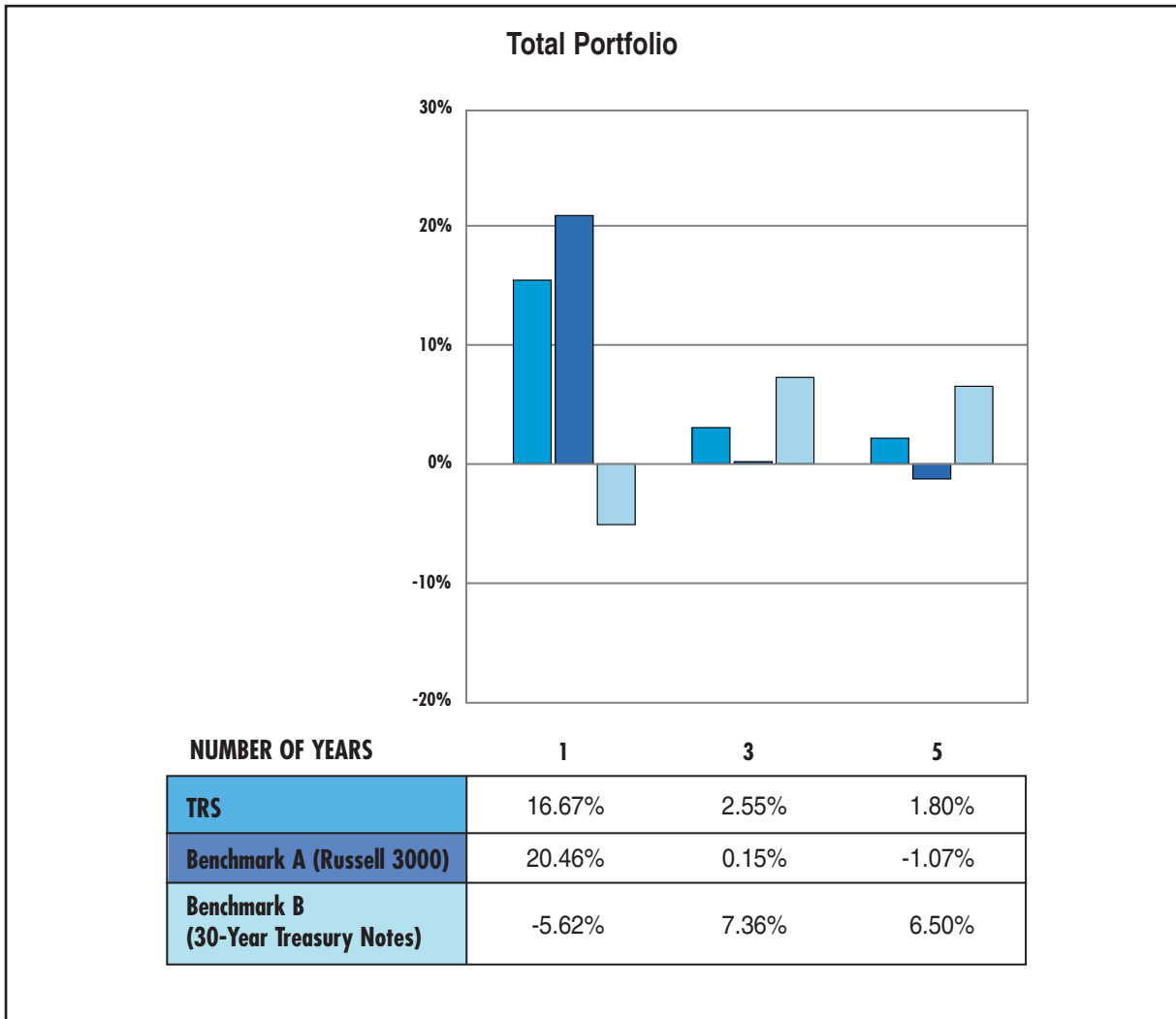
As of June 30, 2004

|   | Current Year<br>2004 | Annualized<br>3-Year | Annualized<br>5-Year |
|---|----------------------|----------------------|----------------------|
| <b>Total Portfolio (TRS)</b>                        | 16.67%               | 2.55%                | 1.80%                |
| Benchmark A (Russell 3000)                          | 20.46                | 0.15                 | -1.07                |
| Benchmark B (30-Year Treasury Notes)                | -5.62                | 7.36                 | 6.50                 |
| <b>Equity Segment (TRS)</b>                         | 22.07%               | 1.12%                | -0.26%               |
| Benchmark A (Standard & Poor's 500)                 | 19.10                | -0.70                | -2.21                |
| Benchmark B (Russell 3000)                          | 20.46                | 0.15                 | -1.07                |
| <b>Fixed-Income Segment (TRS)</b>                   | 2.08%                | 6.72%                | 6.75%                |
| Benchmark A (5-Year Treasury Notes)                 | -1.57                | 6.29                 | 6.52                 |
| Benchmark B (30-Year Treasury Notes)                | -5.62                | 7.36                 | 6.50                 |
| <b>Guaranteed Investment Contracts (GICs) (TRS)</b> | 3.50%                | 4.07%                | 4.81%                |
| Benchmark A (GICs —2-Year Treasury Notes)           | 0.38                 | 4.34                 | 5.12                 |
| Benchmark B   | -                    | -                    | -                    |
| <b>Cash-Equivalents Segment (TRS)</b>               | 1.03                 | 2.17                 | 4.20                 |
| Benchmark A (30-Year Treasury Notes)                | -5.62                | 7.36                 | 6.50                 |
| 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, 2004

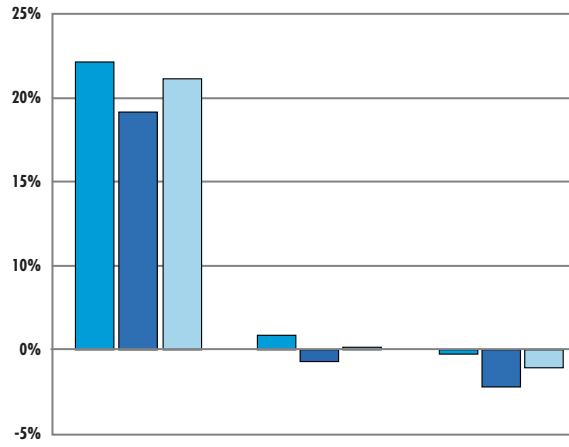


TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

ANNUALIZED INVESTMENT RESULTS (Continued)

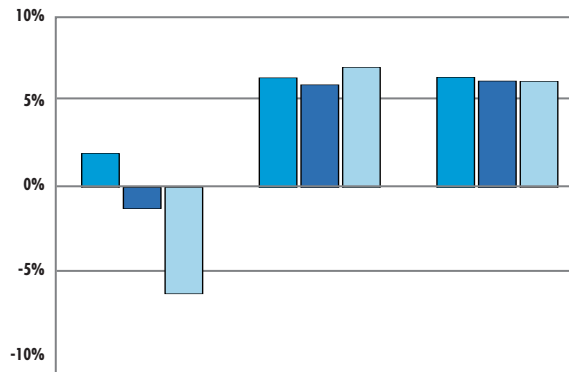
As of June 30, 2004

Equity Segment



| NUMBER OF YEARS                                    | 1      | 3      | 5      |
|--|--------|--------|--------|
| <b>TRS</b>   | 22.07% | 1.12%  | -0.26% |
| <b>Benchmark A<br/>(Standard &amp; Poor's 500)</b> | 19.10% | -0.70% | -2.21% |
| <b>Benchmark B<br/>(Russell 3000)</b>              | 20.46% | 0.15%  | -1.07% |

Fixed-Income Segment



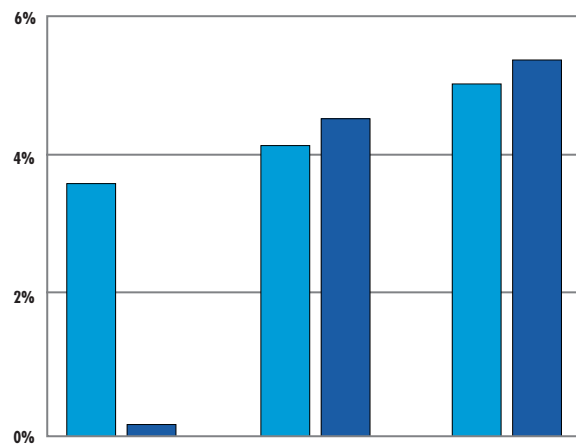
| NUMBER OF YEARS                                 | 1      | 3     | 5     |
|---|--------|-------|-------|
| <b>TRS</b>                                      | 2.08%  | 6.72% | 6.75% |
| <b>Benchmark A<br/>(5-Year Treasury Notes)</b>  | -1.57% | 6.29% | 6.52% |
| <b>Benchmark B<br/>(30-Year Treasury Notes)</b> | -5.62% | 7.36% | 6.50% |

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

ANNUALIZED INVESTMENT RESULTS (Continued)

As of June 30, 2004

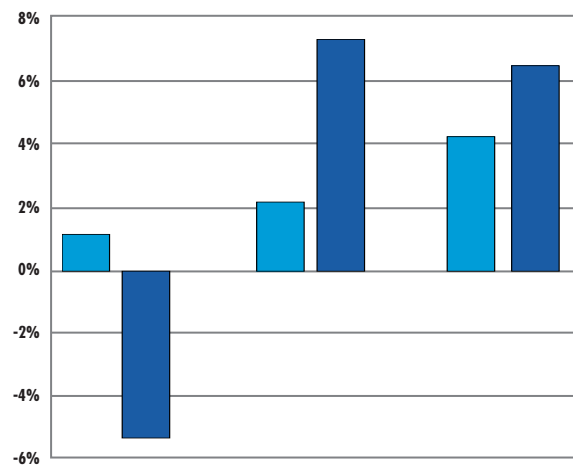
Guaranteed Investment Contracts (GICs)



NUMBER OF YEARS

|   | 1     | 3     | 5     |
|---|-------|-------|-------|
| <b>TRS</b>  | 3.50% | 4.07% | 4.81% |
| <b>Benchmark A<br/>(GICs-2-Year Treasury Notes)</b> | 0.38% | 4.34% | 5.12% |

Cash-Equivalents Segment



NUMBER OF YEARS

|   | 1      | 3     | 5     |
|---|--------|-------|-------|
| <b>TRS</b>                                      | 1.03%  | 2.17% | 4.20% |
| <b>Benchmark A<br/>(30-Year Treasury Notes)</b> | -5.62% | 7.36% | 6.50% |

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**LIST OF LARGEST BOND ASSETS HELD  
(BY MARKET VALUE)**

As of June 30, 2004

| Par Value      |  | Interest Rate | Due Date | Market Value   |
|----------------|--|---------------|----------|----------------|
| \$ 164,750,000 | Federal Nat Mtg Assn #T/B/A              | 5.000%        | 07/01/34 | \$ 159,086,719 |
| 123,130,000    | Federal Nat Mtg Assn #T/B/A              | 6.000         | 07/01/34 | 125,669,556    |
| 117,120,000    | Federal Home Ln Mtg Corp Gold SFM        | 5.000         | 07/01/34 | 113,020,800    |
| 97,755,000     | Federal Home Ln Mtg Corp Gold SFM #T/B/A | 5.500         | 07/01/34 | 97,296,773     |
| 89,050,000     | Federal Nat Mtg Assn #T/B/A              | 5.500         | 07/01/34 | 88,604,750     |
| 84,470,000     | Federal Nat Mtg Assn SFM #T/B/A          | 5.500         | 07/01/19 | 86,370,575     |
| 62,625,000     | United States Treasury Bonds             | 8.125         | 08/15/19 | 82,019,180     |
| 80,700,000     | Federal Nat Mtg Assn SFM #T/B/A          | 5.000         | 08/01/18 | 80,498,250     |
| 70,430,000     | United States Treasury Bonds             | 6.375         | 08/15/27 | 79,497,863     |

**LIST OF LARGEST EQUITY ASSETS HELD  
(BY MARKET VALUE)**

As of June 30, 2004

| Shares    | Equity                            | Market Value |
|-----------|-----------------------------------|--------------|
| 2,132,725 | Pfizer Inc.                       | \$73,109,813 |
| 1,820,320 | General Electric Co.              | 58,978,368   |
| 1,916,930 | Microsoft Corp.                   | 54,747,521   |
| 1,683,640 | Intel Corp.                       | 46,468,464   |
| 945,055   | Citigroup Inc.                    | 43,945,058   |
| 509,074   | Bank America Corp.                | 43,077,842   |
| 760,210   | Johnson & Johnson                 | 42,343,697   |
| 737,592   | Exxon Mobil Corp.                 | 32,756,461   |
| 610,570   | Wal-Mart Stores Inc.              | 32,213,673   |
| 915,797   | Tyco Intl. Ltd.                   | 30,349,513   |
| 431,548   | Countrywide Financial Corp.       | 30,316,247   |
| 1,534,150 | Time Warner Inc.                  | 26,970,357   |
| 298,980   | International Business Machines   | 26,355,087   |
| 1,082,940 | Cisco Systems Inc.                | 25,655,678   |
| 640,578   | JP Morgan Chase & Co.             | 24,835,209   |
| 543,566   | Wachovia Corp. 2nd                | 24,188,687   |
| 332,607   | American International Group Inc. | 23,708,227   |
| 1,233,161 | Motorola Inc.                     | 22,505,188   |
| 1,042,338 | Hewlett Packard Co.               | 21,993,332   |
| 573,800   | Home Depot Inc.                   | 20,197,760   |

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*.



**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

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

For The Fiscal Year Ended June 30, 2004  
(In Thousands)

|                                      | Assets under<br>Management | Fees         | Percent of Fees<br>Over Assets |
|--------------------------------------|----------------------------|--------------|--------------------------------|
| <b>INVESTMENT MANAGERS' FEES</b>     |                            |              |                                |
| Fixed Income Managers                | \$7,001,782                | \$ 7,382     | 0.105%                         |
| Equity Managers                      | 22,401,250                 | 30,598       | 0.136%                         |
| Other                                | <u>258,260</u>             | <u>155</u>   | 0.060%                         |
| TOTAL INVESTMENT MANAGERS' FEES      | \$29,661,292*              | \$38,135***  | 0.100%                         |
| <b>OTHER INVESTMENT SERVICE FEES</b> |                            |              |                                |
| Custodian fees                       | \$30,625,360**             | \$ 112       | 0.0004%                        |
| Investment Consultant fees           | 36,394,690                 | <u>1,240</u> | 0.0034%                        |
| TOTAL INVESTMENT SERVICE FEES        |                            | \$ 1,352***  | 0.0040%                        |

\* Excludes \$964,068 in short-term and \$5,769,330 in securities-lending.

\*\* Excludes \$5,769,330 in securities-lending.

\*\*\* Excludes \$1,442 in provision expense.

**PARTICIPATING EMPLOYERS**

Department of Education  
City University of New York

**SUMMARY OF INVESTMENT MANAGERS**

**PENSION FUND INVESTMENT MANAGERS**

**Equity**

Aeltus Investment Mgmt., Inc.  
Ariel Capital Management, Inc.  
Bank of Ireland Asset Management (U.S.) Limited  
Barclays Global Investors, N.A.  
Capital Guardian Trust Company  
Chicago Equity Partners, L.L.C.  
Delaware International Advisors, Ltd.  
GE Asset Management, Inc.  
INVESCO Institutional N.A., Inc.  
Mellon Capital Management Corporation  
Putnam Advisory Company, L.L.C.  
Schroder Investment Management N.A., Inc.  
Sprucegrove Investment Management Ltd.  
Westpeak Investment Advisors L.P.

**Fixed Income**

BlackRock Financial Management, Inc.  
Credit Suisse Asset Management, L.L.C.  
Fischer, Francis, Trees & Watts, Inc.  
Lincoln Capital Fixed Income Management Company  
Miller, Anderson & Sherrerd, L.L.P.  
Pacific Investment Management Company (PIMCO)  
T. Rowe Price Associates, Inc.  
Taplin, Canida & Habacht  
Targeted Investment

**REITS**

Lend Lease Rosen Real Estate Sec., L.L.C.  
Morgan Stanley Investment Partners, L.P.

**Enhanced Yield/Alternative**

AFL-CIO Housing Investment  
Allegra Capital Partners IV, L.P.  
Alliance Capital Management, L.P.  
Apollo Investment Fund  
The Blackstone Group  
Canyon-Johnson Realty Advisors  
The Carlyle Group  
Coller Investment Management, Ltd.  
Credit Suisse Asset Management, L.L.C.  
Cypress Associates  
FdG Capital Partners L.L.C.

Freeman Spogli & Co., Inc.  
Lincolnshire Management, Inc.  
Loomis, Sayles & Co., L.P.  
Lumina Ventures  
New Mountain Investments  
Oaktree Capital Management  
RRE Ventures  
Ripplewood Holdings, L.L.C.  
SCP Private Equity Partners  
Solera Capital, L.L.C.  
W.R. Huff Asset Management Co., L.L.C.

**VARIABLE A INVESTMENT MANAGERS**

Alliance Capital Management L.P.  
Amalgamated Bank  
Bank of Ireland Asset Management (U.S.) Limited  
Barclays Global Investors, N.A.  
Capital Guardian Trust Company  
Enhanced Investment Technologies, Inc. (INTECH)  
Fidelity Management Trust Company  
Freedom Capital Management, L.L.C.  
Goldman Sachs Asset Management

Mellon Capital Management Corporation  
New South Capital Management, Inc.  
Pacific Investment Management Company (PIMCO)  
PanAgora Asset Management, Inc.  
Putnam Fiduciary Trust Company  
Sound Shore Management, Inc.  
Trust Company of the West  
UBS Global Asset Management Trust Co.

**VARIABLE B INVESTMENT MANAGERS**

NISA Investment Advisors, L.L.C.  
Standish Mellon Asset Management, L.L.C.



## **4. Actuarial Section**



**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE 1  
REVENUE BY SOURCE (UNAUDITED)**

*In Thousands*

| Year Ended<br>June 30 | Net                     | Employer<br>Contributions | Net                  | Other   | Total       | Employer<br>Contributions as<br>a Percentage of<br>Annual Covered<br>Payroll |
|-----------------------|-------------------------|---------------------------|----------------------|---------|-------------|--|
|                       | Member<br>Contributions |                           | Investment<br>Income |         |             |  |
| 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            | 0       | 4,025,116   | 4.8*   |
| 2001                  | 129,783                 | 466,289                   | (3,805,107)          | 0       | (3,209,035) | 9.9*   |
| 2002                  | 87,386                  | 531,952                   | (3,179,469)          | (631)   | (2,560,762) | 10.6*  |
| 2003                  | 81,877                  | 660,915                   | 784,221              | (7,888) | 1,519,125   | 12.1*  |
| 2004                  | 97,858                  | 940,588                   | 4,819,288            | (1,764) | 5,855,970   | 16.1*%   |

**Note:** Member contributions are shown net of loans to members.

\* 1995 to 2004 are calculated using active members' salaries on the preceding June 30th.

**SCHEDULE 2  
EXPENSE BY TYPE (UNAUDITED)**

*In Thousands*

| Year Ended<br>June 30 | Benefit      | Refunds     | Other    | Total       | Employer<br>Contributions as<br>a Percentage of<br>Annual Covered<br>Payroll |
|-----------------------|--------------|-------------|----------|-------------|--|
|                       | Payments     |             |          |             |  |
| 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      | (20,630) | 2,738,267   | 4.8**  |
| 2001                  | 1,878,760*   | 80,116      | (9,706)  | 1,949,170   | 9.9**  |
| 2002                  | 2,095,132*   | 126,425**** | 0        | 2,221,557   | 10.6**   |
| 2003                  | 2,433,983*   | 33,067      | 0        | 2,467,050   | 12.1**   |
| 2004                  | 2,622,740*   | 28,463      | 0        | 2,651,203   | 16.1**   |

\* Including Administrative expenses of \$7,891 for 1995, \$9,085 for 1996, \$15,909 for 1997, \$25,058 for 1998, \$27,005 for 1999, \$30,575 for 2001, \$32,523 for 2002, and \$35,455 for 2003, and \$28,592 for 2004.

\*\* 1995 to 2004 are calculated using active members' salaries on the preceding June 30th.

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

\*\*\*\* Including \$27,356 of Chapter 126/00 contribution refunds.

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE OF PARTICIPATING EMPLOYERS**

As of June 30, 2003

| Employer   | Number of<br>In-Service Members | Annual<br>Payroll      |
|--|---------------------------------|------------------------|
| NYC Dept. of Education and City University of New York | 97,892                          | \$5,823,451,742        |
| Charter Schools  |                                 |                        |
| Beginning with Children                                | 31                              | \$1,547,454            |
| Kipp Academy   | 8                               | 521,272                |
| Renaissance  | 36                              | 2,015,252              |
| Wildcat  | <u>19</u>                       | <u>1,220,784</u>       |
| <b>SUBTOTAL</b>  | <b>94</b>                       | <b>\$5,304,762</b>     |
| <b>TOTAL</b>   | <b>97,986*</b>                  | <b>\$5,828,756,504</b> |

\* Includes only current in-service members receiving salary as of each June 30th.

**AVERAGE SALARIES OF IN-SERVICE MEMBERS**

As of June 30, 2003

| MEN          |                                 |                     | WOMEN        |                                 |                     |
|--------------|---------------------------------|---------------------|--------------|---------------------------------|---------------------|
| Age          | Number of<br>In-Service Members | Average<br>Salaries | Age          | Number of<br>In-Service Members | Average<br>Salaries |
| 24 & under   | 307                             | \$ 39,637           | 24 & under   | 1,708                           | \$ 40,413           |
| 25-29        | 1,528                           | 44,834              | 25-29        | 7,817                           | 44,900              |
| 30-34        | 2,351                           | 52,891              | 30-34        | 8,203                           | 50,523              |
| 35-39        | 2,288                           | 58,136              | 35-39        | 6,908                           | 52,804              |
| 40-44        | 2,463                           | 62,138              | 40-44        | 7,964                           | 54,433              |
| 45-49        | 2,838                           | 66,545              | 45-49        | 10,360                          | 57,562              |
| 50-54        | 4,034                           | 73,932              | 50-54        | 13,788                          | 64,870              |
| 55-59        | 4,404                           | 79,793              | 55-59        | 11,404                          | 67,298              |
| 60-64        | 1,432                           | 72,727              | 60-64        | 5,205                           | 61,819              |
| 65-69        | 431                             | 68,685              | 65-69        | 1,571                           | 58,983              |
| 70 & over    | 266                             | 68,821              | 70 & over    | 716                             | 58,305              |
| <b>TOTAL</b> | <b>22,342*</b>                  | <b>\$ 66,316</b>    | <b>TOTAL</b> | <b>75,644*</b>                  | <b>\$ 57,468</b>    |

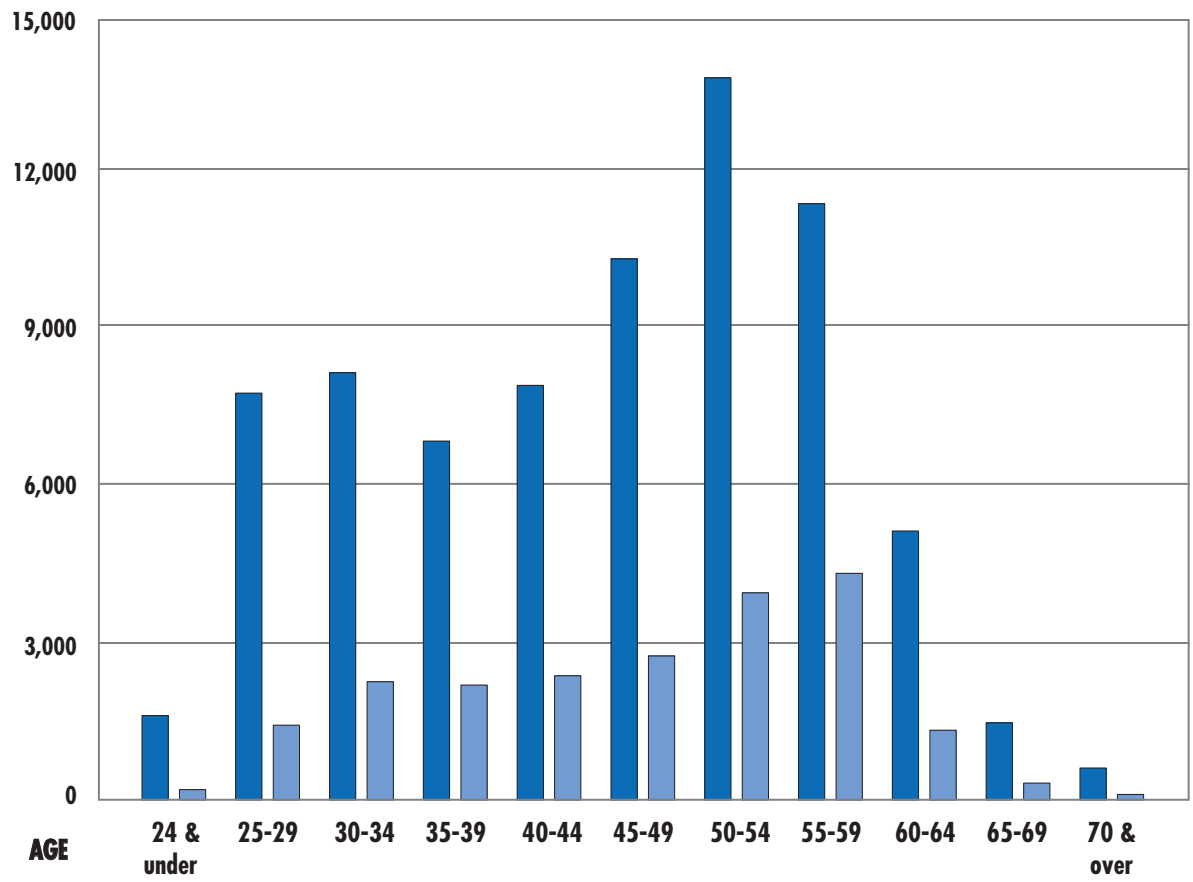
|                       |                  |                       |                  |
|-----------------------|------------------|-----------------------|------------------|
| TOTAL ANNUAL SALARIES | \$ 1,481,638,855 | TOTAL ANNUAL SALARIES | \$ 4,347,117,648 |
|-----------------------|------------------|-----------------------|------------------|

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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**IN-SERVICE MEMBERS ON PAYROLL—DISTRIBUTION BY AGE**

*As of June 30, 2003*



|              |       |       |       |       |       |        |        |        |       |       |     |
|--------------|-------|-------|-------|-------|-------|--------|--------|--------|-------|-------|-----|
| <b>WOMEN</b> | 1,708 | 7,817 | 8,203 | 6,908 | 7,964 | 10,360 | 13,788 | 11,404 | 5,205 | 1,571 | 716 |
| <b>MEN</b>   | 307   | 1,528 | 2,351 | 2,288 | 2,463 | 2,838  | 4,034  | 4,404  | 1,432 | 431   | 266 |

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SCHEDULE OF BENEFIT EXPENSES BY TYPE**

*In Thousands*

| <b>Year Ended<br/>June 30</b> | <b>Retirement<br/>Benefits</b> | <b>Death<br/>Benefits</b> | <b>Total Benefit<br/>Payments</b> |
|-------------------------------|--------------------------------|---------------------------|-----------------------------------|
| <b>1998</b>                   | \$1,493,972                    | \$156,396                 | \$1,650,368                       |
| <b>1999</b>                   | 1,604,299                      | 175,311                   | 1,779,610                         |
| <b>2000</b>                   | 1,660,118                      | 219,698                   | 1,879,816*                        |
| <b>2001</b>                   | 1,748,006                      | 130,754                   | 1,878,760*                        |
| <b>2002</b>                   | 1,822,733                      | 272,399                   | 2,095,132*                        |
| <b>2003</b>                   | 2,030,684                      | 403,299                   | 2,433,983*                        |

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

**SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS**

| <b>Year<br/>Ended<br/>June 30</b> | <b>SERVICE<br/>RETIREMENT BENEFITS</b> |   | <b>ORDINARY (NON-DUTY)<br/>DISABILITY BENEFITS</b> |   | <b>ACCIDENTAL (DUTY)<br/>DISABILITY BENEFITS</b> |   | <b>SURVIVORS' BENEFITS</b> |                                       |
|-----------------------------------|--|---|--|---|--|---|----------------------------|---------------------------------------|
|                                   | <b>Number</b>                          | <b>Average<br/>Annual<br/>Allowance</b> | <b>Number</b>                                      | <b>Average<br/>Annual<br/>Allowance</b> | <b>Number</b>                                    | <b>Average<br/>Annual<br/>Allowance</b> | <b>Number</b>              | <b>Average<br/>Annual<br/>Benefit</b> |
| <b>1998</b>                       | 45,000                                 | 31,129                                  | 1,761  | 15,341                                  | 427  | 28,481                                  | 3,080                      | 17,532                                |
| <b>1999</b>                       | 45,215                                 | 33,200                                  | 1,755  | 16,960                                  | 426  | 30,019                                  | 3,129                      | 19,375                                |
| <b>2000</b>                       | 45,586                                 | 34,051                                  | 1,738  | 17,264                                  | 426  | 30,625                                  | 3,218                      | 20,138                                |
| <b>2001</b>                       | 46,637                                 | 35,041                                  | 1,727  | 18,551                                  | 431  | 32,972                                  | 3,184                      | 21,216                                |
| <b>2002</b>                       | 49,074                                 | 34,812                                  | 1,753  | 17,864                                  | 435  | 32,230                                  | 3,299                      | 20,919                                |
| <b>2003</b>                       | 52,585                                 | 36,395                                  | 1,747  | 18,187                                  | 446  | 32,714                                  | 3,354                      | 21,004                                |



**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**SERVICE RETIREMENT ALLOWANCES**

*As of June 30, 2003*

| <b>MEN</b>                          |                           |                                 | <b>WOMEN</b>                        |                           |                                 |
|-------------------------------------|---------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------------------|
| <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> | <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> |
| 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                               | 11                        | \$39,247                        | 50–54                               | 11                        | \$43,626                        |
| 55–59                               | 3,014                     | 52,173                          | 55–59                               | 3,242                     | 46,575                          |
| 60–64                               | 3,342                     | 48,927                          | 60–64                               | 5,483                     | 39,489                          |
| 65–69                               | 3,035                     | 45,577                          | 65–69                               | 5,888                     | 32,833                          |
| 70–74                               | 2,922                     | 43,113                          | 70–74                               | 6,068                     | 30,184                          |
| 75–79                               | 2,469                     | 39,222                          | 75–79                               | 5,475                     | 28,761                          |
| 80–84                               | 1,559                     | 36,077                          | 80–84                               | 3,952                     | 25,820                          |
| 85–89                               | 788                       | 34,184                          | 85–89                               | 2,526                     | 24,507                          |
| 90 & over                           | 541                       | 38,037                          | 90 & over                           | 2,259                     | 27,393                          |
| <b>TOTAL</b>                        | <b>17,681</b>             | <b>\$44,460</b>                 | <b>TOTAL</b>                        | <b>34,904</b>             | <b>\$32,310</b>                 |
| <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$786,091,945</b>            | <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$1,127,761,240</b>          |

**ORDINARY DISABILITY RETIREMENT ALLOWANCES**

*As of June 30, 2003*

| <b>MEN</b>                          |                           |                                 | <b>WOMEN</b>                        |                           |                                 |
|-------------------------------------|---------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------------------|
| <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> | <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> |
| under 30                            | 0                         | —                               | under 30                            | 0                         | —                               |
| 30–34                               | 0                         | —                               | 30–34                               | 0                         | —                               |
| 35–39                               | 0                         | —                               | 35–39                               | 6                         | \$15,388                        |
| 40–44                               | 2                         | \$12,568                        | 40–44                               | 17                        | 14,598                          |
| 45–49                               | 18                        | 15,449                          | 45–49                               | 52                        | 15,333                          |
| 50–54                               | 57                        | 23,532                          | 50–54                               | 108                       | 18,602                          |
| 55–59                               | 113                       | 23,949                          | 55–59                               | 221                       | 21,196                          |
| 60–64                               | 79                        | 21,169                          | 60–64                               | 233                       | 15,408                          |
| 65–69                               | 43                        | 18,940                          | 65–69                               | 132                       | 13,422                          |
| 70–74                               | 36                        | 17,481                          | 70–74                               | 107                       | 12,757                          |
| 75–79                               | 30                        | 18,321                          | 75–79                               | 82                        | 14,728                          |
| 80–84                               | 31                        | 26,381                          | 80–84                               | 105                       | 16,219                          |
| 85–89                               | 23                        | 24,614                          | 85–89                               | 111                       | 19,380                          |
| 90 & over                           | 25                        | 34,149                          | 90 & over                           | 116                       | 16,368                          |
| <b>TOTAL</b>                        | <b>457</b>                | <b>\$22,438</b>                 | <b>TOTAL</b>                        | <b>1,290</b>              | <b>\$16,681</b>                 |
| <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$10,254,115</b>             | <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$21,518,362</b>             |

**TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK**

**ACCIDENT DISABILITY RETIREMENT ALLOWANCES**

*As of June 30, 2003*

| <b>MEN</b>                          |                           |                                 | <b>WOMEN</b>                        |                           |                                 |
|-------------------------------------|---------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------------------|
| <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> | <b>Age</b>                          | <b>Number of Retirees</b> | <b>Average Annual Allowance</b> |
| under 30                            | 0                         | —                               | under 30                            | 0                         | —                               |
| 30–34                               | 0                         | —                               | 30–34                               | 0                         | —                               |
| 35–39                               | 0                         | —                               | 35–39                               | 1                         | \$10,207                        |
| 40–44                               | 2                         | \$11,752                        | 40–44                               | 0                         | 0                               |
| 45–49                               | 1                         | 41,027                          | 45–49                               | 5                         | 14,716                          |
| 50–54                               | 9                         | 25,892                          | 50–54                               | 29                        | 31,103                          |
| 55–59                               | 61                        | 36,602                          | 55–59                               | 57                        | 31,711                          |
| 60–64                               | 27                        | 37,817                          | 60–64                               | 46                        | 36,747                          |
| 65–69                               | 17                        | 34,760                          | 65–69                               | 44                        | 27,468                          |
| 70–74                               | 16                        | 35,189                          | 70–74                               | 37                        | 28,524                          |
| 75–79                               | 10                        | 37,010                          | 75–79                               | 27                        | 32,965                          |
| 80–84                               | 5                         | 32,896                          | 80–84                               | 27                        | 32,124                          |
| 85–89                               | 8                         | 34,662                          | 85–89                               | 15                        | 33,452                          |
| 90 & over                           | 1                         | 36,469                          | 90 & over                           | 1                         | 29,991                          |
| <b>TOTAL</b>                        | <b>157</b>                | <b>\$35,373</b>                 | <b>TOTAL</b>                        | <b>289</b>                | <b>\$31,269</b>                 |
| <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$5,553,622</b>              | <b>TOTAL ANNUAL ALLOWANCES PAID</b> |                           | <b>\$9,036,858</b>              |

**DEATH BENEFITS—QPP**

*As of June 30, 2003*

| <b>MEN</b>                        |                                |                               | <b>WOMEN</b>                      |                                |                               |
|-----------------------------------|--------------------------------|-------------------------------|-----------------------------------|--------------------------------|-------------------------------|
| <b>Age</b>                        | <b>Number of Beneficiaries</b> | <b>Average Annual Benefit</b> | <b>Age</b>                        | <b>Number of Beneficiaries</b> | <b>Average Annual Benefit</b> |
| under 30                          | 12                             | \$17,548                      | under 30                          | 4                              | \$7,287                       |
| 30–34                             | 2                              | 8,781                         | 30–34                             | 3                              | 25,199                        |
| 35–39                             | 8                              | 11,909                        | 35–39                             | 10                             | 11,969                        |
| 40–44                             | 10                             | 7,852                         | 40–44                             | 16                             | 9,864                         |
| 45–49                             | 11                             | 13,728                        | 45–49                             | 21                             | 8,242                         |
| 50–54                             | 30                             | 11,157                        | 50–54                             | 38                             | 21,571                        |
| 55–59                             | 39                             | 14,252                        | 55–59                             | 88                             | 24,395                        |
| 60–64                             | 46                             | 22,731                        | 60–64                             | 145                            | 28,537                        |
| 65–69                             | 71                             | 17,757                        | 65–69                             | 168                            | 29,734                        |
| 70–74                             | 79                             | 19,748                        | 70–74                             | 297                            | 26,387                        |
| 75–79                             | 127                            | 18,276                        | 75–79                             | 398                            | 21,805                        |
| 80–84                             | 151                            | 19,635                        | 80–84                             | 452                            | 21,270                        |
| 85–89                             | 154                            | 13,665                        | 85–89                             | 403                            | 20,078                        |
| 90 & over                         | 171                            | 15,362                        | 90 & over                         | 400                            | 20,615                        |
| <b>TOTAL</b>                      | <b>911</b>                     | <b>\$16,824</b>               | <b>TOTAL</b>                      | <b>2,443</b>                   | <b>\$22,563</b>               |
| <b>TOTAL ANNUAL BENEFITS PAID</b> |                                | <b>\$15,327,097</b>           | <b>TOTAL ANNUAL BENEFITS PAID</b> |                                | <b>\$55,121,260</b>           |

**PENSION FUND**  
**Performance Highlights**  
 Fiscal Year 2004

**Return: 15.87%**

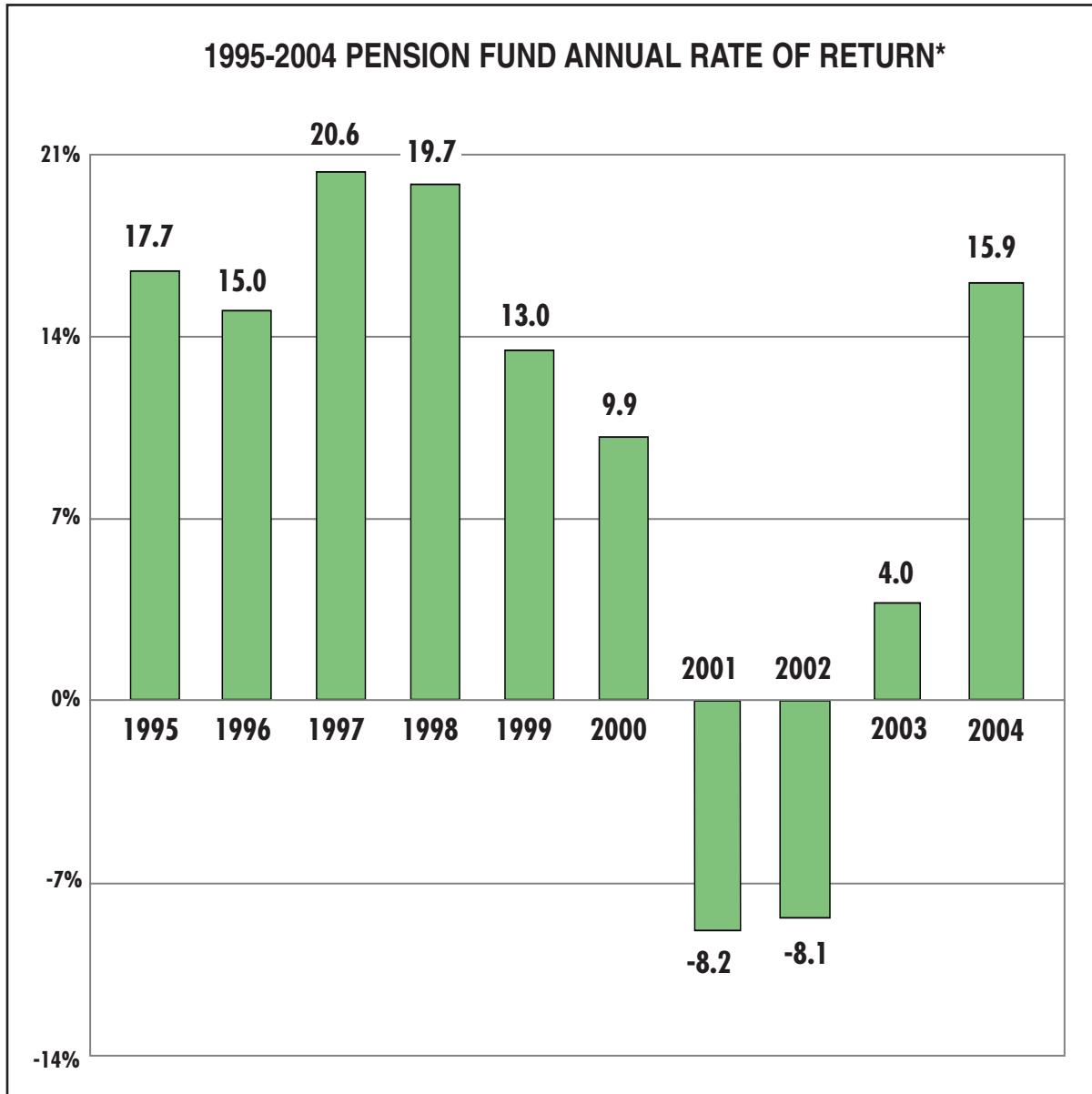
**Total Investments: \$28.658 Billion**

During Fiscal Year 2004, the Pension Fund's portfolio, consisting primarily of equities and fixed-income instruments, yielded a return of 15.87% after fees and expenses. This was a considerable increase from the 4.01% return for Fiscal Year 2003.

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, 2005; 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 2004

**Return: 20.45%**

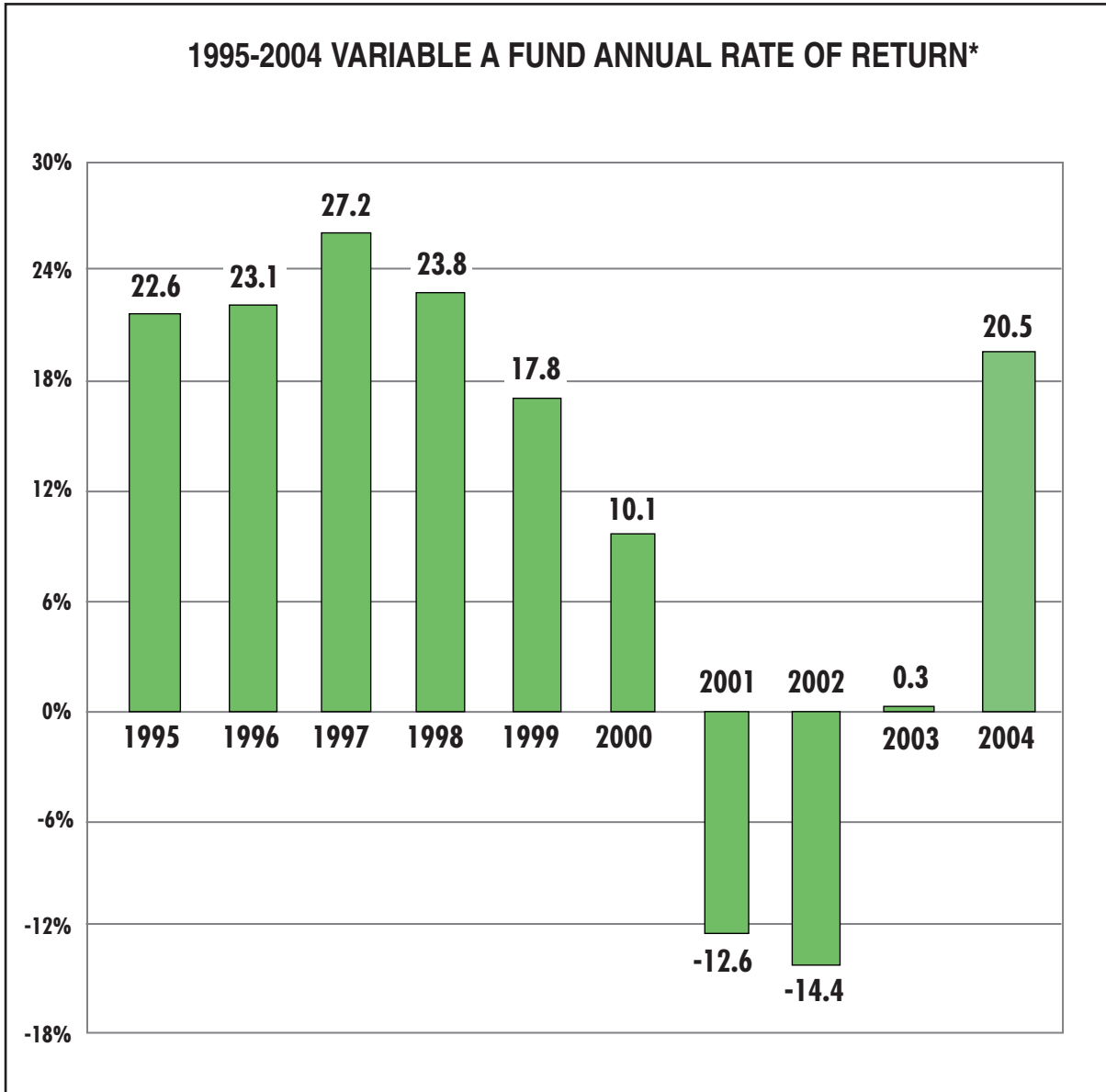
**Total Investments: \$ 7.377 Billion**

For the fiscal year ending June 30, 2004, Variable A returned 20.45% after fees and expenses. Because Variable A is invested in a diversified blend of investments that historically have made it less volatile than the overall U.S. equity market, Variable A slightly underperformed the composite benchmark's return of 21.10%. The composite benchmark, which includes no fees, 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, 2004, approximately 82.4% of Variable A's portfolio was invested in the U.S. common stock market. Variable A's portfolio also contained approximately 17.3% in international stocks and approximately 0.3% in fixed-income securities, which contribute to portfolio diversification.

- The Passive Core sector returned 20.38%, slightly underperforming the Russell 3000 Index's return of 20.46%.
- The Active Domestic Equity sector returned 20.82%, outperforming the Russell 3000 Index by 36 basis points (0.36%). This sector is predominately allocated to the risk-controlled composite, which returned 21.01%. A smaller allocation to the eclectic composite returned 20.26%.
- The Tactical Asset Allocation sector earned 13.42%, outperforming the sector's benchmark (60% S&P 500/40% Lehman Brothers Long Treasury Bond Index), which returned 9.64%. While relative performance in this sector lagged its respective benchmark, the absolute returns generated by this sector helped overall Variable A performance for the fiscal year.
- The International Equity sector returned 29.57%, outperforming this sector's benchmark by 328 basis points (3.28%). While international equity's performance was not as compelling as that of U.S. equity over this short time period, international equity is included in the portfolio to diversify the overall mix within Variable A.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK



\* After expenses

**VARIABLE B FUND**  
**Performance Highlights**  
 Fiscal Year 2004

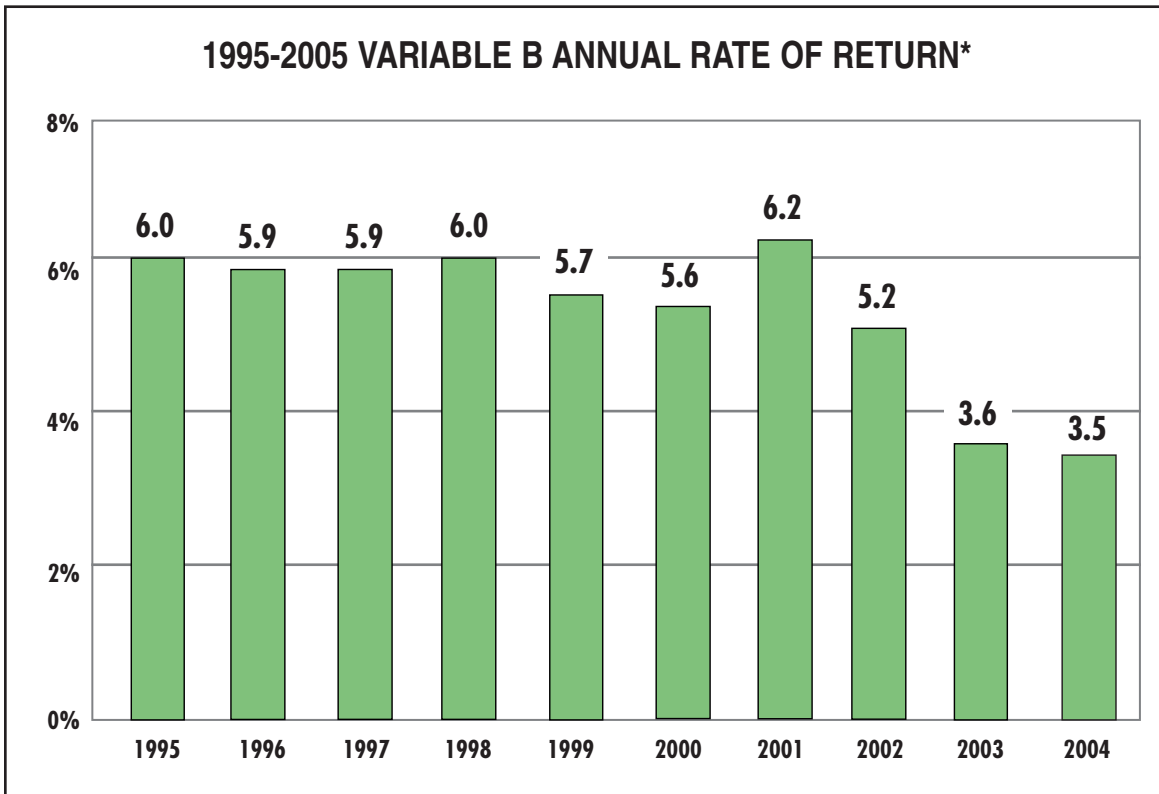
**Return: 3.50%**

**Total Investments: \$0.360 Billion**

Variable B's portfolio earned 3.50% after fees and expenses for the fiscal year ending June 30, 2004. Variable B's return lagged behind the Ryan Three-Year GIC Index, which yielded a return of 3.90%. 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, over-performed a market-valued benchmark, the Merrill Lynch 1-3 Year Treasury Index. This index, with a 0.50% 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





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